

MCB LEASING LIMITED

ANNUAL REPORT - YEAR ENDED JUNE 30, 2022

MCB LEASING LIMITED**YEAR ENDED JUNE 30, 2022**


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MCB LEASING LIMITED**INTRODUCTION AND STATUTORY DISCLOSURES - YEAR ENDED JUNE 30, 2022**

The Board of Directors (the "Board") is pleased to present the Annual Report of MCB Leasing Limited (the "Company") for the year ended June 30, 2022. This Annual Report can be viewed on the website of the Company.

The financial statements on pages 40 to 90 have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in compliance with the requirements of the Mauritian Companies Act 2001 (the "Act"), the Mauritian Banking Act 2004, the Financial Reporting Act 2004 and Guidelines and Guidance Notes issued by the Bank of Mauritius, in so far as the operations of the Company are concerned.

This annual report was approved by the Board of Directors on 21 September 2022.



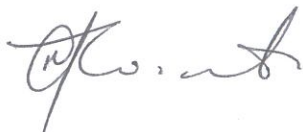
Simon-Pierre Rey
Chairperson of the Board of Directors



Raj Gungah
Managing Director

MCB LEASING LIMITED**SECRETARY'S CERTIFICATE - YEAR ENDED JUNE 30, 2022**

We certify that, to the best of our knowledge and belief, the Company has filed with the Registrar of Companies all such returns as are required of the Company under the Mauritian Companies Act 2001 as per section 166(d).



MCB Group Corporate Services Ltd
SECRETARY

21 September 2022

MCB LEASING LIMITED**CORPORATE GOVERNANCE REPORT – YEAR ENDED 30 JUNE 2022 (CONTINUED)**

NAME	GENDER	COUNTRY OF RESIDENCE	BOARD APPOINTMENT	BOARD COMMITTEE APPOINTMENT
Simon-Pierre Rey	Male	Mauritius	Independent Director and Chairperson of the Board	Member of the: (i) Audit Committee (ii) Risk Management and Conduct Review Committee
Raj Gungah	Male	Mauritius	Managing Director	(i) Member of the Risk Management and Conduct Review Committee
Martine Ip Min Wan	Female	Mauritius	Independent Director	(i) Chairperson of the Audit Committee (ii) Member of the Risk Management and Conduct Review Committee
Johanne Joseph	Female	Mauritius	Independent Director	(i) Chairperson of the Risk Management and Conduct Review Committee (ii) Member of the Audit Committee
Jean Michel Ng Tseung	Male	Mauritius	Non-Executive Director	-
Anju Umrowsing-Ramtohul	Female	Mauritius	Non-Executive Director	-

2.3. Directors' Profile**Simon-Pierre Rey (Independent Director and Chairperson of the Board)**

Simon-Pierre Rey holds a BA (Honours) Economics and is a member of the Institute of Chartered Accountants of England and Wales. He has worked for some 25 years with Ireland Blyth Limited in the finance field until his retirement in December 2012. During this period, he has occupied important ranks within the group, notably as Group Finance Director/Controller, Company Secretary and Chief Operating Officer, amongst others. Furthermore, he was a board member of various companies within the Ireland Blyth Group, whilst serving on several board committees of these entities, namely the Audit and the Corporate Governance Committees. He was an independent non-executive director of The Mauritius Commercial Bank Limited from 2013 to 2019.

Directorship in listed companies: ENL Ltd

Raj Gungah (Managing Director)

Raj Gungah has been appointed as Managing Director of the Company on 1st September 2017. He has been working for MCB Group for the last thirty-six years and held various management positions within the Retail Strategic Business Unit of The Mauritius Commercial Bank Limited (MCB Ltd). Prior to joining the company, he was Regional Manager of Port Louis region of MCB Ltd since May 2015. Raj holds a

MCB LEASING LIMITED**CORPORATE GOVERNANCE REPORT – YEAR ENDED 30 JUNE 2022 (CONTINUED)**

CIB from Chartered Institute of Bankers, a Professional DFSM from Institute of Financial Services, a MDP from University of Stellenbosch, and a Level-7 Pearson BTEC Diploma in Strategic Management and Leadership. He is also a member of MIOD, MBA, Associate of Institute of Financial Services, and is an IVTB-registered trainer at MCB Development Centre.

Martine Ip Min Wan (Independent Director)

Martine Ip Min Wan holds a BSc Economics from the London School of Economics and is a Fellow member of the Institute of Chartered Accountants in England and Wales. From 2000 to 2008, she worked in London at Deloitte and Touche and Lehman Brothers and since 2009, she is an Audit and Assurance Partner at Kemp Chatteris Mauritius. She has a wide experience in the audit of global business companies, funds and manufacturing companies. Her other areas of expertise include client relationship management, marketing and development of client base, risk management and quality control and practice management.

Johanne Joseph (Independent Director)

Johanne Joseph is a tax lawyer practising at the Mauritian bar and is the founder of Prism Chambers, a boutique tax law firm in Mauritius. She is also a practising solicitor of England & Wales since 2007. She has worked for many years in London, initially at a Magic Circle law firm, Linklaters LLP and thereafter as an in-house lawyer at JPMorgan Chase Bank N.A. She has significant experience in tax legislation in the UK, Mauritius and a number of African countries and routinely advises multinational and domestic clients on their contentious and transactional tax issues. She assists clients in connection with audits, investigations and assessments by the Mauritius Revenue Authority and appears for her clients before the Assessment Review Committee and the Supreme Court of Mauritius on tax-related matters. She sits on the Tax Committee of Mauritius Finance and regularly lectures on Tax law at the Paris 2 Panthéon-Assas University.

Jean Michel Ng Tseung (Non-Executive Director)

Jean Michel Ng Tseung graduated with a First Class Honours in Mathematics at the Imperial College of Science and Technology, London. He joined MCB Ltd in January 2004 and was Head of Corporate Banking of the Bank until July 2015, when he was appointed Chief Executive Officer of MCB Investment Holding Ltd. He trained as a Chartered Accountant with Arthur Andersen in London before becoming Partner and Head of the Audit and Business Advisory Department of De Chazal Du Mée and subsequently of Ernst & Young in Mauritius. He is currently a Board member of several companies within the Group namely MCB Investment Holding Ltd, MCB Ltd, MCB Seychelles, MCB Maldives, MCB Madagascar and Banque Française Commerciale Océan Indien amongst others.

Directorship in listed companies: MCB Group Limited

Anju Umrowsing-Ramtahul (Non-Executive Director)

Anju Umrowsing-Ramtahul holds a Masters in Economics from University of Montpellier and a Post Graduate Diploma in Banking and Finance from University of Paris I, Panthéon, Sorbonne. She joined The Mauritius Commercial Bank Limited (MCB Ltd) in 2004 as Special Assets Manager and was Head of Credit Management SBU from July 2009 to January 2017 after which she held the position of Head of Credit Origination and Structuring SBU. Prior to joining the Bank, Anju worked in the Corporate Banking Division of State Bank of Mauritius Limited and The Hongkong Shanghai Banking Corporation Limited – Mauritius Branch. She is currently Head of Banking Operations Strategic Business Unit of MCB Ltd.

MCB LEASING LIMITED**CORPORATE GOVERNANCE REPORT – YEAR ENDED 30 JUNE 2022 (CONTINUED)****2.4. Attendance at Board and Board Committee meetings during financial year 2021/2022**

Board and Committee meetings are held at least four times a year. Additional meetings may be convened when required.

The Board was convened four times during the financial year ended 30 June 2022 with each Board Committee holding four meetings.

Details of attendance are shown below.

Name	Board Meetings	Audit Committee	Risk Management and Conduct Review Committee
Number of meetings held	4	4	4
Independent Directors			
Simon-Pierre Rey	4/4	4/4	4/4
Martine Ip Min Wan	4/4	4/4	4/4
Johanne Joseph	4/4	3/4	4/4
Executive Director			
Raj Gungah	4/4	N/A	4/4
Non-Executive Directors			
Jean Michel Ng Tseung	3/4	N/A	N/A
Anju Umrowsing-Ramtohul	4/4	N/A	N/A

2.5. Company Secretary

MCB Group Corporate Services Ltd acts as Company Secretary to the Company. The Company Secretary has three qualified Chartered Secretaries with more than twenty years of experience each. The Company Secretary also acts as Secretary to the Committees of the Board.

2.6. Committees of the Board

There are currently two sub-committees of the Board, namely the Audit Committee and the Risk Management and Conduct Review Committee. On 27 April 2017, the Bank of Mauritius dispensed the Company from having a Nomination and Remuneration Committee and all matters relating to the nomination and remuneration of directors of the Company are taken at the level of the Board.

MCB LEASING LIMITED**CORPORATE GOVERNANCE REPORT – YEAR ENDED 30 JUNE 2022 (CONTINUED)****2.6.1. Audit Committee**

The Audit Committee currently consists of three independent directors and is governed by a Charter approved by the Board of Directors and which is reviewed on a regular basis. The Charter of the Audit Committee is available on the website of the Company.

The main roles and responsibilities of the Audit Committee include regular reviews and monitoring of the following:

- Effectiveness of the Company's internal financial control and risk management systems;
- Effectiveness of the internal audit function which has a direct reporting line with the Audit Committee;
- Independence of the external audit process and assessment of the external auditor's performance;
- Remuneration of external auditors and their supply of non-audit services;
- The Company's systems for monitoring compliance with laws and regulations relevant to financial reporting and with its internal code of business conduct;
- Specific issues where the Audit Committee considers action or improvement is needed, making recommendations as to the steps to take; *and*
- Annual financial statements to be submitted to the Board and to the Regulators.

2.6.2. Risk Management and Conduct Review Committee

The Risk Management and Conduct Review Committee currently consists of four members (three independent directors and the Managing Director) and is governed by a Charter approved by the Board of Directors and which is reviewed on a regular basis. The Charter of the Risk Management and Conduct Review Committee is available on the website of the Company.

The principal duties of the Committee consist in assisting the Board in setting up risk strategies and to assess and monitor the risk management process of the Company. The Committee also advises the Board on risk issues and monitors the risk of the different portfolios against the set risk appetite.

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

MCB LEASING LIMITED**CORPORATE GOVERNANCE REPORT – YEAR ENDED 30 JUNE 2022 (CONTINUED)****3. DIRECTOR APPOINTMENT PROCEDURES****3.1. Appointment Process**

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 Remuneration, Corporate Governance, Ethics and Sustainability Committee (“RCGESC”) of MCB Group Limited, the ultimate holding company of the Company.

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

3.2. Time commitment

Each Director is expected to devote sufficient time and attention to the affairs of the Company. The Board does not believe that its members should be prohibited from servicing on boards of other organisations unless the number of directorships limits the amount of time they are able to dedicate to being a Director of the Company.

The Company anticipates a time commitment of around 15 days per year. This will include attendance at Board meetings, at Board committees, the Annual Meeting of Shareholders, the annual budget and strategy Board meetings, meetings as part of the Board evaluation process, trainings and development programmes. There is always the possibility of additional time commitment in respect of ad hoc matters that may arise from time to time, and particularly when the Company is undergoing a period of increased activity.

3.3. Induction of new Directors

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 and enable the latter to participate actively in Board's discussion.

MCB LEASING LIMITED**CORPORATE GOVERNANCE REPORT – YEAR ENDED 30 JUNE 2022 (CONTINUED)****3.4. Professional Development**

Directors are encouraged to keep themselves up to date with the professional practices and industry related developments. The Chairperson regularly reviews and comes to an agreement with each Director, if necessary, on his or her training and development needs. Upon request from the Directors, the Company shall provide the necessary resources for developing and updating the skills and knowledge of the directors so that they fulfill their role on the Board and its committees.

3.5. Succession planning

The Board believes that good succession planning contributes to the delivery of the Company's strategy.

MCB Group Limited is one of Mauritius' largest groups of companies with a large pool of staff with different skills, academic and professional qualifications, and expertise in various fields of business. The Group creates opportunities to develop leaders by recognising and nurturing talents within the executive and management levels across the Group.

The Chairperson of the Board is responsible for overseeing the succession planning for the Board and the Managing Director in collaboration with the RCGESC of MCB Group Limited.

4. DIRECTOR DUTIES, REMUNERATION AND PERFORMANCE**4.1. Legal duties of Directors**

The Directors are aware of their legal duties and are responsible for ensuring that the activities of the Company are managed ethically and responsibly, in line with relevant laws and regulations. The Directors exercise the required standard degree of care, skill and diligence which a reasonable prudent and competent director in his or her position would exercise.

4.2. Register of Interests

The Company Secretary maintains a Register of Interests that is regularly updated with the information submitted by the Directors. The Register is available for consultation by shareholders upon written request to the Company Secretary.

4.3. Whistleblowing Policy

MCB Group Limited has adopted a Whistleblowing Policy which is applicable to all its subsidiaries, its employees and directors. This policy aims at providing an avenue for employees to raise in good faith, concerns of potential breaches of laws, rules, regulations or compliance. The whistle-blowing mechanism is designed to motivate employees to act responsibly to uphold the Group's reputation. This policy is published on the website of the Company.

4.4. Policy on Related Party Transaction Risk

The Company has adopted a Policy on Related Party Transactions, published on its website, whose objective is to define the scope of related party transactions conducted by the Company and to set out prudent rules and limits for granting credit to related parties. The Board has delegated the authority to the Risk Management and Conduct Review Committee to review and approve related party transactions.

MCB LEASING LIMITED**CORPORATE GOVERNANCE REPORT – YEAR ENDED 30 JUNE 2022 (CONTINUED)****4.5. Related Party Transactions**

Related Party Transactions are tabled at the Risk Management and Conduct Review Committee meetings. Related party transactions of the Company were conducted in line with relevant internal policies and guidelines. Details of related party transactions are included in note 33 to the financial statements.

4.6. Information, Information Technology and Information Security Governance Policy

The Board oversees information governance within the organisation. The Information, Information Technology and Information Security Governance Policy of the MCB Group Limited applies to all the subsidiaries of the Group. All policies relating to information security are made accessible to all the employees of the Group without restriction via its intranet system. Appropriate governance arrangements are in place whereby the Information Technology (“IT”) function and function responsible for monitoring adherence to Information Risk and IT are kept separate. The Information Technology activities are outsourced to The Mauritius Commercial Bank Limited through a Service Level Agreement.

This Information, Information Technology and Information Security Governance Policy, which has been approved by the Board, is published on the website of the Company.

4.7. Board Evaluation

A board evaluation exercise was carried out in June 2021 by way of a questionnaire whereby the effectiveness of the Board as a whole, its Committees and the contribution of each individual Director and the Chairperson were evaluated.

The questionnaire covered the following areas:

- The Structure of the Board
- Board Efficiency and Effectiveness
- Strategy and Performance
- Risk Management and Governance
- Board Committees Function
- Board Members self-evaluation
- Chairperson’s evaluation by Board Members

The results established that the Directors consider the Board to be effective with an appropriate mix of expertise, skills and competence. No significant action needs to be taken as a result of the evaluation exercise.

The next evaluation exercise will be conducted in 2023.

MCB LEASING LIMITED**CORPORATE GOVERNANCE REPORT – YEAR ENDED 30 JUNE 2022 (CONTINUED)****4.8. Statement of Remuneration Philosophy**

The Board reviews the adequacy of the remuneration of the directors and recommendations are made to the RCGESC of MCB Group Limited.

The RCGESC of MCB Group Limited is responsible for the setting up and developing of the Group's general policy concerning the remuneration of directors. MCB Group Limited lays significant emphasis on appointing the right people with the right skills and behaviours whilst rewarding them adequately, in line with market practices.

The Company applies the same remuneration philosophy as its ultimate holding company, MCB Group Limited which consists of:

- a monthly basic retainer for membership of the Board;
- an attendance fee per sitting of the Board and Committees;
- the Chairpersons of the Board and Committees, having wider responsibilities should have consequential remuneration;
- no share option or bonus should be granted to non-executive directors.

The remuneration philosophy for executives is based on meritocracy and opportunity is given to employees to benefit from the financial results of the Company. Indeed, executives receive an annual bonus based on the performance of the Company as well as an assessment of their contributions thereto.

Furthermore, the employees of the Company are entitled to the MCB Group Employee Share Option Scheme which provides them with the opportunity to partake in the growth and prosperity of the Group through an acquisition of a stake therein.

4.9. Directors' Remuneration

Amount paid to directors during the year ended 30 June 2022 is as follows:

<i>Non-Executive Directors</i>	Rs
Mr Simon-Pierre Rey	228,800
Mrs Martine Ip Min Wan	166,400
Mrs Johanne Joseph	166,400
Mr Jean Michel Ng Tseung	-
Mrs Anju Umrowsing-Ramtohl	-
 <i>Executive Director</i>	
Raj Gungah	3,825,510

Non-executive directors having an executive role within the entities of MCB Group Limited are not remunerated. Non-executive directors have not received remuneration in the form of share options or bonuses associated with organisational performance.

Remuneration of the directors is reviewed on an annual basis and the Board is of the opinion that the level and form of remuneration are adequate.

MCB LEASING LIMITED**CORPORATE GOVERNANCE REPORT – YEAR ENDED 30 JUNE 2022 (CONTINUED)****4.10. Share Option Plan**

The Managing Director and employees of the Company are entitled to the MCB Group Employee Share Option Scheme.

5. RISK GOVERNANCE AND INTERNAL CONTROL**5.1. Risk Management**

Being mindful of the risks faced by the Company in its day-to-day operations and activities, the Board of the Company acknowledges its responsibility for maintaining a robust risk management and internal control system and for reviewing its effectiveness on a regular basis.

