MCB Leasing

ANNUAL REPORT FOR THE YEAR ENDED JUNE 30, 2023

MCB LEASING LIMITED

YEAR ENDED JUNE 30, 2023

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MCB LEASING LIMITED

INTRODUCTION

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, 2023. This Annual Report can be viewed on the website of the Company.

The financial statements on pages 33 to 91 have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in compliance with the requirements of the Mauritius Companies Act 2001 (the "Act"), the 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 report was approved by the Board of Directors on September 26, 2023.

Simon-Pierre Rey
Chairperson of the Board of Directors

Raj Gungah
Managing Director

MCB LEASING LIMITED

SECRETARY'S CERTIFICATE - YEAR ENDED JUNE 30, 2023

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 Mauritius Companies Act 2001.

MCB Group Corporate Services Ltd
SECRETARY

September 26, 2023

CORPORATE GOVERNANCE REPORT (INCLUDING STATUTORY DISCLOSURES)

STATEMENT OF COMPLIANCE BY THE BOARD

Throughout the year ended June 30, 2023 and to the best of the Board's knowledge, the Company has complied with the Corporate Governance Code for Mauritius (2016) (the "Code").

The Company is a public interest entity, as defined by law. The requirements of the Code are regularly reviewed by the Board to ensure compliance by the Company.

1. GOVERNANCE STRUCTURE

1.1. Conduct of affairs

The objective of the Board is to define the Company's purpose, strategy and values and determine all matters relating to the direction, policies, practices, management and operations of the Company. The Board ensures that the Company is managed in accordance with the direction and delegation of the Board. The Board has adopted a Charter which sets out the objectives, roles and responsibilities and composition of the Board. The Board reviews the Charter on a regular basis. The Board Charter is available for consultation on the Company's website.

1.2. Code of Ethics

The Company is committed to the highest standards of integrity and ethical conduct in dealing with all its stakeholders. The MCB Group Limited ("MCB Group" or "the Group"), the ultimate holding company, has adopted a Code of Ethics which is applicable to all its subsidiaries, its employees and directors.

The Code of Ethics has been adopted by the Board of Directors of the Company and is published on the website of the Company. The Group encourages a corporate culture that promotes ethical and responsible decision-making throughout the organisation by way of group-wide awareness of its operating beliefs and principles.

The Code of Ethics is regularly reviewed at MCB Group level and compliance thereto is monitored at Company level as well as at MCB Group level.

1.3. Statement of Accountabilities

The Directors have approved the following Statement of Accountabilities:

- The Board assumes the responsibility for leading and controlling the Company and meeting all legal and regulatory requirements. Directors are aware of their legal duties.
- The Board is accountable for the performance and affairs of the Company and for achieving sustainable growth.
- The Board is responsible for ensuring that the Company adheres to high standards of ethical behavior and acts in the best interest of shareholders.
- The Board has the responsibility of reviewing and approving the results announcements of the Company

Additionally, the Board Charter and the Position Statements, which have been approved by the Board, provides for a clear definition of the roles and responsibilities of the Chairperson, the Directors and the Company Secretary.

Key roles and responsibilities

Chairperson

- Provides overall leadership to the Board;
- Ensures that the Board is effective in its tasks of setting and implementing the Company's direction and strategy;
- Presides and conducts meetings effectively;
- Provides support and supervision to the Managing Director;
- Ensures that Directors receive accurate, timely and clear information;
- Ensures that development needs of the Directors are identified and that appropriate training is provided to continuously update the skills and knowledge of the Directors; *and*
- Maintains sound relations with shareholders.

Directors

- Contribute to the development of the strategy;
- Analyse and monitor performance of Management against agreed objectives;
- Ensure that financial information released to the market and shareholders is accurate;
- Ensure that the Company has adequate and proper financial controls and systems of risk management;
- Actively participate in Board decision-making and constructively challenge, if necessary, proposals presented by Management;
- Provide specialist knowledge and experience to the Board; *and*
- Remain permanently bound by fiduciary duties of care and skill.

Managing Director

- Manages the day-to-day operations of the Company;
- Leads the elaboration and execution of the long term strategy of the Company;
- Maintains good relationships with clients and ensures clients' satisfaction;
- Identifies and monitors material risks that may affect the business;
- Advises and informs members of the Board on significant matters to facilitate decision-making;
- Monitors the operational and financial performance of the Company; *and*
- Builds the team by empowering, monitoring and managing performance of employees in order to maximise existing talents and develop new capabilities.