In this respect, the Board ensures that the necessary structures, processes and methods for identifying, measuring and monitoring such risks are in place and integrated in the Company's overall framework for risk governance while ensuring that all laws, regulations and codes of business practice are adhered to. For the discharge of its duties, the Board is assisted by the Risk Management and Conduct Review Committee, which enable it to properly formulate, review and approve policies on monitoring and managing risk exposures.

Management and the assurance process on risk management are delegated to management which is responsible for the design and implementation of the risk management processes and day-to-day management of risk.

The Company's policy on risk management encompasses all significant business risks (including physical, operational, human resources, business continuity, financial, credit, market, compliance and reputational risks) which could influence the achievement of the Company's objectives.

The risk management mechanisms in place include:

- A system for the ongoing identification and assessment of risk;
- Development of strategies in respect of risk and definition of acceptable and non-acceptable levels of risk;
- The communication of risk management policies to all levels of the Company as appropriate, and methods to ensure commitment, of all relevant stakeholders, to the process;
- The implementation of a system of internal control that closely aligns the control effort to the nature and importance of the risk; *and*
- Processes to reduce or mitigate identified risks and contain them within the levels of tolerance

MCB LEASING LIMITED**CORPORATE GOVERNANCE REPORT – YEAR ENDED 30 JUNE 2022 (CONTINUED)****Principal risks faced by the Company**

Risks	Description	Examples of subjects covered by the Company's Risk Management and Conduct Review Committee
Credit	The risk of financial loss should borrowers or counterparties fail to fulfill their financial or contractual obligations to the Company as and when they fall due; credit risk typically includes counterparty risk, settlement risk and concentration risk, with the latter referring to the risk that the institution faces from the lack of diversification of its lending portfolio due to the build-up of exposures to a counterparty, industry, market or product amongst others.	<ul style="list-style-type: none"> • Regular reviews of Credit Policy and Policy for management of impaired assets; • Evaluation of design of core leasing system to ensure adequate processes with respect to credit origination, approval and disbursement; • Approval of large exposures by Credit Risk Committee; • Review of credit mandates; • Concentration limits (industries, counterparties, asset classes, corporate/retail); • Periodic reviews of lease exposures in arrears to ensure appropriate timely actions are taken to regularise the situation or classify the exposures as non-performing with the subsequent determination of provision levels.
Funding and liquidity risk	<p>Funding risk: The risk arising from not having sufficiently stable and diverse sources of funding or the funding structure being inefficient</p> <p>Liquidity risk: The risk that the Company does not have sufficient financial resources to meet its obligations as they fall due or will have to do so at an excessive cost.</p>	<ul style="list-style-type: none"> • Limits such as liquidity ratio, capital adequacy ratio, depositors' concentration, lease to deposits ratio; • Rolling monthly forecast cash-flows; • Matching of tenors of leases and deposits/liquidity gap • Overdraft facilities available as liquidity buffer
Foreign currency risk	The risk that an adverse movement in foreign currency exchange gives rise to a loss.	<ul style="list-style-type: none"> • The Company ensures that the value of its foreign currency assets are matched by its foreign currency liabilities.
Interest rate risk	Interest Rate Risk is the risk arising from fluctuations in interest rates.	<ul style="list-style-type: none"> • Reviews of impact of a change in interest rate on the net interest income of the Company;
Operational risk	The risk of loss or costs resulting from human factors, inadequate or failed internal processes and systems or external events. It includes fraud and criminal activity, project risk, business continuity, etc.	<ul style="list-style-type: none"> • 4-eyes principle applicable to operational processes • Appointment of a Compliance Officer & MLRO • Regular Internal audit inspections performed by MCB Internal Audit BU. • Insurance cover
Information risk	The risk of accidental or intentional unauthorised use, modification, disclosure or destruction of information resources which would compromise the confidentiality, integrity or availability of information	<ul style="list-style-type: none"> • Information, Information Technology and Information Security Governance Policy in place; • Review of performance levels of the Company's IT infrastructure at the steering committee meetings with MCB Ltd and MCB Consulting Services by virtue of the service level agreements signed among the parties; • Review of access rights matrix by the internal audit team.

MCB LEASING LIMITED**CORPORATE GOVERNANCE REPORT – YEAR ENDED 30 JUNE 2022 (CONTINUED)****5.2. Internal Control**

The Company's internal control framework seeks to ensure the reliability of financial reporting, operations and systems whilst guaranteeing compliance with internal established policies and procedures as well as with laws, regulations, and codes of business practice in order to protect the Company's assets and reputation. The Board is assisted in its responsibilities by the Audit Committee which oversees the effectiveness of the Company's internal control systems. Processes are in place to monitor the effectiveness of internal control, identify and report any significant issues, and ensure that timely and appropriate corrective actions are taken.

5.3. Integration of internal control and risk management

The system of internal control, which is embedded in all key operations, provides reasonable rather than absolute assurance that the Company's business objectives will be achieved within the risk tolerance levels defined by the Board. The effectiveness of the internal control systems (including financial, operational, compliance and risk management) are reviewed quarterly by the Risk Management and Conduct Review Committee as well as the Audit Committee and the review covers all internal control systems.

5.4. Assurance on the effectiveness of the risk management process

Regular management reporting, which provides a balanced assessment of key risks and controls, is an important component of board assurance. The Board has monitored and evaluated the Company's strategic, financial, operational and compliance risk during the year.

5.5. Board Committee discussions

During the year, the Audit Committee considered the below:

- Examined and reviewed the audited financial statements published by the Company;
- Considered reports from internal and external auditors and monitored actions taken accordingly;
- Discussed the adequacy of allowance for credit impairment;
- Reviewed compliance and regulatory updates; and
- Approved the audit plan of the external and internal auditors

The Risk Management and Conduct Review Committee discussed the below items:

- Reviewed and assessed the adequacy of capital, funding and liquidity requirements of the Company;
- Reviewed the asset quality metrics of the Company;
- Reviewed major exposures and impairment provisions; and
- Considered and approved related party transactions.

MCB LEASING LIMITED**CORPORATE GOVERNANCE REPORT – YEAR ENDED 30 JUNE 2022 (CONTINUED)****6. REPORTING WITH INTEGRITY**

The Directors are responsible for preparing the annual report and the accounts in accordance with applicable laws and regulations. The Directors are also responsible for ensuring that the accounts present a fair statement of the affairs of the Company and have been prepared in compliance with International Financial Reporting Standards and in compliance with the requirements of the Mauritian Companies Act 2001 (the "Act"), the Mauritian Banking Act 2004, the Financial Reporting Act 2004 and Guidelines and Guidance Notes issued by the Bank of Mauritius.

6.1. Organisational overview

Founded in 1994, the Company is regulated by the Bank of Mauritius and licensed by the Financial Services Commission. During the past twenty-eight years, the Company has built a solid mainstay with a tradition that upholds excellence in all aspects of its business, thus maintaining the market leadership within the leasing sector.

The total lease portfolio of the Company now comprises finance leases and operating leases to the tune of Rs 4.0 billion, whilst deposits raised locally amounted to Rs 3.6 billion. With a diverse customer base ranging from individuals, small and medium enterprises to blue chip corporates across the island, the Company intends to enhance its presence as a solid partner within the leasing sector.

With a staff strength of forty two employees, the Company has the necessary expertise and commitment to reach out to different customer segments, delight its customers and strengthen its market share through efficient leadership, smart objectives, employee engagement, continuous empowerment, differentiated and innovative products and services, while capitalising on existing features of technology and engaging on digital transformation journey.

6.2. Overview of the external environment

The leasing sector continues to be marked by aggressive campaigns and intense price competition, leading to a compression on profit margins. In addition, the availability of motor vehicles and consequently the disbursement of leases were constrained in the current year as the market has been severely impacted by delays in the production and delivery of vehicles.

6.3. Business model

The highly liquid environment characterising the market place has given rise to a cut throat competition among banks and leasing companies. The fixed rate of interest offered by leasing companies as opposed to floating rates offered by banks also impaired the leasing companies' competitive edge in a generally declining interest rate environment for most part of the year. The Company's operating context remains difficult amidst an unsteady economic climate with strains on the global supply chain and rising prices across board adding to inflationary pressure whilst certain sectors are only just starting to recover from the impact of Covid-19. Some early signs of defaults and subsequent impairment in specific sectors and within vulnerable segments have influenced the review of credit assessment criterias so as to safeguard both the organisation's and the customers' interests. The demand for credit to finance cars and vehicles has been growing steadily, whilst we have noted a decline in requests for financing of equipment in general.

MCB LEASING LIMITED**CORPORATE GOVERNANCE REPORT – YEAR ENDED 30 JUNE 2022 (CONTINUED)****6.4. Key performance indicators, performance and outlook**

Please refer to the *Financial Review* section within the *Management Discussion and Analysis* section in this Report.

6.5. Sustainable development

The Company's focus remain to reinforce its resources, that is, human capital, technological development and processes. This has been done with the aim of enabling the Company to better meet the demands from its clients, and to face challenges from competitors and to adapt to market changes.

6.6. Political Donations

No donations were made by the Company during the period under review (2021: Nil, 2020: Nil).

6.7. Charitable Donations

No donations amounting were made to charitable associations by the Company during the year (2021: Rs: Nil, 2020: Rs 18,000).

6.8. Corporate Social Responsibility

Corporate Social Responsibility contributions are made to the MCB Forward Foundation, the entity set up within the MCB Group Limited for these purposes. Contributions applicable for the year for its subsidiary MCB Leasing Limited amounted to Rs 1,024,880 out of which 50% are remitted to the Mauritius Revenue Authority and 50% to the MCB Forward Foundation.

6.9. Carbon Reduction

The Company is fostering on green attitude in-house by closely monitoring its energy consumption with the installation of LED lights and promoting green products.

6.10. Health and environment safety

The Company has applied social, safety, health and environmental policies and practices of the MCB Group Limited that in all material respects comply with existing legislative and regulatory frameworks.

6.11. Documents available on the website

The Board of Directors is pleased to announce that the following documents which have been approved by the Board can be viewed on the website of the Company:

- The Annual Report of the Company including the financial statements;
- The Constitution;
- The Board Charter;
- The Audit Committee Charter;
- The Risk Management & Conduct Review Committee Charter;
- The Position Statements;
- The Appointment process of Non-Executive Directors;

MCB LEASING LIMITED**CORPORATE GOVERNANCE REPORT – YEAR ENDED 30 JUNE 2022 (CONTINUED)**

- The terms and conditions of appointment of Non-Executive Directors;
- The Policy on Related Party Transactions;
- The Statement of accountabilities;
- The Organisational Chart;
- The Code of Ethics;
- The Whistle Blowing Policy;
- The Information, Information Technology and Information Security Governance Policy; *and*
- The Internal Audit Function.

7. AUDIT**7.1. Internal Audit**

In carrying out its duties, the Audit Committee receives regular reports from the Internal Audit function which is outsourced to the Internal Audit Business Unit of The Mauritius Commercial Bank Limited through a Service Level Agreement.

The Company was granted approval by the Bank of Mauritius on 20th June 2017, under the *Guideline on Outsourcing by Financial Institutions*, to outsource the Internal Audit Function to The Mauritius Commercial Bank Limited. The Head of Internal Audit of The Mauritius Commercial Bank Limited is independent of the Executive Management of the Company and reports to the Audit Committee. The Audit Committee holds frequent meetings with the Managing Director and the Head of Internal Audit. As such, through the internal control in place, the audit reports, the reviews by Management and the regular reporting from the Chairperson of the Audit Committee, the Board gains assurance that the Company's internal control systems are adequate and effective.

The Internal Audit BU of The Mauritius Commercial Bank Limited ensures that the quality of internal audit services provided to MCB Leasing Limited is aligned with recognised best practices. The Internal Audit BU leverages on a systematic and disciplined approach, notably through the use of well-focused audit work programs and computer aided audit techniques to evaluate the effectiveness of the internal control systems of the Company. It is worthwhile to note that the Institute of Internal Auditors requires each internal audit function to have an external quality assessment conducted at least once every five years. This exercise has been carried out in 2009, 2013 and 2018 respectively, by an internationally recognised auditing firm which confirmed the Internal Audit BU's compliance with the International Standards for the Professional Practice of Internal Audit issued by the above mentioned institute.

There are no restrictions placed on the internal auditors in conducting their audit exercises. The Internal Audit Function details may be viewed on the website of the Company.

Areas, systems and processes covered by internal audit including non-financial matters are as follows:

- Governance
- Accountancy
- Fixed Asset Management
- Management of petty cash
- Fixed Deposit Cycle
- Lease Cycle
- Debtor's management
- Administration

MCB LEASING LIMITED**CORPORATE GOVERNANCE REPORT – YEAR ENDED 30 JUNE 2022 (CONTINUED)**

- IT controls
- Compliance process
- Outsourcing activities
- Related Party
- Human Resource

The Audit Committee reviews the findings of the Internal Audit on a quarterly basis. The Audit Committee follows up on the recommendations and implementation of remedial actions, where applicable.

7.2. External Auditor

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 at the Annual Meeting of shareholders in November 2019 for the first time for the audit for the year ended 30 June 2020 and has been subsequently re-appointed for the years ended 30 June 2021 and 30 June 2022.

The Audit Committee also reviews the audit plan and meets the external auditor to discuss the accounting principles applied to the Company on a yearly basis. In addition, it receives reports from the Company's external auditor and has separate sessions with the latter without Management being present.

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

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.

7.3. Auditor's Fees

	2022 Rs	2021 Rs	2020 Rs
Statutory fees paid to:			
Deloitte	875,000	725,000	522,000
Fees for other services relating to:			
IFRS 9 Audit	-	-	217,000
Internal Control Review	-	-	87,000
Review Engagement for Dividend Declaration	325,000	360,000	109,000
AML/CFT	125,000	200,000	-

NB: Fees above exclude VAT

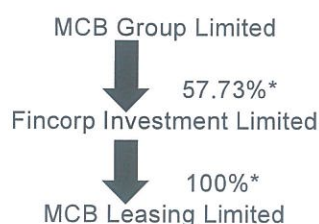
MCB LEASING LIMITED**CORPORATE GOVERNANCE REPORT – YEAR ENDED 30 JUNE 2022 (CONTINUED)****8. RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS****8.1. Shareholding profile**

Issued capital of the Company:

20,000,000 ordinary Shares of Rs10 each held by Fincorp Investment Limited	Rs200,000,000
20,000,000 5.5% Non-Cumulative Preference Shares of Rs10 each held by MCB Group Limited	Rs200,000,000
Issued Capital [<i>Qualifying as Tier 1 Capital</i>]	<u>Rs400,000,000</u>

8.2. Company Structure and Common Directors

The Company's holding structure as at 30 June 2022 was as follows:



**The % disclosed relates to voting rights.*

Mr Jean Michel Ng Tseung is a common director on the Board of MCB Leasing Limited and MCB Group Limited. There are no other common directors on the Boards of MCB Leasing Limited, Fincorp Investment Limited and MCB Group Limited.

8.3. Directors' interest and dealings in shares

The Directors do not hold shares in the Company or through any associate.

8.4. Major transactions

No major transaction as defined under section 130(2) of the Act was undertaken during the year under review.

8.5. Constitution

The Company adopted a new Constitution on 24 October 2017. A copy of the Constitution is available on the website of the Company. There are no clauses of the Constitution of the Company deemed material enough for special disclosure.

8.6. Shareholders' rights

The Company is committed to providing to the shareholders with adequate, timely and sufficient information pertaining to the Company's business. The Shareholders are entitled to receive the Annual

MCB LEASING LIMITED**CORPORATE GOVERNANCE REPORT – YEAR ENDED 30 JUNE 2022 (CONTINUED)**

Report of the Company and the notice of Annual Meeting within six months of the end of the financial year.

During the meeting of shareholders, the Shareholders are encouraged to communicate their views and to discuss the activities and performance of the Company with the Board and the Management.

The Board does not consider it relevant to publish the Notice of Annual Meeting and the voting result on the website of the Company.

8.7. Dividend Policy

The Company aims to provide its shareholders with ongoing returns in the form of stable dividends. The declaration of dividends depends on the profitability of the Company and its expected growth and capital expenditure and working capital requirements. Please refer to Note 30 in the financial statements for details of dividends paid and payable.

8.8. Calendar of events

Some of the key milestones are as follows:

Annual Meeting of Shareholders	November/December 2022
Approval of Financial Statements FY 2022/2023	September 2023

8.9. Directors' service contracts

There are no service contracts between the Company and its directors.

8.10. Shareholders agreement affecting the governance of the Company by the Board

There is currently no such agreement.

8.11. Third Party Management Agreement

There are service level agreements between sister companies within MCB Group Limited and the Company for provision of technical assistance and other services.

8.12. Stakeholder's relations and communication

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

The Company's website is used to provide relevant information. Open lines of communication are maintained to ensure transparency and optimal disclosure. All Board members are requested to attend Annual Meeting, to which the shareholders are invited.

MCB LEASING LIMITED**CORPORATE GOVERNANCE REPORT – YEAR ENDED 30 JUNE 2022 (CONTINUED)****9. STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Directors acknowledge their responsibilities for:

- adequate accounting records and maintenance of effective internal control systems;
- the preparation of financial statements which fairly present the state of affairs of the Company as at the end of the financial year and the results of its operations and cash flows for that period and which comply with International Financial Reporting Standards ("IFRS") and with the requirements of the Mauritian Companies Act 2001 (the "Act") , the Mauritian Banking Act 2004, the Financial Reporting Act 2004 and Guidelines and Guidance Notes issued by the Bank of Mauritius;
- the selection of appropriate accounting policies supported by reasonable and prudent judgements.
- the preparation of the financial statements on a going concern basis.

The Directors also acknowledge that they do not have the power to amend the financial statements after issue.

The Directors report that:

- adequate accounting records and an effective system of internal controls and risk management have been maintained;
- appropriate accounting policies supported by reasonable and prudent judgements and estimates have been used consistently;
- IFRS have been followed, and any material departure has been disclosed, quantified and explained in the financial statements; and
- the financial statements have been prepared on a going concern basis; and
- the Company complies with the requirements of the Corporate Governance Code.

For and on behalf of the Board of Directors:



Simon-Pierre Rey
Chairperson of the Board of Directors



Raj Gungan
Managing Director

21 September 2022

MCB LEASING LIMITED

STATEMENT OF COMPLIANCE

(Section 75 (3) of the Financial Reporting Act 2004)

Name of PIE: MCB Leasing Limited

Reporting Period: 1st July 2021 — 30th June 2022

We, the Directors of MCB Leasing Limited, confirm that, to the best of our knowledge, MCB Leasing Limited has complied with the Code of Corporate Governance.

Signed for and on behalf of the Board of Directors:



Simon-Pierre Rey
Chairperson of the Board of Directors



Raj Gungah
Managing Director

21 September 2022

MCB LEASING LIMITED**MANAGEMENT DISCUSSION AND ANALYSIS DOCUMENT —
YEAR ENDED JUNE 30, 2022****CAUTIONARY NOTE TO THE READER**

This Management Discussion Analysis can include forward-looking statements and the risk exists that forecast projections and other postulations contained therein might not materialise and that actual results may vary materially from plans and expectations. Hence the reader should stand cautioned not to place undue reliance on such statements. The Board of MCB Leasing Limited (“the Company”) does not undertake to update any forward-looking statement from time to time upon becoming aware that the actual results of the company shall be different from those projected.

1 FINANCIAL REVIEW**(a) Overview of the leasing industry**

The leasing sector continues to be marked by aggressive campaigns and intense price competition, leading to a compression on profit margins. In addition, the availability of motor vehicles and consequently the disbursement of leases were constrained in the current year as the market has been severely impacted by delays in the production and delivery of vehicles.

The highly liquid environment characterising the market place has given rise to a cut throat competition among banks and leasing companies. The fixed rate of interest offered by leasing companies as opposed to floating rates offered by banks also impaired the leasing companies’ competitive edge in a generally declining interest rate environment for most part of the year. The Company’s operating context remains difficult amidst an unsteady economic climate with strains on the global supply chain and rising prices across board adding to inflationary pressure whilst certain sectors are only just starting to recover from the impact of Covid-19. Some early signs of defaults and subsequent impairment in specific sectors and within vulnerable segments have influenced the review of credit assessment criterias so as to safeguard both the organisation’s and the customers’ interests. The demand for credit to finance cars and vehicles has been growing steadily, whilst we have noted a decline in requests for financing of equipment in general.

(b) Managing the current economic climate

Whilst the COVID-19 crisis has materially altered the external environment in which MCB Leasing (the Company) operates, with governmental support, rollout of vaccines and the gradual lifting of restrictions to local and global mobility, FY22 was expected to be the year of recovery. However, the global outlook continued to present significant challenges on account of wide divergences in the speed of recovery of different countries and industries and more so due to the unexpected war in Ukraine and its impacts on the global front. The war led to a sharp deterioration in global economic conditions namely rising food and energy prices as well as exacerbating the existing supply chain issues. With the lingering effects of COVID-19 including the slowdown of China and the Russo-Ukrainian War, manufacturing industries remain hamstrung by the supply chain bottlenecks which directly impact the automobile industry.

The operating conditions faced by the Company have been unprecedented, thus prompting immediate measures to be taken to preserve the soundness and resilience of its activities. As matters stand, high uncertainty levels continue to prevail as stakeholders seek to find ways and means to confront economic challenges. During the year under review, MCB Leasing Limited continued to devote significant attention to addressing the economic challenges with a view to preserving the resilience of their activities.

With a staff strength of forty-two employees, the Company has the necessary expertise and commitment to reach out to different customer segments, delight its customers and strengthen its market share through efficient leadership, smart objectives, employee engagement, continuous empowerment, differentiated and innovative products & services, while capitalising on existing features of technology and engaging on a digital transformation journey.

MCB LEASING LIMITED**MANAGEMENT DISCUSSION AND ANALYSIS DOCUMENT —
YEAR ENDED JUNE 30, 2022****1 FINANCIAL REVIEW (CONTINUED)****(c) Financial performance**

Notwithstanding the challenging operating and economic context, the lease portfolio of the Company grew marginally by 1.3% to reach Rs 4,039 million (2021: Rs 3,986 million), with the finance lease portfolio down by 3% to Rs 3,152 million while the operating leases went up by 23% to now stand at Rs 887 million.

The deposit base is also on the upward trend year on year, increasing by 6% to Rs3,591 million at the year-end (2021: Rs 3,395 million). This increase in deposits reflects the current shifting trend away from customers redeeming their deposits which was experienced over the last 2 years as a result of the COVID-19 pandemic.

The combined impact of lower average finance leases balances, lower average deposits and lower average rates year on year drove net interest income to decline by 2% to reach Rs 103 million at year end (2021: Rs 105 million). Other income comprising principally of operating lease income, on the other hand, increased by 11% to stand at Rs 239 million driven by the increase in the operating lease portfolio. Correspondingly, operating expenses (excluding provisions for expected credit losses), increased on the back of an increase in the depreciation on leased assets in line with the increase in the operating lease portfolio. Overall, after accounting for impairment charges of Rs 2million, following the deterioration of the Stage 3 exposures, net profit after tax increased by 2% to reach Rs61.8 million for FY2021/22 (FY2020/21: Rs 60.6 million).

(d) Performance against objectives

Objectives for 2021/222	Performance in 2021/22	Objectives for 2022/23
<p>Operating income</p> <p>Despite uncertainties ahead, we expected operating income to increase by 10%.</p>	<p>The increase in the Company's operating income of 6.7% year on year is driven principally by an increase in operating lease income following the increase in the operating lease portfolio.</p>	<p>The lease portfolio is expected to increase from FY22 to FY23. Correspondingly, operating income is expected to increase by 14%.</p>
<p>Non-interest expense (Excluding impairment provisions and depreciation charges on operating leases)</p> <p>We were expecting an increase of 10% in non-interest expense, mainly due to an expected increase in the level of activities</p>	<p>Non-interest expenses have been contained in the current year reflecting a marginal decrease of 1% year on year.</p>	<p>We are expecting non-interest expense to be contained in FY22/23.</p>

MCB LEASING LIMITED**MANAGEMENT DISCUSSION AND ANALYSIS DOCUMENT —
YEAR ENDED JUNE 30, 2022****1 FINANCIAL REVIEW (CONTINUED)****(d) Performance against objectives**

Objectives for 2021/222	Performance in 2021/22	Objectives for 2022/23
<p>Cost to income ratio</p> <p>We expected the cost to income ratio to remain at 40%.</p>	<p>Cost to income ratio of 49% was recorded for FY21/22 compared to 46% in FY20/21, following the decrease in operating income.</p>	<p>We expect the cost to income ratio to remain at 49%</p>
<p>Lease portfolio</p> <p>Lease portfolio was expected to remain stable for the financial year in line with the Company's conservative views regarding further business development in the current economic environment.</p>	<p>Our portfolio reached Rs4,039m, being a marginal increase of 1.3% compared to last year. The lingering effects of COVID-19 and the supply chain issues continue to impact the automobile market.</p>	<p>The lease portfolio is expected to grow in the next financial year with the expectation of an upcoming recovery of the economy.</p>
<p>Deposits growth</p> <p>The deposits base was expected to grow to Rs 4.2bn over the financial year in line with funding requirements of the business.</p>	<p>Total deposits amounted to Rs3,591.1m as at 30/06/2022, representing an increase of 6% of the deposit base which reflects the turnaround of the deposit contraction trend experienced following the 2 COVID-19 lockdowns.</p>	<p>The deposits base is expected to grow to Rs 4.2bn over the next financial year in line with funding requirements of the business.</p>
<p>Return on Average Equity (ROE)</p> <p>ROE was expected to improve to 13.3% for the financial year.</p>	<p>Following the performance mentioned above, ROE stands at 8.8% for FY21/22.</p>	<p>ROE is expected to be contained for the next financial year.</p>
<p>Return on Average Assets (ROA)</p>	<p>ROA stands at 1.4% compared to 1.3% in FY20/21</p>	
<p>Portfolio Quality</p> <p>The difficult economic environment was expected to have its toll on asset quality.</p>	<p>Portfolio quality deteriorated from 3.2% to 3.6% year on year.</p> <p>The deterioration of the portfolio is mainly attributable to the Individuals Segment which remains sensitive to the lingering effects of Covid-19 and the additional economic challenges brought by the Ukrainian-Russo War.</p>	<p>Asset quality is expected to improve through enhanced debtors monitoring and recovery process in FY23. However, it is expected that the ongoing economic challenges will continue to negatively impact the asset quality. As such, NPL expected to conservatively be reduced to 3.2%.</p>

MCB LEASING LIMITED**MANAGEMENT DISCUSSION AND ANALYSIS DOCUMENT —
YEAR ENDED JUNE 30, 2022****1 FINANCIAL REVIEW (CONTINUED)****(d) Performance against objectives**

Objectives for 2021/222	Performance in 2021/22	Objectives for 2022/23
Capital risk management		
Management expected capital adequacy levels to be steady.	Our capital adequacy stood at 22.3%, as at June 30, 2022, compared to 21.0% on June 30, 2021	Management expects capital adequacy levels to be steady

Analysis of results

	2022 Rs'm	2021 Rs'm	2020 Rs'm
Three-year summary			
Total assets	4,403	4,302	4,973
Total lease portfolio	4,039	3,986	4,076
Cash and cash equivalents	45	56	393
Investments in securities	334	304	446
Deposits with financial institutions	-	-	58
Total deposits	3,591	3,395	4,143
Total borrowings	21	129	45
Capital and reserves	712	691	653
Profit after income tax	62	61	54

Total assets increased by 2.3%. Total lease portfolio, which includes operating leases under the item "Plant and Equipment", increased by Rs 53m whilst liquid assets increased by Rs 19m reflecting the cash inflows following the fixed deposits balances upward trend (Rs 196m). Consequently, Short Term Borrowings decreased by Rs 108m.

(e) Financial ratios and data on credit**Net interest income analysis**

	2022 Rs'm	2021 Rs'm	2020 Rs'm
Interest income			
Cash and cash equivalents			-
Deposits with financial institutions	-	1	3
Net lease receivables	207	227	247
Investment in securities	10	12	12
Total	217	240	262
Interest expense			
Deposits from customers	113	134	177
Borrowings	1	1	3
Total	114	135	180
Net interest income	103	105	82

MCB LEASING LIMITED**MANAGEMENT DISCUSSION AND ANALYSIS DOCUMENT —
YEAR ENDED JUNE 30, 2022****1 FINANCIAL REVIEW (CONTINUED)****(e) Financial ratios and data on credit (continued)****Net interest income analysis (continued)**

Interest Income has decreased by 9.6% to stand at Rs217m. The drop is reflective of the decreasing rates applicable on leases as well as the reduction in the finance lease portfolio during the year. This was however outweighed by a decrease in interest expense of 15.6% as a result of decrease in the average fixed deposit balance as well as the average cost of funds.

Overall, Net Interest Income decreased from Rs 105m to Rs 103m in FY22.

Non-interest income

	2022	2021	2020
	Rs'm	Rs'm	Rs'm
Operating lease income	220	188	197
Processing fees	12	11	8
Other operating income	7	16	13
Total	239	215	218

Operating lease income grew by 17% in the course of the year. Processing fees and other operating income have both decreased by Rs 8m compared to FY20/21

Net impairment loss on financial assets

	2022	2021	2020
	Rs'm	Rs'm	Rs'm
Net impairment loss on financial assets	2	19	10

Whilst management has taken a conservative approach on Stage 3 customers when assessing the risk associated with showing early signs of distress, an impairment charge of Rs2m was booked in FY21/22 on account of an increase in Stage 3 exposures.

Operating expenses

	2022	2021	2020
	Rs'm	Rs'm	Rs'm
Personnel expenses	44	42	45
(Profit)/Loss on disposal of assets	9	4	1
Depreciation and amortisation	185	155	160
Other expenses	28	27	29
Total	266	228	235

Increase in operating expenses is mainly attributable to the higher depreciation charges on assets under operating leases, in line with the increase in operating lease portfolio.

(f) Asset type analysis

For the year under review, cars remain on top of the list representing 70% of our portfolio. Other sectors witnessed no major fluctuations.

The main assets being financed, in percentage terms are depicted in the table on the following page:

MCB LEASING LIMITED**MANAGEMENT DISCUSSION AND ANALYSIS DOCUMENT —
YEAR ENDED JUNE 30, 2022****1 FINANCIAL REVIEW (CONTINUED)****(f) Asset type analysis (continued)**

	2022	2021	2020
	% of	%	%
	portfolio	of portfolio	of portfolio
Cars	70	67	65
Industrial equipment	1	2	6
Civil engineering equipment	4	4	6
Buses, vans and lorries	11	11	10
Others	14	16	13

(g) Credit exposure

Our global exposure has witnessed minor fluxes over the past 3 years in most sectors of the economy. We noticed an increasing trend in the traders and services sectors which is reflective of our risk appetite and overall local economic situation.

The exposure in percentage terms by industry is summarised as follows:

	2022	2021	2020
	%	%	%
Traders	25	23	21
Personal & Professional	22	22	22
Manufacturing	16	17	20
Transport	7	7	6
Construction	5	6	6
Services	9	5	5
Tourism	4	5	5
Agriculture	4	4	5
Others	8	11	10

The sector-wise analysis of credit quality is disclosed on pages 74-76 of the financial statements.

With the challenging economic situation and in spite of continued efforts to improve its credit management system, the Company has seen its level of non-performing leases increase from Rs 104m to Rs 113m during the financial year. Consequently, management has provided an additional impairment of Rs 2m for the year ended 30 June 2022. Overall, the provision coverage ratio of non-performing leases stands at 74%.

Leases with moratoriums

The gross carrying amount of such leases with moratoriums at 30 June 2022 was Rs 27m (2021: Rs752m, 2020: Rs1,433m). This significant amount in FY19/20 was caused by the support programme put in place following the Covid pandemic. Management closely monitors the performance of these leases in line with both IFRS 9 and regulatory requirements.

Movement in expected credit losses

Refer to Note 26 for the movement in the provisions for expected credit losses during the current and prior years.

MCB LEASING LIMITED**MANAGEMENT DISCUSSION AND ANALYSIS DOCUMENT —
YEAR ENDED JUNE 30, 2022****1 FINANCIAL REVIEW (CONTINUED)****(h) Capital structure**

As a non-bank deposit taking institution, the Company is required to comply with the following:

- (a) Maintain a minimum capital adequacy ratio of 10%. The ratio as at 30 June 2022 was 22.3% (2021: 21.0%, 2020: 17.4%)
- (b) Maintain liquid assets equivalent to not less than 10% of deposit liabilities. The statement of liquid funds and deposits for the week ended 30 June 2022 filed with the Bank of Mauritius showed liquid assets to deposits ratio of 12.1% (2021: 12.1%, 2020: 22.1%).

In June 2018, the Company has issued 20,000,000 5.5% non-cumulative preference shares of Rs10 each to MCB Group Limited, which qualifies as Tier 1 Capital. It has further transferred to a Reserve Account each year an amount equal to not less than 15% of the net profit until the balance in the Reserve account is equal to the amount paid as stated capital. Statutory appropriations of retained earnings for the year ended 30 June 2022 amount to **Rs 9.3m** (2021: Rs9.1m, 2020: Rs 8.0m).

The capital adequacy ratio is computed as follows:

Capital adequacy ratio (Total Capital/ RWA)	Rs'000 22.3%
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Further details of the total capital and risk weighted assets are shown below:

Tier 1

Paid up capital	400,000
Statutory Reserve	135,587
Retained earnings	176,549
Intangible assets	<u>(19,038)</u>
Total Tier 1 Capital	<u><u>693,098</u></u>

Tier 2

Stage 1 and 2 allowances for expected credit losses	26,742
Subordinated debt	-
Total Tier 2 Capital	<u>26,742</u>

Total Capital (Tier 1 + Tier 2)	<u><u>719,840</u></u>
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Risk Weighted assets ("RWA")

	Amount Rs'000	Risk Weight %	Weighted amount Rs'000
Claims on or guaranteed by Government of Mauritius	303,586	0%	-
Claims on, or claims guaranteed or accepted or endorsed by, banks licensed under the Banking Act 2004	45,396	20%	9,079
Investment in finance leases >= Rs5 million	504,809	100%	504,809
Investment in finance leases < Rs5 million	2,538,250	75%	1,903,687
Investment in operating leases >= Rs5 million	181,419	100%	181,419
Investment in operating leases < Rs5 million	705,894	75%	529,420
Property and equipment – Company's own assets	2,869	100%	2,869
Other assets	101,277	100%	101,277
	<u><u>4,383,500</u></u>		<u><u>3,232,560</u></u>

MCB LEASING LIMITED**MANAGEMENT DISCUSSION AND ANALYSIS DOCUMENT —
YEAR ENDED JUNE 30, 2022****2 RISK MANAGEMENT POLICIES AND CONTROLS**

The Risk Management and Conduct Review Committee, under the stewardship of the Board of Directors, is responsible for risk management, the procedures in place within the Company and the definition of the overall strategy for risk tolerance.

Please refer to Corporate Governance Report for further information on risk management and internal control system.

Credit risk

Credit risk is defined as *'the risk of loss arising from the non-performance by a customer, client or counterparty in any of its obligations towards the Company'*.

The Company has well-defined approval and authority limits for lease facilities, as well as policies on credit concentration. Regular debtors' meetings are also held to monitor and control default customers.

Interest rate risk

Interest rate risk is the risk arising from fluctuations in interest rates.

For interest bearing assets and liabilities, the Company's income and operating cash flows are mostly independent of changes in market interest rates as the implicit interest rates on leases and interest rates offered to depositors are fixed.

Liquidity risk

Liquidity Risk is defined as *'the risk that, at any time, the Company does not have sufficient realisable financial assets to meet its financial obligations as they fall due'*.

Management monitors rolling forecasts of the Company's liquidity reserve on the basis of expected cash flow and does not foresee any major liquidity risk over the next two years. For the year ended June 30, 2022, the Company has complied with the liquidity ratio as per Bank of Mauritius requirements for the deposit-taking licence.

Operational risk

Operational risk is defined as *'the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events'*.

The Board of Directors has set up the Audit Committee which overlooks the efficiency and effectiveness of the internal control system. The Internal Auditors also report directly to the Audit Committee on their findings and recommendations.

3 CONCENTRATION OF RISK POLICIES

In accordance with the Bank of Mauritius *Guideline on Credit Concentration Risk*, the Company is subject to credit exposure limits:

- credit exposure to any single customer shall not exceed 25 per cent of the Company's Tier 1 Capital;
- credit exposure to any group of closely-related customers shall not exceed 40 per cent of the Company's Tier 1 Capital; and
- aggregate large credit exposures to all customers and groups of closely related customers shall not exceed 800 per cent of the Company's Tier 1 Capital.

MCB LEASING LIMITED**MANAGEMENT DISCUSSION AND ANALYSIS DOCUMENT —
YEAR ENDED JUNE 30, 2022****3 CONCENTRATION OF RISK POLICIES (CONTINUED)**

The Company has further implemented a policy on credit concentration risk which falls under the mandate of the Risk Management and Conduct Review Committee. Management is required to:

- develop prudent rules and limits for granting credit to a single customer and its related parties, to industry sectors and financial counterparties; and
- develop and implement information systems and procedures and techniques that accurately and continually identify, measure and monitor credit concentration risk in the Company's portfolio.

Policies and practices for credit concentration are governed by the *Guideline on Credit Concentration Risk*.

The 5 most significant exposures as at 30 June 2022 are as follows:

Customer	Category	Net exposure Rs'000	% of Tier 1 Capital %	Regulatory limit %
1	Group	174,200	25%	40%
2	Group	139,849	20%	40%
3	Group	85,384	12%	40%
4	Group	74,319	11%	40%
5	Single entity	63,343	9%	25%

4 RELATED PARTY TRANSACTION POLICIES AND PRACTICES

The Company adheres to the *Guideline on Related Party Transactions* issued by the Bank of Mauritius and revised in May 2022. The Company has policies and procedures in place to review and approve exposure to related parties and ensure that market terms and conditions are applied. The Risk Management and Conduct Review Committee oversees that the policies and procedures are being followed, and as from May 2022, the added responsibilities as prescribed in the revised Guideline have been taken by the Board of Directors.

Facilities with the related parties as at 30 June 2022 represents about 3.8% of Tier 1 (2021: 4.1%, 2020: 6.0%). None of the credit facilities to related parties were non-performing. Amounts due to parties are unsecured. No guarantees have been given by the Company. The top exposures with related parties as at 30 June 2022 are as follows:

Related Party	Net exposure Rs'000	% of Tier 1 Capital %
1	23,928	3.45%
2	2,571	0.37%
3	214	0.03%

5 STATEMENT OF CORPORATE PRACTICES

The Board of Directors and the Management of the Company are fully aware of their roles and responsibilities with regard to enhancing good corporate governance in line with the guidelines set out by the Bank of Mauritius. As a non-bank deposit-taking institution, every action is taken to ensure that the standards of corporate governance as laid down by the Bank of Mauritius are adhered to in particular that our business is run with integrity and with due respect to all its stakeholders' interest and welfare.

MCB LEASING LIMITED**STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The Company's financial statements for the operations in Mauritius presented in this annual report have been prepared by management, which is responsible for their integrity, consistency, objectivity and reliability. International Financial Reporting Standards as well as the applicable requirements of the Mauritius 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 manual and guidelines of the Bank of Mauritius throughout the Company.

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

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

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

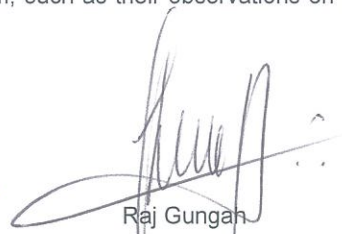
The Company's external auditor, Messrs Deloitte, have full and free access to the Board of Directors and its committees to discuss the audit and matters arising therefrom, such as their observations on the fairness financial reporting and the adequacy of internal controls.



Simon-Pierre Rey

*Chairperson of the
Board of Directors*

Martine Ip Min Wan

*Chairperson of the
Audit Committee*

Raj Gungan

Managing Director

21 September 2022

Independent auditor’s report to the Shareholders of MCB Leasing Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of **MCB Leasing Limited** (the “Company” and the “Public Interest Entity”) set out on pages 40 to 90, which comprise the statement of financial position as at 30 June 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 30 June 2022, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), and comply with the requirements of the Mauritius Companies Act 2001, the Banking Act 2004 and the Financial Reporting Act 2004.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those Standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standard Board for Accountants’ *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 judgment, 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
<p>Provision for expected credit losses</p> <p>IFRS 9 Financial Instruments requires recognition of expected credit losses (‘ECL’) on financial instruments, which involves significant judgement and estimates. The key areas where we identified greater levels of management judgements and estimates and therefore increased levels of audit focus in the implementation of IFRS 9 are:</p> <ul style="list-style-type: none"> • Model estimations – Statistical modelling is used to estimate ECLs which involves determining Probabilities of Default (‘PD’), Loss Given Default (‘LGD’), and Exposures at Default (‘EAD’). The PD and LGD models used in the lease portfolios are the key drivers of the ECL results and are therefore the most significant areas of judgements and estimates used in the ECL modelling approach. • Macro-Economic Forecasts – IFRS 9 requires to measure ECLs on a forward-looking basis using the most appropriate macro- economic forecasts. The macro-economic forecasts are estimates of future economic conditions. • Qualitative adjustments – Adjustments to the model-driven ECL results are raised by management to address known impairment model limitations or emerging trends. Such adjustments are inherently uncertain and significant management judgement is involved in estimating these amounts. <p>The effect of these matters is that, as part of our risk assessment, we determined that the impairment of lease receivables has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.</p>	<p>Our procedures included the following amongst others:</p> <ul style="list-style-type: none"> • Involved a team of specialists to validate the model; • Evaluated the appropriateness of the IFRS 9 impairment methodologies; • Assessed the completeness and accuracy of the key inputs and assumptions into the IFRS 9 impairment models; • Assessed the appropriateness of the macro- economic forecasts used; • Independently assessed probability of default, loss given default and exposure at default assumptions; • Assessed the reasonableness of the model predictions by comparing them against actual results; • Inspected the minutes of Risk Management and Conduct Review Committee to ensure that there are governance controls in place in relation to assessment of allowance for credit impairment; • Challenged the methodologies applied by using our industry knowledge and experience; • Obtained audit evidence of management judgements and assumptions, especially focusing on the consistency of the approach; and • Performed substantive tests of details on Stage 3 provisioning including validation of valuation of collateral securities and future cash flows.

Independent auditor's report to the Shareholders of MCB Leasing Limited (Cont'd)

Other information

The directors are responsible for the other information. The other information comprises the introduction and statutory disclosures, secretary's certificate, corporate governance report, statement of compliance, management discussion and analysis document, and statement of management's responsibility for financial reporting 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.

Independent auditor's report to the Shareholders of MCB Leasing Limited (Cont'd)

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

- 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.

Report on other legal and regulatory requirements

Mauritius Companies Act 2001

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

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

Financial Reporting Act 2004

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

Banking Act 2004

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

Use of this report

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

Deloitte.

Deloitte

Chartered Accountants

21 September 2022

Agrawal.

Vishal Agrawal, FCA

Licensed by FRC

MCB LEASING LIMITED**STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2022**

	Notes	2022 Rs	2021 Rs	2020 Rs
ASSETS				
Cash and cash equivalents	11	45,395,800	55,693,673	393,127,366
Deposits with financial institutions	12	-	-	57,676,671
Net lease receivables	13	3,043,058,315	3,151,120,992	3,294,472,252
Investment securities	14	333,585,658	304,132,523	446,259,692
Plant and equipment	15	890,181,275	722,472,522	674,033,932
Intangible assets	16	19,038,278	11,830,180	21,294,205
Current tax assets	20	12,130,871	-	10,601,266
Other assets	17	59,146,376	56,651,760	75,652,257
Total assets		4,402,536,573	4,301,901,650	4,973,117,641
LIABILITIES				
Deposits from customers	18	3,591,083,626	3,395,373,302	4,142,772,266
Borrowings	19	20,665,732	129,034,435	44,663,769
Current tax liabilities	20	-	4,916,793	-
Deferred tax liabilities	21	18,800,105	14,636,906	17,049,658
Other liabilities	22	59,850,745	66,647,359	115,899,221
Total liabilities		3,690,400,208	3,610,608,795	4,320,384,914
SHAREHOLDERS' EQUITY				
Share capital	23	400,000,000	400,000,000	400,000,000
Statutory reserve		135,587,491	126,310,964	117,226,945
Retained earnings		176,548,874	164,981,891	135,505,782
Total equity		712,136,365	691,292,855	652,732,727
Total equity and liabilities		4,402,536,573	4,301,901,650	4,973,117,641

These financial statements have been authorised and approved for issue by the Board of Directors on 21 September 2022 and signed on its behalf by:



Simon-Pierre Rey
Chairperson of the Board



Martine Ip Min Wan
Chairperson of the Audit
Committee



Raj Gungah
Managing Director

The notes on pages 44 to 90 form an integral part of these financial statements.

MCB LEASING LIMITED**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2022**

	Notes	2022 Rs	2021 Rs	2020 Rs
Interest income		217,070,527	240,660,376	261,356,918
Interest expense		(113,992,491)	(135,445,051)	(179,870,004)
Net interest income	24	<u>103,078,036</u>	<u>105,215,325</u>	<u>81,486,914</u>
Operating lease income		219,955,105	188,102,205	196,864,499
Processing fees		11,583,561	11,067,127	7,787,000
Other operating income	25	<u>7,567,728</u>	<u>16,194,160</u>	<u>13,206,297</u>
		<u>239,106,394</u>	<u>215,363,492</u>	<u>217,857,796</u>
Operating income		342,184,430	320,578,817	299,344,710
Net impairment loss on financial assets	26	(1,991,053)	(18,680,347)	(9,717,684)
Personnel expenses	27	(43,523,621)	(42,422,447)	(44,749,945)
Loss on disposal of assets	28	(8,664,386)	(3,900,943)	(511,004)
Depreciation and amortisation	15 & 16	(184,890,399)	(155,222,059)	(160,430,666)
Other expenses	29	<u>(28,396,780)</u>	<u>(26,687,586)</u>	<u>(29,455,040)</u>
Profit before income tax		74,718,191	73,665,435	54,480,371
Income tax expense	20	<u>(12,874,681)</u>	<u>(13,105,307)</u>	<u>(816,796)</u>
Profit and other comprehensive income for the year		<u>61,843,510</u>	<u>60,560,128</u>	<u>53,663,575</u>

The notes on pages 44 to 90 form an integral part of these financial statements.

MCB LEASING LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2022**

	Note	Share capital Rs	Statutory reserve Rs	Retained earnings Rs	Total equity Rs
Balance at July 1, 2019		400,000,000	109,177,409	140,891,743	650,069,152
Profit and other comprehensive income for the year		-	-	53,663,575	53,663,575
<i>Transactions with owners of the Company:</i>					
- Dividends	30	-	-	(51,000,000)	(51,000,000)
Statutory appropriations of retained earnings		-	8,049,536	(8,049,536)	-
Balance at June 30, 2020		400,000,000	117,226,945	135,505,782	652,732,727
Balance at July 1, 2020		400,000,000	117,226,945	135,505,782	652,732,727
Profit and other comprehensive income for the year		-	-	60,560,128	60,560,128
<i>Transactions with owners of the Company:</i>					
- Dividends	30	-	-	(22,000,000)	(22,000,000)
Statutory appropriations of retained earnings		-	9,084,019	(9,084,019)	-
Balance at June 30, 2021		400,000,000	126,310,964	164,981,891	691,292,855
Balance at July 1, 2021		400,000,000	126,310,964	164,981,891	691,292,855
Profit and other comprehensive income for the year		-	-	61,843,510	61,843,510
<i>Transactions with owners of the Company:</i>					
- Dividends	30	-	-	(41,000,000)	(41,000,000)
Statutory appropriations of retained earnings		-	9,276,527	(9,276,527)	-
Balance at June 30, 2022		400,000,000	135,587,491	176,548,874	712,136,365

15% of the profit after tax is transferred to the Statutory Reserve in compliance with the requirements of the Banking Act 2004, until such time that the statutory reserve will equal the Company's share capital.

The notes on pages 44 to 90 form an integral part of these financial statements.

MCB LEASING LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

	Notes	2022 Rs.	2021 Rs.	2020 Rs.
Profit before income tax		74,718,191	73,665,435	54,480,371
Adjustments for:				
Loss/(Profit) on disposal of assets on operating leases	28	1,246,533	(220,040)	(2,704,969)
Loss on disposal of repossessed leased assets	28	7,417,853	4,120,983	3,215,971
Amortisation	16	7,596,096	10,964,898	4,009,428
Depreciation	15	177,294,303	144,257,161	156,421,238
Net impairment loss on financial assets	26	1,991,053	18,680,347	9,717,684
Operating Profit before working capital changes		270,264,029	251,468,784	225,139,723
Movement in working capital				
- (Decrease)/ Increase in interest receivable		(110,933)	(2,513,614)	53,254,509
- (Decrease)/ Increase in interest payable		(16,010,892)	(130,232,697)	40,037,096
- Decrease/(Increase) in other assets		(29,829,571)	7,606,547	(23,240,909)
- (Decrease)/Increase in other liabilities		(6,444,275)	(49,251,863)	36,119,475
Changes in operating assets and liabilities:				
- net decrease/(increase) in investment in leases		113,760,043	124,670,913	174,986,622
- net (decrease)/increase in deposits		211,721,214	(617,166,265)	330,308,020
Cash generated from/(used in) operations		543,349,615	(415,418,195)	836,604,536
Income tax paid	20	(25,759,146)	-	(3,213,732)
Net cash generated from/(used in) operating activities		517,590,469	(415,418,195)	833,390,804
Cash flows from investing activities				
Proceeds from Bonds/Treasury Bills		(29,646,182)	144,640,783	(247,555,088)
Proceeds from financial institutions			57,676,671	-
Proceeds from sale of repossessed leased assets		12,180,325	7,272,967	6,607,996
Proceeds from sale of plant and equipment		85,245,662	118,744,093	77,060,828
Purchase of intangible assets	16	(14,804,194)	(1,500,873)	(597,304)
Purchase of plant and equipment	15	(431,495,250)	(311,219,804)	(209,900,988)
Net cash from/ (used in) investing activities		(378,519,639)	15,613,837	(374,384,556)
Cash flows from financing activities				
Dividends paid	30	(41,000,000)	(22,000,000)	(51,000,000)
Repayments of borrowings		(659,488,703)	(545,294,535)	(113,680,114)
Proceeds from borrowings		551,120,000	629,665,200	-
Net cash (used in)/ from financing activities		(149,368,703)	62,370,665	(164,680,114)
(Decrease)/Increase in cash and cash equivalents		(10,297,873)	(337,433,693)	294,326,134
Movement in cash and cash equivalents				
At July 1,		55,693,673	393,127,366	98,801,232
(Decrease)/ Increase		(10,297,873)	(337,433,693)	294,326,134
At June 30,	11	45,395,800	55,693,673	393,127,366

The notes on pages 44 to 90 form an integral part of these financial statements.

MCB LEASING LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022****1. REPORTING ENTITY**

MCB Leasing Limited (the "Company") is a limited liability company domiciled and incorporated in Mauritius in August 1994. The activities of the Company consist mainly in providing leases for equipment and motor vehicles and deposit taking.

The Company holds a leasing licence from the Financial Services Commission and a deposit-taking licence from the Bank of Mauritius. The address of its registered office is 9-15 Sir William Newton Street, Port-Louis.

These financial statements will be submitted for consideration and approval at the forthcoming Annual Meeting of the shareholders of the Company. The directors have authorised the issue of the financial statements on 21 September 2022 and they do not have the power to amend the financial statements after issue.

2. BASIS OF ACCOUNTING

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

3. FUNCTIONAL AND PRESENTATION CURRENCY

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.

The financial statements are presented in Mauritian Rupees (Rs) which is also the Company's functional currency.

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

4. BASIS OF MEASUREMENT**APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")**

In the current year, the Company has applied all of the new and revised Standard and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 July 2021.

MCB LEASING LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022****4. BASIS OF MEASUREMENT (CONTINUED)****APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS
("IFRSs") (CONTINUED)****4.1 New and revised Standards that are effective but with no material effect on the financial statements**

The following relevant revised Standards have been applied in these financial statements. Their application has not had any significant impact on the amounts reported for current and prior periods but may affect the accounting for future transactions or arrangements.

IAS 39	Financial Instruments: Recognition and Measurement - Amendments regarding replacement issues in the context of the IBOR reform
IFRS 7	Financial Instruments: Disclosures - Amendments regarding replacement issues in the context of the IBOR reform
IFRS 9	Financial Instruments - Amendments regarding replacement issues in the context of the IBOR reform
IFRS 16	Lease - Amendment to provide lessees with an exemption from assessing whether a COVID -19-related rent concession is a lease modification
IFRS 16	Lease - Amendments regarding replacement issues in the context of the IBOR reform

4.2 New and revised Standards and Interpretations in issue but not yet effective

At the date of authorisation of these financial statements, the following relevant Standards were in issue but effective on annual periods beginning on or after the respective dates as indicated:

IAS 1	Presentation of Financial Statements - Amendment to defer the effective date of the January 2020 amendments (effective 1 January 2023)
IAS 1	Presentation of Financial Statements - Amendments regarding the classification of liabilities (effective 1 January 2023)
IAS 1	Presentation of Financial Statements - Amendments regarding the disclosure of accounting policies (effective 1 January 2023)
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors - Amendments regarding the definition of accounting estimates (effective date 1 January 2023)
IAS 12	Income Taxes - Amendments regarding deferred tax on leases and decommissioning obligations (effective 1 January 2023)
IAS 16	Property, plant and equipment - Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use (effective 1 January 2022)
IAS 37	Provisions, Contingent Liabilities and Contingent Assets - Amendments regarding the costs to include when assessing whether a contract is onerous (effective 1 January 2022)
IFRS 9	Financial Instruments - Amendments resulting from Annual Improvements to IFRS Standards 2018-2020 (fees in the '10 per cent' test for derecognition of financial liabilities) (effective 1 January 2022)
IFRS 16	Lease - Amendment to extend the exemption from assessing whether a COVID-19 – related rent concession is a lease modification (effective 1 April 2021)

The directors anticipate that these standards and interpretation will be applied on their effective dates in future periods. The directors have not yet assessed the potential impact of the application of these amendments.

MCB LEASING LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022****5. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied to all the years presented in the financial statements and have been applied consistently by the Company.

*(a) Foreign currency translation**Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

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. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

*(b) Financial assets and liabilities*Initial recognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset.

At initial recognition, the Company measures a financial asset or financial liability at its fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

Under IFRS 9, immediately after initial recognition, an expected credit loss allowance ("ECL") is recognised for financial assets measured at amortised cost, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

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.

MCB LEASING LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022****5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***(c) Financial assets***(i) Classification and subsequent measurement**

The Company has the option to classify its financial assets in the following measurement categories:

- Fair value through profit or loss ("FVPL");
- Fair value through other comprehensive income ("FVOCI") or
- Amortised cost.

A description of each of the measurement category is given below:

- Under the amortised cost model, assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in 5(c)(iii) Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.
- Financial assets held for a business model that is achieved by both collecting contractual cash flows and selling and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at FVOCI. They are recognised on the trade date when the Company enters into contractual arrangements to purchase and are normally derecognised when they are either sold or redeemed. They are subsequently remeasured at fair value and changes therein (except for those relating to impairment, interest income and foreign currency exchange gains and losses) are recognised in other comprehensive income until the assets are sold. Upon disposal, the cumulative gains or losses in other comprehensive income are recognised in the statement of profit or loss and other comprehensive income as 'Other operating income'.
- Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL and is not part of a hedging relationship is recognised in profit or loss and presented within 'Other operating income' in the period in which it arises. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

In order to determine the classification and subsequent measurement of its financial assets, IFRS 9 introduces the concept of SPPI and business model.

Business model

The business model reflects how the Company manages its assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or to collect both the contractual cash flows and cash flows arising from the sale of the assets. If neither of these is applicable (e.g. financial assets being held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL as described above. Factors which have been considered by the Company in determining its business model includes past experience on how the cash flows for the assets were collected, amongst others.

SPPI

Where the business model is to hold assets to collect contractual cash flows, or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows, represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for the time value of money, credit risk and other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVPL.

MCB LEASING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) *Financial assets (continued)*

(i) *Classification and subsequent measurement (continued)*

The Company classifies its financial assets, comprising cash and cash equivalents, deposits with financial institutions, investment securities, net lease receivables and other assets under the amortised cost and FVOCI measurement models. The Company does not have any financial asset classified as FVPL.

As per the Company's own assessment for the classification of financial assets under IFRS 9 under the SPPI test, the classification of the financial assets has been determined as follows:

Financial instrument	SPPI met	Business model	Classification
Cash and cash equivalents	Yes	Hold to collect	At amortised cost
Deposits with financial institutions	Yes	Hold to collect	At amortised cost
Investment securities (T-Bills and Government bonds)	Yes	Hold to collect	At amortised cost
Investment securities (Corporate bonds)	Yes	Hold to collect and sell	At FVOCI
Other assets (excluding non-financial assets)	Yes	Hold to collect	At amortised cost

The Company, as a lessor recognises and measures the rights and obligations under a lease as per the general requirements of IFRS 16 Leases. Consequently those rights and obligations are not subject to the general recognition and measurement requirements of IFRS 9. However, the lease receivables recognised by the Company are subject to the derecognition and impairment requirements of IFRS 9 which is described in note 5(c)(ii) and 5(c)(iii).

(ii) *Derecognition*

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

(iii) *Impairment of financial assets*

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

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

This note further provides details about how ECL is computed, along with the 'three-stage' model for impairment adopted by the Company, in line with IFRS 9 requirements.

A: 'Three-Stage' model

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Company;
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Details of SICR is further described below.

MCB LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) *Financial assets (continued)***A: 'Three-Stage' model (Continued)**(iii) *Impairment of financial assets (continued)*

- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 and 3 have their ECL measured based on expected credit losses on a lifetime and incurred loss basis respectively.

The following diagram summarises the impairment requirements under IFRS 9:

Change in credit quality since initial recognition		
Stage 1	Stage 2	Stage 3
Performing	Under Performing	Default
Financial assets for which credit risk has not significantly increased since initial recognition	Financial assets for which credit risk has significantly increased/deteriorated since initial recognition. However, there is still no objective evidence of impairment	Financial assets which have defaulted but have not yet reached write-off
12-month ECL	Lifetime ECL	Incurred loss

B: Change in credit quality since initial recognition

Significant increase in credit risk ("SICR"):

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

Quantitative criteria:

The Company has applied the backstop as prescribed under IFRS 9 and a financial instrument is considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments, i.e. would move from Stage 1 to Stage 2.

Qualitative criteria:

For retail customers, if the borrower meets one or more of the following criteria:

- Short term forbearance;
- Extension to terms granted;

For customers, if the borrower is on the watchlist or if the instrument meets one or more of the below criteria:

- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates
- Actual or expected forbearance or restructuring
- Actual or expected significant adverse change in operating results of the borrower
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default
- Early signs of cash flow/liquidity problems such as delay in servicing of trade creditors/leases.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) *Financial assets (continued)*

(iii) *Impairment of financial assets (continued)*

B: Change in credit quality since initial recognition (continued)

The criteria used to identify SICR is reviewed periodically by management for appropriateness.

C: ECL measurement

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether the asset is considered credit-impaired. Expected credit losses are the discounted product of Probability of Default ("PD"), Exposure at Default ("EAD") and the Loss Given Default ("LGD").

$$\text{ECL} = \text{PD} \times \text{LGD} \times \text{EAD}$$

- The PD represents the likelihood of a borrower defaulting on its financial obligation either over the next 12 months (12-month PD) or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months (12-month EAD) or over the remaining lifetime (Lifetime EAD).
- LGD represents the Company's expectation of the extent of loss on a defaulted exposure. LGD is expressed as a percentage loss per unit of exposure at the time of default.

D: Forward economic information

The assessment of SICR incorporates forward-looking information. In the case of the Company, management has determined year-on-year growth of GDP at market prices to be appropriate macro-economic conditions.

The forward-looking variable is estimated as a ratio of the forward-looking Probability of Default ('PD') to the historical 12-month PD for the year. In order to calculate the forward-looking PD, the weighted average of the three scenarios namely the Baseline, Upside and Downside PDs.

E: Definition of default

The Company considers a financial instrument or lease defaulted and Stage 3 credit-impaired for ECL computations when the borrower becomes 90 days or more past due on its contractual payments.

F: Movement between stages

Financial assets can be transferred between the different categories depending on their relative increase in credit risk since initial recognition. Financial instruments are transferred out of stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition based on the assessments described above. Except for renegotiated leases, financial instruments are transferred out of stage 3 when they no longer exhibit any evidence of credit impairment as described above.

MCB LEASING LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022****5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***(d) Leases*The Company as a Lessee

For short-term leases (lease term of 12 months or less), the Company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within other operating expenses in profit or loss.

Operating leases - Company acting as the Lessor

Assets leased out under operating leases are included in plant 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.

Finance leases - Company acting as the Lessor

The Company is engaged in the provision of leases to both individuals and corporates. The Company's portfolio is made up of principally motor vehicles and equipment. As part of the wider risk management principles of the Company, the risks associated with the lease portfolio was monitored through rigorous credit assessment, determining the financed amount as part of the cost of the asset based on the customers' credit risk profile, setting up buy back agreements with suppliers for assets with high residual values, amongst others.

(i) Recognition and initial measurement

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

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

(ii) Subsequent measurement

The recognition of interest income is based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease. The Company aims to allocate interest income over the lease term on a systematic and rational basis. This income allocation is based on a pattern reflecting a constant periodic return on the Company's finance lease receivable.

Lease repayments relating to the period, excluding cost for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance income. Estimated unguaranteed residual values used in computing the Company's gross investment in a lease are reviewed regularly. If there has been a reduction in the estimated unguaranteed residual value, the income allocation over the lease is revised and any reduction in respect of amounts accrued is recognised immediately.

The Company applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease.

Impairment of lease receivables have been disclosed in Note 5 (c) (iii).

MCB LEASING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) *Leases (continued)*

(iii) *Repossessed assets*

Assets repossessed from non-performing clients pending disposals are stated at their net realisable value under "Other Assets" in the statement of financial position.

(e) *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances with banks. For the purpose of the presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of less than three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash at bank, petty cash and deposits held at call with financial institutions.

(f) *Plant and equipment*

(i) *Recognition and measurement*

Items of plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

If significant parts of an item of plant and equipment have different useful lives, then they are accounted for as separate items (major components) of equipment.

Any gain or loss on disposal of an item of plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in the statement of profit or loss and other comprehensive income.

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

(ii) *Subsequent costs*

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 any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

(iii) *Depreciation*

Depreciation is calculated to write off the cost of items of equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in profit or loss.

The estimated useful lives of significant equipment are as follows:

Office equipment	5 years
Computer equipment	3 years
Furniture & Fittings	5 years
Motor vehicles	5 – 7 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

(iv) *Assets under operating leases*

Assets under operating leases are depreciated over their expected useful lives net of any residual value.

MCB LEASING LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022****5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***(g) Intangible assets**Software*

Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 3 to 10 years.

Costs associated with maintaining software programmes are recognised as an expense as 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 so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads. Other development expenditure that does not meet these criteria are recognised as an expense and are not recognised as an asset in a subsequent year.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(h) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

*(i) Income tax**(i) Current income tax*

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

MCB LEASING LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022****5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***(i) Income tax (continued)**(ii) Deferred tax*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

(iii) 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 Corporate Social Responsibility (CSR) charge for the current period is measured at the amount expected to be paid to the Mauritius Revenue Authority.

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

(j) Financial liabilities

Financial liabilities carried at amortised cost consist mainly of deposits from customers, borrowings, and other liabilities. All financial liabilities are recognised initially at fair value and in the case of borrowings, net of transaction costs incurred.

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 method (EIR) amortisation process.

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

MCB LEASING LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022****5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***(k) Deposits from customers*

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.

(l) 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.

Borrowing costs are recognised in the statement of profit or loss and other comprehensive income in the period in which they occur.

(m) Provisions

Provisions, including 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 expenditure 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.

(n) Share Capital

Share capital comprises ordinary shares and preference shares.

(o) Dividends

Dividend distribution to the Company's ordinary 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 shareholders.

(p) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to set off the amounts and intends either to settle on a net basis or realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions.

MCB LEASING LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022****5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***(q) Revenue recognition*

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

Operating lease income is recognised over the term of the lease using the straight line method.

(r) 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.

(s) Processing fees

Processing fees on leases are generally recognised on an accrual basis when the service has been provided. Lease commitment fees for leases that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the lease.

*(t) Employee benefits**(i) Pension benefits*

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Termination benefits

Termination benefits are recognised when the Company is committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy when it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. A liability is recognised for the termination benefit representing the best estimate of the amount payable and the termination benefits are recognised as an expense.

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 on retirement of its employees.

MCB LEASING LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022****5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***(t) Employee benefits (continued)**(i) Pension benefits (continued)*

The present value of the gratuity under the Workers Rights Act 2019 is calculated annually by independent actuaries using the projected unit credit method. The present value of the severance allowance is determined by the estimated future cash outflows using a discount rate by reference to current interest rates and the yield on bonds and treasury bills and recent corporate debenture issues. Where the present value of the gratuity payable on retirement is greater than five years of pension payable under the pension plan, the additional gratuity payable is recognised as a liability and disclosed as unfunded obligations under retirement benefits obligations.

(ii) State pension plan

Contributions to the Contribution Sociale Generalisée (CSG) are recognised in profit or loss in the period in which they fall due.

(u) 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 adjusted 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.

6 USE OF JUDGEMENTS AND ESTIMATES

In preparing the financial statements, the directors have made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

(i) Judgements

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

(ii) Assumption and estimation uncertainties

- *Impairment losses on lease receivables*

- Measurement of the expected credit loss allowance*

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). The assessment of credit risk, and the estimation of ECL, are unbiased and probability-weighted, and incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date.

MCB LEASING LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022****6 USE OF JUDGEMENTS AND ESTIMATES (CONTINUED)***(ii) Assumption and estimation uncertainties (continued)*

- *Impairment losses on lease receivables (continued)*

Measurement of the expected credit loss allowance

In addition, the estimation of ECL should take into account the time value of money. A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as determining the criteria for significant increase in credit risk and determine the level of management overlays.

The directors estimate that a 1% change in lease loss rate will lead to a change in impairment of **Rs 1.1m** (2021: Rs 2.2m, 2020: Rs 2.9m). Management believes that a 1% shift in loss rate is adequate to determine the sensitivity of impairment as a result of a change in loss rate.

7 FINANCIAL RISK MANAGEMENT*Financial Risk Factors*

The Company's activities expose it to a variety of financial risks, including:

- Credit risk;
- Interest rate risk;
- Liquidity risk; and
- Currency risk.

A description of the significant risk factors is given below together with the risk management policies applicable.

(a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's lease receivables. The amounts presented in the statement of financial position are net of allowances for impairment, estimated by management based on prior experience and the current economic environment.

The Company has policies in place to ensure that leases are granted to customers with appropriate credit history. The Company has policies that limit the amount of credit exposure to any one financial position.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Lease facilities to customers are monitored and the Company has policies in place to identify defaults and recover amounts due. Leases granted are also effectively secured as the rights to the leased assets revert to the lessor in the event of default.

MCB LEASING LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022****7 FINANCIAL RISK MANAGEMENT (CONTINUED)****(a) Credit Risk (continued)**Write-off

The Company writes off a lease balance (and any related allowances for impairment losses) when the Company's management determines that the leases are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller leases, charge off decisions generally are based on a product specific past due status.

The Company also holds fixed and floating charges on assets for exposures. For the vast majority of leases, the underlying collateral is the leased asset itself, i.e. the leased equipment and vehicles. The lease facilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are updated every year when a lease is individually assessed as impaired.

At 30 June 2022, balances written off amount to Rs 5,511,156 (2021:Rs 19,041,009 2020:Rs 15,196,273).

Modification of lease receivables

The Company sometimes renegotiates or otherwise modifies the contractual cash flows of leases. When this happens, the Company assesses whether or not the new terms are substantially different to the original terms. The Company does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
- Whether any substantial new terms are introduced that substantially affects the risk profile of the lease;
- Significant extension of the lease term when the borrower is not in financial difficulty;
- Significant change in the interest rate or change in the currency the lease is denominated in; and
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the lease.

If the terms are substantially different, the Company derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Company also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition. If the terms are not substantially different and the renegotiation or modification does not result in derecognition, the Company recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

MCB LEASING LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022****7 FINANCIAL RISK MANAGEMENT (CONTINUED)****(a) Credit Risk (continued)**Collateral and other credit enhancements

The Company employs a range of policies and practices to mitigate credit risk. The most common of these is ensuring right from the offset, that the customer's profile fits into the Company's risk appetite and has the right profile to service the borrowing without distress. It is the Company's policy to establish that leases are within the customer's capacity to repay, rather than rely excessively on security.

In the case of finance leases, the ownership of the vehicles and equipment financed remain the property of the Company until full settlement of the lease and after which the title is transferred to the lessee. Collaterals for impaired leases are reviewed regularly by the Company by obtaining the fair value of the collaterals through independent qualified surveyors. Where the collateral values have decreased, an additional ECL is booked.

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

	Gross exposure	Impairment allowance	Fair value of collateral held
	Rs	Rs	Rs
Credit impaired leases as at 30 June			
2022	113,417,170	83,680,817	38,973,921
2021	103,779,940	68,367,929	38,569,459
2020	81,274,229	60,154,338	24,970,648

Repossessed leases

As a last resort, management would consider repossessing the leased asset for impaired exposures.

Collaterals on finance leases repossessed during the year, which were in the books of the Company at close of financial year were as follows:

	2022	2021	2020
	Rs	Rs	Rs
Vehicles	7,575,000	9,146,122	3,654,382

These repossessed collaterals are sold to third parties to recover the investment in the leases.

Leases past due but not impaired

These are leases where contractual payments are past due (above 30 days) but the Company believes that the leases are not impaired on the basis of the level of security/collateral available and/ or the stage of collection of amounts owed to the Company.

Gross amount of leases that were past due but not impaired were as follows:

	2022	2021	2020
	Rs	Rs	Rs
Leases			
Up to 3 months	47,805,097	57,794,216	32,169,294
Over 3 months and up to 6 months	15,954,791	47,752,251	56,012,613
Over 6 months and up to 1 year	3,479,886	16,770,508	6,522,469
Over 1 year	-	13,680,692	1,795,216
Total	67,239,774	135,997,667	96,499,592

MCB LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

7 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit Risk (continued)

Summary of credit risk (continued)

The following table further summarises credit risk by staging and ECL coverage.

As At 30 June 2022

	Gross carrying/nominal amount			Allowance for ECL						ECL coverage %		
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	Rs	Rs	Rs	Rs	12-month ECL Rs	Lifetime ECL Rs	Lifetime ECL Rs	Rs	%	%	%	%
Lease receivables	2,971,238,205	67,239,774	113,417,170	3,151,895,149	(18,765,312)	(6,390,705)	(83,680,817)	(108,836,834)	0.63%	9.50%	73.78%	3.45%
Cash and cash equivalents	45,662,461	-	-	45,662,461	(266,661)	-	-	(266,661)	0.58%	0.00%	0.00%	0.58%
Investments in Securities	333,937,728	-	-	333,937,728	(352,070)	-	-	(352,070)	0.11%	0.00%	0.00%	0.11%
Other assets	38,639,630	3,167,937	7,936,242	49,743,809	(177,411)	(282,166)	(7,879,669)	(8,339,246)	0.46%	8.90%	99.00%	16.76%
Lease commitments	479,043,591	-	-	479,043,591	(508,175)	-	-	(508,175)	0.11%	0.00%	0.00%	0.11%
At 30 June 2022	3,868,521,615	70,407,711	121,353,412	4,060,282,738	(20,069,629)	(6,672,871)	(91,560,486)	(118,302,986)	0.52%	9.48%	75.45%	2.91%

Concentration of Credit Risk

Please refer to tables on page 74-76.

MCB LEASING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

7 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit Risk (continued)

Summary of credit risk (continued)

The following table further summarises credit risk by staging and ECL coverage.

As At 30 June 2021

	Gross carrying/nominal amount			Allowance for ECL						ECL coverage %					
	Stage 1	Stage 2	Stage 3	Stage 1		Stage 2		Stage 3		Total	Stage 1	Stage 2	Stage 3	Total	
	Rs	Rs	Rs	12-month ECL	Lifetime ECL	Lifetime ECL	Lifetime ECL	Lifetime ECL	Rs	Rs	Rs	%	%	%	%
Lease receivables	3,025,877,585	135,997,667	103,779,940	(28,315,066)	(17,851,205)	(17,851,205)	(68,367,929)	(114,534,200)	0.93%	13.13%	65.88%	0.93%	13.13%	65.88%	3.51%
Cash and cash equivalents	55,804,658	-	-	(110,985)	-	-	-	(110,985)	0.20%	-	-	0.20%	-	-	0.20%
Investments in Securities	304,180,613	-	-	(48,090)	-	-	-	(48,090)	0.02%	-	-	0.02%	-	-	0.02%
Other assets	53,794,656	-	6,050,022	(219,276)	-	-	(6,050,022)	(6,269,298)	0.41%	-	-	0.41%	-	-	10.48%
Lease commitments	367,130,538	-	-	(860,516)	-	-	-	(860,516)	0.23%	-	-	0.23%	-	-	0.23%
At 30 June 2021	3,806,788,050	135,997,667	109,829,962	(29,553,933)	(17,851,205)	(17,851,205)	(74,417,951)	(121,823,089)	0.77%	13.13%	67.76%	0.77%	13.13%	67.76%	3.01%

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

7 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit Risk (continued)

Summary of credit risk (continued)

The following table further summarises credit risk by staging and ECL coverage.

As At 30 June 2020

	Gross carrying/nominal amount						Allowance for ECL						ECL coverage %			
	Stage 1		Stage 2		Stage 3		Total		Stage 1		Stage 2		Stage 3		Total	
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	%	%	%
Lease receivables	3,230,745,069	96,499,592	81,274,229	3,408,518,890	(31,470,402)	(22,421,898)	(60,154,338)	(114,046,638)	0.97%	23.24%	74%	0.97%	23.24%	74%	3.35%	
Cash and cash equivalents	393,334,550	-	-	393,334,550	(207,184)	-	-	(207,184)	0.05%	-	-	0.05%	-	-	0.05%	
Deposit with Financial Institutions	57,682,494	-	-	57,682,494	(5,823)	-	-	(5,823)	0.01%	-	-	0.01%	-	-	0.01%	
Investments in Securities	446,309,500	-	-	446,309,500	(49,808)	-	-	(49,808)	0.01%	-	-	0.01%	-	-	0.01%	
Other assets	77,946,522	-	3,320,141	81,266,663	(3,428,626)	(3,320,141)	(6,748,767)	4.39%	100%	-	100%	4.39%	100%	8.30%		
Lease commitments	268,187,015	-	-	268,187,015	(1,125,531)	-	(1,125,531)	(1,125,531)	0.42%	-	-	0.42%	-	-	0.42%	
At 30 June 2020	4,474,205,150	96,499,592	84,594,370	4,655,299,112	(36,287,374)	(22,421,898)	(63,474,479)	(122,183,751)	0.81%	23.24%	75%	0.81%	23.24%	75%	2.62%	

MCB LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

7 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit Risk (continued)

Maximum exposure to credit risk before collateral and other credit enhancements (continued)

For financial assets recognised in the statement of financial position, the exposure to credit risk equals their carrying amount. Other assets exclude prepayments and VAT receivable amounting to **Rs 41,404,562** (2021: Rs 53,575,381, 2020: Rs 74,517,896).

Credit risk from balances with banks and financial institutions is considered negligible, since the counterparty is The Mauritius Commercial Bank Limited, which is a reputable bank with high quality external credit rating. Likewise, for the Government Bonds, Treasury Bills being held with the Government of Mauritius, the credit risk is deemed as negligible.

Summary of credit risk

The disclosure below presents the gross carrying/nominal amount of financial instruments to which the impairment requirements in IFRS 9 are applied and the associated allowance for expected credit losses ('ECL').

	Gross carrying/ nominal amount	Allowance for ECL	Net carrying amount
	Rs	Rs	Rs
As at June 30, 2022			
Net lease receivables	3,151,895,149	(108,836,834)	3,043,058,315
Other financial assets measured at amortised cost			
– cash and cash equivalents	45,662,461	(266,661)	45,395,800
– deposits with financial institutions	-	-	-
– investment securities	333,937,728	(352,070)	333,585,658
– other assets	49,743,809	(8,339,246)	41,404,563
Total gross carrying amount on Statement of Financial Position	3,581,239,147	(117,794,811)	3,463,444,336
Off balance sheet lease commitments	479,043,591	(508,175)	478,535,416
As at June 30, 2021			
Net lease receivables	3,265,655,192	(114,534,200)	3,151,120,992
Other financial assets measured at amortised cost			
– cash and cash equivalents	55,804,658	(110,985)	55,693,673
– deposits with financial institutions	-	-	-
– investment securities	304,180,613	(48,090)	304,132,523
– other assets	59,844,678	(6,269,298)	53,575,380
Total gross carrying amount on Statement of Financial Position	3,685,485,141	(120,962,573)	3,564,522,568
Off balance sheet lease commitments	367,130,538	(860,516)	366,270,022
As at June 30, 2020			
Net lease receivables	3,408,518,890	(114,046,638)	3,294,472,252
Other financial assets measured at amortised cost			
– cash and cash equivalents	393,334,550	(207,184)	393,127,366
– deposits with financial institutions	57,682,494	(5,823)	57,676,671
– investment securities	446,309,500	(49,808)	446,259,692
– other assets	81,266,663	(6,748,767)	74,517,896
Total gross carrying amount on Statement of Financial Position	4,387,112,097	(121,058,220)	4,266,053,877
Off balance sheet lease commitments	268,187,015	(1,125,531)	267,061,484

MCB LEASING LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022****7 FINANCIAL RISK MANAGEMENT (CONTINUED)****(b) Interest rate risk**

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

The principal source of funding of the Company is from fixed deposits by the public, whereby the majority of same bears fixed interest rate. On the other hand, the majority of leases granted by the Company are also at fixed rate hence ensuring a constant differential. Very few contracts are on variable terms. Therefore the Company is not significantly exposed to interest rate risk.

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivery of cash or another financial asset.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding and the ability to close out market positions.

Management monitors rolling forecasts of the Company's liquidity reserve on the basis of expected cash flow and does not foresee any major liquidity risk over the next two years.

The tables on the next pages present the cash flows payable by the Company under financial liabilities by remaining contractual maturities at the end of the reporting period.

The amounts disclosed in the tables are the contractual undiscounted cash flows of all financial liabilities and financial assets.

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 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.

MCB LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

7 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

At 30 June 2022	Up to 1 Month Rs	1 – 3 months Rs	3– 6 months Rs	6– 12 months Rs	1 – 3 years Rs	Over 3 years Rs	Total Rs
Financial Assets							
Cash and cash equivalents	45,662,461	-	-	-	-	-	45,662,461
Investment securities	-	-	-	79,725,932	254,211,796	-	333,937,728
Net Lease receivables	85,037,049	168,335,221	248,482,266	471,415,778	1,475,151,466	703,473,369	3,151,895,149
Other assets	49,743,809	-	-	-	-	-	49,743,809
Total assets	180,443,319	168,335,221	248,482,266	551,141,710	1,729,363,262	703,473,369	3,581,239,147
Financial Liabilities							
Deposits from customers	298,231,276	161,738,058	160,196,160	286,201,538	1,990,930,940	693,785,654	3,591,083,626
Borrowings	1,048,326	3,148,317	3,153,156	2,281,782	9,349,146	1,685,005	20,665,732
Other liabilities	59,850,745	-	-	-	-	-	59,850,745
Total liabilities	359,130,347	164,886,375	163,349,316	288,483,320	2,000,280,086	695,470,659	3,671,600,103
Net liquidity gap	(178,687,028)	3,448,846	85,132,950	262,658,390	(270,916,824)	8,002,710	(90,360,956)

MCB LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

7 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

At 30 June 2021	Up to 1 Month Rs	1 – 3 months Rs	3 – 6 months Rs	6 – 12 months Rs	1 – 3 years Rs	Over 3 years Rs	Total Rs
Financial Assets							
Cash and cash equivalents	55,804,658	-	-	-	-	-	55,804,658
Investment Securities	-	-	-	49,982,498	102,562,177	151,635,938	304,180,613
Net Lease Receivables	97,491,252	192,107,252	282,048,112	531,474,186	1,658,262,583	504,271,807	3,265,655,192
Other assets	59,844,678	-	-	-	-	-	59,844,678
Total assets	213,140,588	192,107,252	282,048,112	581,456,684	1,760,824,760	655,907,745	3,685,485,141
Financial Liabilities							
Deposits from customers	484,967,807	96,552,421	105,720,518	454,727,340	1,556,179,351	697,225,865	3,395,373,302
Borrowings	99,225,648	3,139,854	3,143,994	5,249,234	14,269,603	4,006,102	129,034,435
Other liabilities	66,647,359	-	-	-	-	-	66,647,359
Total liabilities	650,840,814	99,692,275	108,864,512	459,976,574	1,570,448,954	701,231,967	3,591,055,096
Net liquidity gap	(437,700,226)	92,414,977	173,183,600	121,480,110	190,375,806	(45,324,222)	94,430,045

MCB LEASING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

7 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

At 30 June 2020	Up to 1 Month Rs	1 – 3 months Rs	3– 6 months Rs	6– 12 months Rs	1 – 3 years Rs	Over 3 years Rs	Total Rs
Financial Assets							
Cash and cash equivalents	393,334,550	-	-	-	-	-	393,334,550
Deposits with financial institutions	-	-	57,682,494	-	-	-	57,682,494
Investment Securities	-	-	194,625,000	-	251,684,500	-	446,309,500
Net Lease Receivables	98,454,492	207,871,078	356,757,539	513,918,119	1,629,050,243	602,467,419	3,408,518,890
Other assets	81,266,663	-	-	-	-	-	81,266,663
Total assets	573,055,705	207,871,078	609,065,033	513,918,119	1,880,734,743	602,467,419	4,387,112,097
Financial Liabilities							
Deposits from customers	419,365,267	302,816,211	845,379,189	382,297,290	1,688,335,265	504,579,044	4,142,772,266
Borrowings	18,471,370	7,372,106	4,113,875	3,297,106	7,165,604	4,243,708	44,663,769
Other liabilities	115,899,221	-	-	-	-	-	115,899,221
Total liabilities	553,735,858	310,188,317	849,493,064	385,594,396	1,695,500,869	508,822,752	4,303,335,256
Net liquidity gap	19,319,847	(102,317,239)	(240,428,031)	128,323,723	185,233,874	93,644,667	83,776,841

MCB LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

7 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) 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.

The Company's foreign currency profile is as follows:

	2022		
	EURO Rs	GBP Rs	USD Rs
Assets			
Bank balances	87,883	-	109,760
Net lease receivables	11,609,942		251,306
	<u>11,697,825</u>	<u>-</u>	<u>361,066</u>
Liabilities			
Other liabilities	929,716	-	624,973
Borrowings	6,163,508	-	22
	<u>7,093,224</u>	<u>-</u>	<u>624,995</u>
	2021		
	EURO Rs	GBP Rs	USD Rs
Assets			
Bank balances	77,083	-	3,526,494
Net lease receivables	24,585,268		3,842,688
	<u>24,662,351</u>	<u>-</u>	<u>7,369,182</u>
Liabilities			
Other liabilities	208,768	-	171,767
Borrowings	15,205,082	-	21
	<u>15,413,850</u>	<u>-</u>	<u>171,788</u>
	2020		
	EURO Rs	GBP Rs	USD Rs
Assets			
Bank balances	-	65	1,458,388
Net lease receivables	40,943,777	-	36,374,324
	<u>40,943,777</u>	<u>65</u>	<u>37,832,712</u>
Liabilities			
Other liabilities	34,398,464	-	8,519,758
Borrowings	4,011,991	880	25,547,788
	<u>38,410,455</u>	<u>880</u>	<u>34,067,546</u>

A 3% fluctuation in the exchange rate of EURO/GBP/USD against the rupee will have an impact of **Rs 130k** (2021: Rs 503k, 2020:Rs 189k) on the results of the Company. The Company borrows in foreign currency to grant foreign currency facilities. The risk of currency mismatch is thus not significant.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

8 CAPITAL MANAGEMENT

The Company's objectives when managing capital are:

- to comply with the capital requirements set by the Bank of Mauritius, which include maintaining a minimum capital requirement of Rs. 400m and respecting the required Capital Adequacy Ratio (CAR) of 10%,
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for its shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support the development of its business.

In order to maintain the capital structure, the Company may adjust the amount of dividends paid to shareholders. There were no changes in the Company's approach to capital risk management during the year. Detailed disclosure on the capital structure of the Company is found on page 33 in the Management Discussion and Analysis section of this Annual Report.

9 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

	2022	2022	2021	2021	2020	2020
	Carrying	Fair	Carrying	Fair	Carrying	Fair
	value	value	value	value	value	value
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Financial assets						
Cash and cash equivalents	45,396	45,396	55,694	55,694	393,127	393,127
Deposits with financial institutions	-	-	-	-	57,677	57,677
Net Lease Receivables	3,043,058	3,043,058	3,151,121	3,151,121	3,294,472	3,294,472
Investment securities	333,586	333,586	304,133	304,133	446,260	446,260
Other assets	41,405	41,405	53,575	53,575	74,518	74,518
	<u>3,463,445</u>	<u>3,463,445</u>	<u>3,570,793</u>	<u>3,564,523</u>	<u>4,266,054</u>	<u>4,266,054</u>
Financial liabilities						
Deposits from customers	3,591,084	3,591,084	3,395,373	3,395,373	4,142,772	4,142,772
Borrowings	20,666	20,666	129,034	129,034	44,664	44,664
Other liabilities	59,851	59,851	66,647	66,647	115,899	115,899
	<u>3,671,601</u>	<u>3,671,601</u>	<u>3,591,054</u>	<u>3,591,054</u>	<u>4,303,335</u>	<u>4,303,335</u>

(i) Cash and cash equivalents

Cash and cash equivalents comprise balances with The Mauritius Commercial Bank Limited. The estimated fair value of fixed interest bearing balances is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and remaining maturity.

(ii) Net Lease Receivables

These are leases which are net of impairment losses. The estimated fair values of leases to customers represent the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(iii) Deposits from customers and borrowings

For the purpose of estimating fair value, deposits by customers are grouped by remaining contractual maturity. Fair values are estimated using discounted cash flows, applying current rates offered for deposits of similar remaining maturities. The fair value of a deposit repayable on demand is approximated by its carrying value.

MCB LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

9 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(iv) Other financial assets and financial liabilities

Other assets and other liabilities are repayable on demand. Their fair values are therefore considered as being equal to their carrying value. Fair values are therefore considered as being equal to their carrying value.

10 CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

See accounting policies in Note 5c (i).

The table below provides reconciliation between line items in the statement of financial position and categories of financial instruments.

Assets	IFRS 9 Measurement Category	2022 Rs.	2021 Rs.	2020 Rs.
Cash and cash equivalents	Amortised cost	45,395,800	55,693,673	393,127,366
Deposits with financial institutions	Amortised cost	-	-	57,676,671
Net lease receivables		3,043,058,315	3,151,120,992	3,294,472,252
Investment securities	Amortised cost	303,585,658	304,132,523	446,259,692
Investment securities	FVOCI	30,000,000	-	-
Other assets	Amortised cost	41,404,563	53,575,380	74,517,896
		<u>3,463,444,336</u>	<u>3,564,522,568</u>	<u>4,266,053,877</u>
Liabilities				
Deposits from customers	Amortised cost	3,591,083,626	3,395,373,302	4,142,772,266
Borrowings		20,665,732	129,034,435	44,663,769
Other liabilities	Amortised cost	59,850,745	66,647,359	115,899,221
		<u>3,671,600,103</u>	<u>3,591,055,096</u>	<u>4,303,335,256</u>

11 CASH AND CASH EQUIVALENTS

(i) BALANCES

	2022 Rs.	2021 Rs.	2020 Rs.
Balances and deposits with banks in Mauritius	45,658,629	55,800,246	393,332,798
Cash in hand	3,832	4,412	1,752
Less allowance for expected credit losses	<u>(266,661)</u>	<u>(110,985)</u>	<u>(207,184)</u>
Current	<u>45,395,800</u>	<u>55,693,673</u>	<u>393,127,366</u>

The Company holds banking facilities with The Mauritius Commercial Bank Limited in the form of current accounts which are not interest bearing. The banking facilities are secured by movable and immovable properties of the Company.

MCB LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

11 CASH AND CASH EQUIVALENTS (CONTINUED)

(ii) NET DEBT RECONCILIATION

	2022 Rs.	2021 Rs.	2020 Rs.
Cash and cash equivalents	45,395,800	55,693,673	393,127,366
Deposits with financial institutions	-	-	57,676,671
Borrowings	(20,665,732)	(129,034,435)	(44,663,769)
Net (debt)/ surplus	24,730,068	(73,340,762)	406,140,268
Cash and liquid investments	45,395,800	55,693,673	450,804,037
Gross debt-fixed interest rate	(16,487,880)	(113,829,332)	(42,918,195)
Gross debt-variable interest rate	(4,177,852)	(15,205,103)	(1,745,574)
	24,730,068	(73,340,762)	406,140,268

	Cash and cash equivalents Rs	Deposits with financial institutions Rs	Borrowings Rs	Total Rs
Net debt as at 30 June 2019	98,801,232	110,931,181	(158,343,883)	51,388,530
Payments	-	(50,000,000)	-	(50,000,000)
Proceeds	-	-	-	-
Cash flows	294,326,134	(3,254,510)	113,680,114	404,751,738
Net surplus/ (debt) as at 30 June 2020	393,127,366	57,676,671	(44,663,769)	406,140,268
Payments	-	-	545,294,535	545,294,535
Proceeds	-	(57,676,671)	(629,665,201)	(687,341,872)
Cash flows	(337,433,693)	-	-	(337,433,693)
Net surplus/ (debt) as at 30 June 2021	55,693,673	-	(129,034,435)	(73,340,762)
Payments	-	-	659,488,703	659,488,703
Proceeds	-	-	(551,120,000)	(551,120,000)
Cash flows	(10,297,873)	-	-	(10,297,873)
Net surplus/ (debt) as at 30 June 2022	45,395,800	-	(20,665,732)	24,730,068

12 DEPOSITS WITH FINANCIAL INSTITUTIONS

	2022 Rs.	2021 Rs.	2020 Rs.
At June 30,	-	-	57,682,494
Less allowance for expected credit losses	-	-	(5,823)
	-	-	57,676,671

Deposit held with The Mauritius Commercial Bank Limited in 2020 with interest rate of 3.90% p.a matured in 2021. No new deposits with financial institutions were placed in 2021 and 2022.

MCB LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

13 NET LEASE RECEIVABLES

	2022 Rs.	2021 Rs.	2020 Rs.
(a) Gross investment in finance leases			
- Within one year	1,112,862,387	1,103,120,802	1,202,317,337
- Within 1 and 2 years	930,880,659	930,108,798	1,027,967,820
- Within 2 to 3 years	701,957,225	728,153,785	754,515,513
- Within 3 to 4 years	443,609,426	509,331,415	519,320,274
- Within 4 to 5 years	199,326,635	254,291,550	287,767,951
- More than 5 years	100,513,248	99,047,054	1,221,323
	<u>3,489,149,580</u>	<u>3,624,053,404</u>	<u>3,793,110,218</u>
Unearned future finance income on finance leases	(412,655,084)	(462,163,326)	(509,269,372)
	<u>3,076,494,496</u>	<u>3,161,890,078</u>	<u>3,283,840,846</u>
(b) Rental receivables on finance lease and operating leases	<u>75,400,653</u>	<u>103,765,114</u>	<u>124,678,044</u>
Total gross investment in leases	<u>3,151,895,149</u>	<u>3,265,655,192</u>	<u>3,408,518,890</u>
Less allowances for credit impairment			
- Stages 1 & 2 – ECL	(25,156,017)	(46,166,271)	(53,892,300)
- Stage 3 – ECL	(83,680,817)	(68,367,929)	(60,154,338)
Net lease receivables	<u>3,043,058,315</u>	<u>3,151,120,992</u>	<u>3,294,472,252</u>
(c) Remaining term to maturity of investment in finance leases			
Current:			
Up to 3 months	253,372,271	289,598,504	318,707,930
Over 3 months and up to 6 months	248,482,267	282,048,112	256,751,031
Over 6 months and up to 12 months	471,415,778	531,474,187	488,447,328
Non Current:			
Over 1 year and up to 5 years	2,081,793,957	2,063,487,334	2,219,168,851
Over 5 years	96,830,876	99,047,055	125,443,750
	<u>3,151,895,149</u>	<u>3,265,655,192</u>	<u>3,408,518,890</u>
(d) Allowance for expected credit losses			
Stages 1 & 2 ECL			
At July 01,	46,166,271	53,892,300	46,966,770
(Release)/Allowance for the year	(21,010,254)	(7,726,029)	6,925,530
At June 30,	<u>25,156,017</u>	<u>46,166,271</u>	<u>53,892,300</u>
Stage 3 ECL			
At July 01,	68,367,929	60,154,338	68,318,463
Allowance/(Release) for the year	15,312,888	8,213,591	(8,164,125)
At June 30,	<u>83,680,817</u>	<u>68,367,929</u>	<u>60,154,338</u>
Total	<u>108,836,834</u>	<u>114,534,200</u>	<u>114,046,638</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

13 NET LEASE RECEIVABLES (CONTINUED)

(e) Allowance for expected credit losses by industry sectors

	2022						Gross amount of leases net of total allowances for expected credit losses Rs.'000
	Gross amount of leases Rs.'000	Non-performing leases Rs.'000	Stage 1 ECL Rs.'000	Stage 2 ECL Rs.'000	Stage 3 ECL Rs.'000	Total allowances for expected credit losses Rs.'000	
Agriculture and fishing	141,752	1,016	885	5	787	1,677	140,075
Manufacturing of which EPZ	435,375	15,967	2,634	277	14,517	17,428	417,947
Tourism	63,733	1,332	391	38	1,147	1,576	62,157
Transport	217,120	6,646	1,231	1,481	4,787	7,499	209,621
Construction	164,371	5,688	960	680	4,361	6,001	158,370
Traders	722,519	10,390	4,489	294	8,854	13,637	708,882
Information, Communication and Technology	49,944	1,497	306	-	1,077	1,383	48,561
Financial and business services	36,616	-	231	-	-	231	36,385
Personal	836,544	46,801	4,831	2,234	30,933	37,998	798,546
Professional	162,163	4,270	991	75	3,097	4,163	158,000
Media entertainment and recreational activities	32,807	2,467	181	177	2,136	2,494	30,313
Others	288,951	17,343	1,635	1,130	11,985	14,750	274,201
	3,151,895	113,417	18,763	6,392	83,681	108,837	3,043,058

MCB LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

13 NET LEASE RECEIVABLES (CONTINUED)

(e) Allowance for expected credit losses by industry sectors (continued)

	2021						Gross amount of leases net of total allowances for expected credit losses Rs.'000
	Gross amount of leases Rs.'000	Non-performing leases Rs.'000	Stage 1 ECL Rs.'000	Stage 2 ECL Rs.'000	Stage 3 ECL Rs.'000	Total allowances for expected credit losses Rs.'000	
Agriculture and fishing	151,236	1,402	1,393	104	1,126	2,623	148,613
Manufacturing	530,478	14,223	4,475	4,642	8,735	17,852	512,626
of which EPZ	-	-	-	-	-	-	-
Tourism	174,965	19,982	1,212	3,158	12,867	17,237	157,728
Transport	204,482	9,336	1,768	679	6,215	8,662	195,820
Construction	190,636	7,397	1,638	984	5,093	7,715	182,921
Infrastructure	3,040	-	28	-	-	28	3,012
Traders	668,477	18,753	5,923	1,995	13,175	21,093	647,384
Information, Communication and Technology	48,029	883	440	4	790	1,234	46,795
Financial and business services	86,900	910	789	203	429	1,421	85,479
Freeport Enterprise Certificate Holders	57,355	-	536	-	-	536	56,819
Personal	807,166	25,213	6,986	4,395	16,067	27,448	779,718
Professional	47,222	121	393	656	121	1,170	46,052
Media entertainment and recreational activities	41,511	1,660	339	458	1,314	2,111	39,400
Others	254,158	3,900	2,395	573	2,436	5,404	248,754
	3,265,655	103,780	28,315	17,851	68,368	114,534	3,151,121

MCB LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

13 NET LEASE RECEIVABLES (CONTINUED)

(e) Allowance for expected credit losses by industry sectors (continued)

	2020						Gross amount of leases net of total allowances for expected credit losses Rs.'000
	Gross amount of leases Rs.'000	Non- performing leases Rs.'000	Stage 1 ECL Rs.'000	Stage 2 ECL Rs.'000	Stage 3 ECL Rs.'000	Total allowances for expected credit losses Rs.'000	
Agriculture and fishing	181,275	16,850	3,499	35	16,566	20,100	161,175
Manufacturing of which EPZ	684,671	17,654	7,995	7,837	11,090	26,922	657,749
Tourism	177,066	4,169	1,923	7,490	3,128	12,541	164,525
Transport	197,099	2,085	2,601	304	1,648	4,553	192,546
Construction	194,921	9,389	1,596	1,105	6,067	8,768	186,153
Infrastructure	815	-	4	-	-	4	811
Traders	612,448	11,358	4,418	2,319	8,672	15,409	597,039
Information, Communication and Technology	48,784	431	355	-	302	657	48,127
Financial and business services	99,529	436	717	444	302	1,463	98,066
Freeport Enterprise Certificate Holders	63,830	-	622	-	-	622	63,208
Personal	823,010	13,303	5,236	1,993	8,632	15,861	807,149
Professional	52,857	86	424	-	-	424	52,433
Media entertainment and recreational activities	52,501	763	432	742	408	1,582	50,919
Others	219,713	4,750	1,649	153	3,339	5,141	214,572
	3,408,519	81,274	31,471	22,422	60,154	114,047	3,294,472

MCB LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

13 NET LEASE RECEIVABLES (CONTINUED)

(f) Movement in provisions for expected credit losses

	Stage 1 Rs '000	Stage 2 Rs '000	Stage 3 Rs '000	Total Rs '000
At 30 June 2019	19,644	27,323	68,318	115,285
Transfer to Stage 1	17,929	(10,990)	(6,939)	-
Transfer to Stage 2	(481)	2,837	(2,356)	-
Transfer to Stage 3	(280)	(1,023)	1,303	-
Additional Provision	-	5,329	12,288	17,617
Provision Released	(5,341)	(1,054)	(12,460)	(18,855)
At 30 June 2020	31,471	22,422	60,154	114,047
Transfer to Stage 1	13,192	(8,259)	(4,933)	-
Transfer to Stage 2	(1,991)	5,991	(4,000)	-
Transfer to Stage 3	(1,112)	(2,924)	4,036	-
Additional Provision	-	3,532	35,120	38,652
Provision Released	(13,245)	(2,911)	(22,009)	(38,165)
At 30 June 2021	28,315	17,851	68,368	114,534
Transfer to Stage 1	18,238	(7,896)	(10,342)	-
Transfer to Stage 2	(411)	4,248	(3,837)	-
Transfer to Stage 3	(293)	(4,757)	5,050	-
Additional Provision	6,480	3,573	42,413	52,466
Provision Released	(33,563)	(6,629)	(17,971)	(58,163)
At 30 June 2022	18,765	6,390	83,680	108,837

14 INVESTMENT SECURITIES

	2022 Rs	2021 Rs	2020 Rs
<u>Investment in debt securities measured at amortised cost</u>			
Investment in government bonds (Non-current)	254,211,796	254,198,114	251,684,500
Investment in government treasury bills (current)	49,725,932	49,982,499	194,625,000
Less allowance for expected credit losses	(352,070)	(48,090)	(49,808)
	303,585,658	304,132,523	446,259,692
<u>Investment in debt securities measured at FVOCI</u>			
Investment in corporate bonds (current)	30,000,000	-	-
At 30 June 2022	333,585,658	304,132,523	446,259,692

MCB LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

15 PLANT AND EQUIPMENT

2022 COST	Computer equipment Rs.	Office equipment Rs.	Furniture & fittings Rs.	Motor vehicles Rs.	Assets under operating leases			Total Rs.
					Motor vehicles Rs.	Plant and equipment Rs.		
At July 1, 2021	7,317,558	3,211,429	3,580,417	2,434,440	1,006,136,440	131,910,539	1,154,590,823	
Additions	1,412,163	-	48,150	-	404,444,937	25,590,000	431,495,250	
Disposals	-	-	-	-	(181,064,403)	(29,170,000)	(210,234,403)	
At June 30, 2022	8,729,721	3,211,429	3,628,567	2,434,440	1,229,516,974	128,330,539	1,375,851,670	
DEPRECIATION								
At July 1, 2021	6,650,584	3,086,926	3,454,759	850,587	352,938,104	65,137,341	432,118,301	
Charge for the year	442,837	47,718	115,501	486,621	157,649,104	18,552,522	177,294,303	
Disposal	-	-	-	-	(100,327,959)	(23,414,250)	(123,742,209)	
At June 30, 2022	7,093,421	3,134,644	3,570,260	1,337,208	410,259,249	60,275,613	485,670,395	
NET BOOK VALUE								
At June 30, 2022	1,636,300	76,785	58,307	1,097,232	819,257,725	68,054,926	890,181,275	

MCB LEASING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

15 PLANT AND EQUIPMENT (CONTINUED)

<u>2021</u> COST	Computer equipment Rs.	Office equipment Rs.	Furniture & fittings Rs.	Motor vehicles Rs.	Assets under operating leases		
					Motor vehicles Rs.	Plant and equipment Rs.	Total Rs.
At July 1, 2020	6,836,057	3,211,429	3,580,417	2,434,440	880,302,090	221,211,719	1,117,576,152
Additions	481,501	-	-	-	298,238,303	12,500,000	311,219,804
Disposals	-	-	-	-	(172,403,953)	(101,801,180)	(274,205,133)
At June 30, 2021	7,317,558	3,211,429	3,580,417	2,434,440	1,006,136,440	131,910,539	1,154,590,823
DEPRECIATION							
At July 1, 2020	6,336,432	3,037,837	3,152,365	363,966	322,223,534	108,428,086	443,542,220
Charge for the year	314,152	49,089	302,394	486,621	123,276,776	19,828,129	144,257,161
Disposal	-	-	-	-	(92,562,206)	(63,118,874)	(155,681,080)
At June 30, 2021	6,650,584	3,086,926	3,454,759	850,587	352,938,104	65,137,341	432,118,301
NET BOOK VALUE							
At June 30, 2021	666,974	124,503	125,658	1,583,853	653,198,336	66,773,198	722,472,522

MCB LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

15 PLANT AND EQUIPMENT (CONTINUED)

2020 COST	Computer equipment Rs.	Office equipment Rs.	Furniture & fittings Rs.	Motor vehicles Rs.	Assets under operating leases			Total Rs.
					Motor vehicles Rs.	Plant and equipment Rs.		
At July 1, 2019	6,330,315	3,093,360	3,574,332	302,109	867,297,212	198,492,498		1,079,089,826
Additions	505,742	118,069	6,085	2,434,440	166,061,652	40,775,000		209,900,988
Disposals	-	-	-	(302,109)	(153,056,774)	(18,055,779)		(171,414,662)
At June 30, 2020	6,836,057	3,211,429	3,580,417	2,434,440	880,302,090	221,211,719		1,117,576,152
DEPRECIATION								
At July 1, 2019	6,151,543	2,989,582	2,847,305	155,772	277,545,866	94,489,717		384,179,785
Charge for the year	184,889	48,255	305,060	381,679	127,303,493	28,197,862		156,421,238
Disposal	-	-	-	(173,485)	(82,625,825)	(14,259,493)		(97,058,803)
At June 30, 2020	6,336,432	3,037,837	3,152,365	363,966	322,223,534	108,428,086		443,542,220
NET BOOK VALUE								
At June 30, 2020	499,625	173,592	428,052	2,070,474	558,078,556	112,783,633		674,033,932

MCB LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

19 BORROWINGS

	2022 Rs.	2021 Rs.	2020 Rs.
Borrowings comprise:			
<u>Current</u>			
Bank loans	4,177,851	107,827,925	31,921,437
Other loans	5,453,731	2,930,800	1,745,574
	<u>9,631,582</u>	<u>110,758,725</u>	<u>33,667,011</u>
<u>Non-current</u>			
Bank loans	-	4,566,348	10,996,758
Other loans	11,034,150	13,709,362	-
	<u>11,034,150</u>	<u>18,275,710</u>	<u>10,996,758</u>
	<u>20,665,732</u>	<u>129,034,435</u>	<u>44,663,769</u>
(a) Bank and other loans			
<u>Remaining term to maturity</u>			
Within one year	9,631,582	110,758,725	33,667,011
One to two years	5,531,608	9,384,034	6,945,310
After two years to five years	5,502,542	8,891,676	4,051,448
	<u>20,665,732</u>	<u>129,034,435</u>	<u>44,663,769</u>

(b) The rates of interest on borrowings range from 1.5% to 3.5%, 0% to 0% and 0.75% to 2.78% on the borrowings denominated in MUR, USD and EURO respectively. (2021: 1.5% to 3.5%, 0% to 0% and 0.75% to 2.42% and 2020: 3% to 5%, 0.90% to 3.99% and 0.75% to 2.60%).

(c) Borrowings are denominated in Mauritian rupees, Euro and US dollar. The currency risk profile is provided in note 7(d).

(d) Other loans consists of loans from State Investment Corporation Limited obtained in order to finance leasing facilities granted under the different *Leasing Equipment Modernisation Schemes*.

(e) Borrowings with financial institutions are secured by a floating charge on the assets of the Company.

MCB LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

20 INCOME TAX

	2022 Rs.	2021 Rs.	2020 Rs.
Current income tax on the adjusted profit for the year at 17% (2020: 17%, 2019: 17%)	8,711,482	15,518,059	-
Deferred tax (note 21)	<u>4,163,199</u>	<u>(2,412,752)</u>	<u>816,796</u>
	<u><u>12,874,681</u></u>	<u><u>13,105,307</u></u>	<u><u>816,796</u></u>

The Company applied a partial exemption on interest income in accordance to the provision of the Income Tax Act (Item 7 of Sub-Part B of Part II of the Second Schedule) for the year 2020. No such exemption was available for the income tax computation for the year ended 30 June 2021 and 30 June 2022.

The income tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the Company as follows:

	2022 Rs.	2021 Rs.	2020 Rs.
Profit before income tax	<u>74,718,191</u>	<u>73,665,435</u>	<u>54,480,371</u>
Tax calculated at a rate of 17 % (2021: 17%, 2020: 17%)	12,702,092	12,523,124	9,261,663
Tax effect on:			
Expenses not deductible for tax purposes	31,901,097	30,013,425	-
Income not subject to tax	(35,891,707)	(27,018,490)	(8,444,867)
Deferred tax	<u>4,163,199</u>	<u>(2,412,752)</u>	<u>-</u>
	<u><u>12,874,681</u></u>	<u><u>13,105,307</u></u>	<u><u>816,796</u></u>
<u>Current tax (asset) / liability</u>			
At July 1,	4,916,793	(10,601,266)	(7,387,534)
Charge for the year	8,711,482	15,518,059	-
Income tax paid	<u>(25,759,146)</u>	<u>-</u>	<u>(3,213,732)</u>
At June 30,	<u><u>(12,130,871)</u></u>	<u><u>4,916,793</u></u>	<u><u>(10,601,266)</u></u>

21 DEFERRED TAX LIABILITIES

Deferred income taxes are calculated on all temporary differences under the liability method at 17% (2021: 17%, 2020: 17%). The movement on the deferred income tax account is as follows:

	2022 Rs.	2021 Rs.	2020 Rs.
At July 1,	14,636,906	17,049,658	16,232,862
Statement of profit or loss and other comprehensive income (credit)/charge (note 20)	4,163,199	(2,412,752)	816,796
At June 30,	<u><u>18,800,105</u></u>	<u><u>14,636,906</u></u>	<u><u>17,049,658</u></u>

MCB LEASING LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022****21 DEFERRED TAX LIABILITIES (CONTINUED)**

There is a legally enforceable right to offset current tax assets and liabilities and deferred income tax assets and liabilities when the deferred income taxes relate to the same fiscal authority. The following amounts are shown in the Statement of Financial Position:

	2022 Rs.	2021 Rs.	2020 Rs.
<u>Deferred tax liabilities</u>			
Temporary Differences:			
Accelerated capital allowances	38,911,613	35,346,831	37,820,896
Provisions for expected credit losses	<u>(20,111,508)</u>	<u>(20,709,925)</u>	<u>(20,771,238)</u>
	<u>18,800,105</u>	<u>14,636,906</u>	<u>17,049,658</u>

22 OTHER LIABILITIES

	2022 Rs.	2021 Rs.	2020 Rs.
Other payables and accruals consists of:	46,973,084	53,964,237	103,722,679
Registration duty payable to government	19,375,953	12,035,270	12,440,164
Amounts payable to car distributors	4,558,712	4,557,781	6,905,933
Advances received from customers	9,918,115	7,166,059	9,904,230
Accruals	4,204,751	3,402,446	5,469,420
Others	8,915,553	26,802,681	69,002,932
Amounts due to group companies:			
- Entities under common control	12,369,486	11,822,606	11,051,011
Provision for expected credit losses on undrawn commitments	508,175	860,516	1,125,531
	<u>59,850,745</u>	<u>66,647,359</u>	<u>115,899,221</u>

*Other liabilities are expected to be settled within 12 months and are classified as 'current'.

23 SHARE CAPITAL**Authorised**

25,000,000 ordinary shares of Rs.10 each	<u>250,000,000</u>	<u>250,000,000</u>	<u>250,000,000</u>
20,000,000 preference shares of Rs.10 each	<u>200,000,000</u>	<u>200,000,000</u>	<u>200,000,000</u>

Issued and fully paid

Ordinary shares at 30 June,	200,000,000	200,000,000	200,000,000
Preference shares at 30 June,	<u>200,000,000</u>	<u>200,000,000</u>	<u>200,000,000</u>
Total share capital	<u>400,000,000</u>	<u>400,000,000</u>	<u>400,000,000</u>

In June 2018, the Company issued 20,000,000 5.5% non-cumulative preference shares at Rs.10 each to MCB Group Ltd. These preference shares are not payable at the option of the preference shareholder. The preference shareholder also does not have any voting rights. Ordinary shares are held by Fincorp Investment Limited. The ordinary shareholder is entitled to voting rights and dividends.

MCB LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

24 NET INTEREST INCOME

	2022 Rs.	2021 Rs.	2020 Rs.
<i>Interest income on financial assets at amortised cost</i>			
Cash and cash equivalents	-	966,856	2,783,130
Investment securities	10,327,481	12,488,454	11,800,322
Total interest income calculated using the effective interest rate method	10,327,481	13,455,310	14,583,452
<i>Interest income on financial lease receivables</i>			
	206,652,143	227,205,066	246,773,466
<i>Interest income on investment in debt securities at FVOCI</i>			
	90,903	-	-
Total interest income	217,070,527	240,660,376	261,356,918
<i>Interest expense on financial assets at amortised cost</i>			
Deposits from customers	112,556,331	133,764,258	177,177,719
Borrowings	1,436,160	1,680,793	2,692,285
	113,992,491	135,445,051	179,870,004
Net interest income	103,078,036	105,215,325	81,486,914

25 OTHER OPERATING INCOME

Penalty Fees and Interests	5,044,767	7,967,812	10,100,135
Miscellaneous Income	2,522,961	8,226,348	2,649,950
Refund from State Investment Corporation	-	-	456,212
	7,567,728	16,194,160	13,206,297

26 NET IMPAIRMENT LOSS ON FINANCIAL ASSETS

	2022 Rs.	2021 Rs.	2020 Rs.
Allowances for expected credit losses on lease receivables:			
- Stage 3	15,312,888	26,032,786	7,032,148
- Stage 1 and 2	(21,010,256)	(7,726,029)	6,925,530
Allowances for expected credit losses on other financial assets			
	7,688,421	373,590	(4,239,994)
	1,991,053	18,680,347	9,717,684

The table on the next page provides the reconciliation in the balance sheet movement for the provisions for expected credit losses and profit and loss charge for 2022, 2021 and 2020.

MCB LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
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26 NET IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

	Stages 1 & 2 ECL on lease receivables	Stage 3 ECL on lease receivables	Stage 1 ECL on cash and cash equivalents	Stages 1 & 2 ECL on other assets	Stage 3 ECL on other assets	Stage 1 ECL on deposits with financial institutions	Stage 1 ECL on investment Securities	Stage 1 ECL on undrawn commitments	Total
Opening impairment provisions at 01 July 2019	46,966,770	68,318,463	196,008	3,428,626	5,598,176	220,079	22,177	2,912,041	127,662,340
Bad debts written off against provision	-	(15,196,273)	-	-	-	-	-	-	(15,196,273)
Impairment charge to profit or loss for the year	6,925,530	7,032,148	11,176	-	(2,278,035)	(214,256)	27,631	(1,786,510)	9,717,664
Closing impairment provisions at 30 June 2020	53,892,300	60,154,338	207,184	3,428,626	3,320,141	5,823	49,808	1,125,531	122,183,751
Bad debts written off against provision	-	(17,819,196)	-	-	(1,221,813)	-	-	-	(19,041,009)
Impairment charge to profit or loss for the year	(7,726,029)	26,032,787	(96,199)	(3,209,350)	3,951,694	(5,823)	(1,718)	(265,015)	18,680,347
Closing impairment provisions at 30 June 2021	46,166,271	68,367,929	110,985	219,276	6,050,022	-	48,090	860,516	121,823,089
Bad debts written off against provision	-	-	-	-	(5,511,156)	-	-	-	(5,511,156)
Impairment charge to profit or loss for the year	(21,010,254)	15,312,888	155,676	240,301	7,340,803	-	303,980	(352,341)	1,991,053
Closing impairment provisions at 30 June 2022	25,156,017	83,680,817	266,661	459,577	7,879,669	-	352,070	508,175	118,302,986

MCB LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

27 PERSONNEL EXPENSES

	2022 Rs.	2021 Rs.	2020 Rs.
Wages and salaries	36,398,927	35,250,555	37,864,782
Social security obligations	4,730,410	5,322,573	1,474,894
Other payroll costs	2,394,284	1,849,319	5,410,269
	<u>43,523,621</u>	<u>42,422,447</u>	<u>44,749,945</u>

The Company participates in a multi-employer plan.

28 LOSS ON DISPOSAL OF ASSETS

Loss on disposal of repossessed leases	(7,417,853)	(4,120,983)	(3,215,971)
(Loss)/Profit on disposal of assets on operating leases	(1,246,533)	220,040	2,704,967
	<u>(8,664,386)</u>	<u>(3,900,943)</u>	<u>(511,004)</u>

29 OTHER EXPENSES

Management fee	4,443,686	5,367,504	4,443,000
Marketing and advertising	1,714,930	3,409,495	5,968,036
Licences and software cost	2,921,863	2,897,853	2,604,316
Statutory audit fees	875,000	833,750	600,000
Fees to statutory auditor for assurance engagements	450,000	345,000	475,000
Professional fees	10,680,865	9,970,945	7,959,183
Other operating expenses	7,310,436	3,863,039	7,405,505
	<u>28,396,780</u>	<u>26,687,586</u>	<u>29,455,040</u>

30 DIVIDENDS PAYABLE

Dividend declared			
Preference dividends	11,000,000	22,000,000	11,000,000
Ordinary dividends	30,000,000		40,000,000
Dividend paid			
Preference dividends	(11,000,000)	(22,000,000)	(11,000,000)
Ordinary dividends	(30,000,000)		(40,000,000)
At June 30,	<u>-</u>	<u>-</u>	<u>-</u>

31 CONTINGENT LIABILITIES

(a) Commitments

(i) Lease commitments

At June 30, 2022, the Company had commitments amounting to Rs 479,043,591 in respect of undrawn lease commitments (2021: Rs 367,130,538, 2020: Rs 268,187,015).

(ii) Intangible assets

During the year under review, the Company has invested in a new leasing software. An additional amount of USD360,000 will be paid with respect to same within the next twelve months.

(b) Partial Tax Exemption

The Company received tax assessments from the Mauritius Revenue Authority ("MRA") for FY18/19 and FY19/20 disallowing the Company's claim for "partial exemption" of 80% on interest income under Item 7 of Sub-Part B of Part II of the Second Schedule of the Income Tax Act ("the Act") as in their view the activities of the Company did not qualify for the exemption under the requirements of the Act. The tax assessment for FY18/19 claiming an amount of Rs8,295,080 was received in 2020 and the tax assessment for FY19/20 for an amount of Rs9,776,345 was received in 2021.

The Company received confirmation from the MRA informing the Company that the tax assessment for FY18/19 has been dropped on 11 May 2022. However, the MRA, thereafter, issued a new tax assessment again disallowing the Company's claim for the "partial exemption" of 80% on interest income under item 7 of Sub-part B of Part II of the Second Schedule to the Income Tax Act. The liability based on the new tax assessment for FY18/19 remains as at Rs8,295,080.

The Company has received independent legal opinion confirming that the activities of the Company is covered by the relevant guidelines of the Act entitled to claim the exemption based on extant tax regulations. The Company has accordingly responded to the authorities refuting the claims and provided necessary explanations. Based on advice received from its legal and tax advisors, no provision has been made in respect of these tax claims amounting to Rs18,071,425 in the books as at 30 June 2022 (30 June 2021: NIL).

32 HOLDING AND ULTIMATE HOLDING COMPANIES

The directors regard Fincorp Investment Limited as the holding company and MCB Group Limited as the ultimate holding company. Both companies are incorporated in Mauritius.

MCB LEASING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

33 RELATED PARTY TRANSACTIONS

(a) The following transactions were carried out by the Company with related parties.

	Rent		Management Fees		Interest income		Interest Expense		Rental income from operating expenses	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
2022										
Holding company	-	-	-	-	-	-	-	-	-	-
Entities under common control	1,037,275	3,406,411	90,904	1,161,529	90,904	1,161,529				
Directors and close family members	-	-	11,320	221,270	11,320	221,270				
Enterprises in which directors have significant influence	-	-	1,605,747	-	1,605,747	-	-	-	-	-
2021										
Holding company	1,176,575	-	-	-	-	-	-	-	-	-
Entities under common control	-	4,190,929	12,953,620	1,527,004	12,953,620	1,527,004				
Directors and close family members	-	-	174,939	845,500	174,939	845,500				
Enterprises in which directors have significant influence	-	-	1,726,191	10,326,908	1,726,191	10,326,908				903,127
2020										
Holding company	1,090,031	-	-	-	-	-	-	-	-	-
Entities under common control	-	3,352,969	7,813,965	23,180,101	7,813,965	23,180,101				
Directors and close family members	-	-	124,592	-	124,592	-	-	-	-	-
Enterprises in which directors have significant influence	-	-	1,619,620	1,084,500	1,619,620	1,084,500				880,383

Salaries recharged by The Mauritius Commercial Bank Limited for the year ended 30 June 2022 amount to **Rs 43,523,621** (2021: Rs 42,422,447, 2020: Rs 44,749,946).

MCB LEASING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

33 RELATED PARTY TRANSACTIONS (CONTINUED)

Outstanding balances in respect of related party transactions at the end of the reporting period were as follows:

	Amount Payable Rs.	Loan Due Rs.	Deposit Balance Rs.	Finance Lease Receivables Rs.	Deposit and Bank Balances Rs.
2022					
Holding company	-	-	-	-	-
Entities under common control	12,369,486	4,177,851	-	-	45,658,629
Directors and close family members	-	-	6,500,000	214,012	-
Enterprises in which directors have significant influence	-	-	-	26,713,180	-
2021					
Holding company	-	-	-	-	-
Entities under common control	12,711,682	112,394,273	-	-	357,467,245
Directors and close family members	-	-	13,514,397	2,091,985	-
Enterprises in which directors have significant influence	-	-	-	22,017,044	-
2020					
Holding company	-	-	-	-	-
Entities under common control	11,051,012	67,918,195	443,657,580	-	645,429,036
Directors and close family members	-	-	22,544,568	1,192,456	-
Enterprises in which directors have significant influence	-	-	-	17,470,533	-
			2022	2021	2020
			Rs.	Rs.	Rs.
(a) Key management personnel					
Salaries and short-term employee benefits	3,825,511		3,882,718	3,882,718	4,214,595
Pension benefit	570,869		542,379	542,379	452,639

None of the credit facilities to related parties were non-performing. Amounts due to related parties are unsecured and of short term nature. No guarantees have been given by the Company.

MCB LEASING LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022****34 OPERATING LEASES**

Future minimum lease payment under non-cancellable operating leases from operating lease clients may be analysed as follows:

	2022 Rs	2021 Rs	2020 Rs
Year 1	246,578,739	139,088,069	87,113,180
Year 2	196,609,517	107,721,358	70,248,833
Year 3	154,126,170	70,484,663	51,933,315
Year 4	108,244,878	45,509,343	27,724,065
Year 5	50,076,110	17,626,842	11,770,393
Year 6 and onwards	16,768,785	4,301,565	4,150,804
	<u>772,404,199</u>	<u>384,731,840</u>	<u>252,940,590</u>

35 SUBSEQUENT EVENTS

On 21 September 2022, the Board of Directors has declared ordinary dividends of Rs25,000,000 to the shareholder, subject to the approval of the Bank of Mauritius.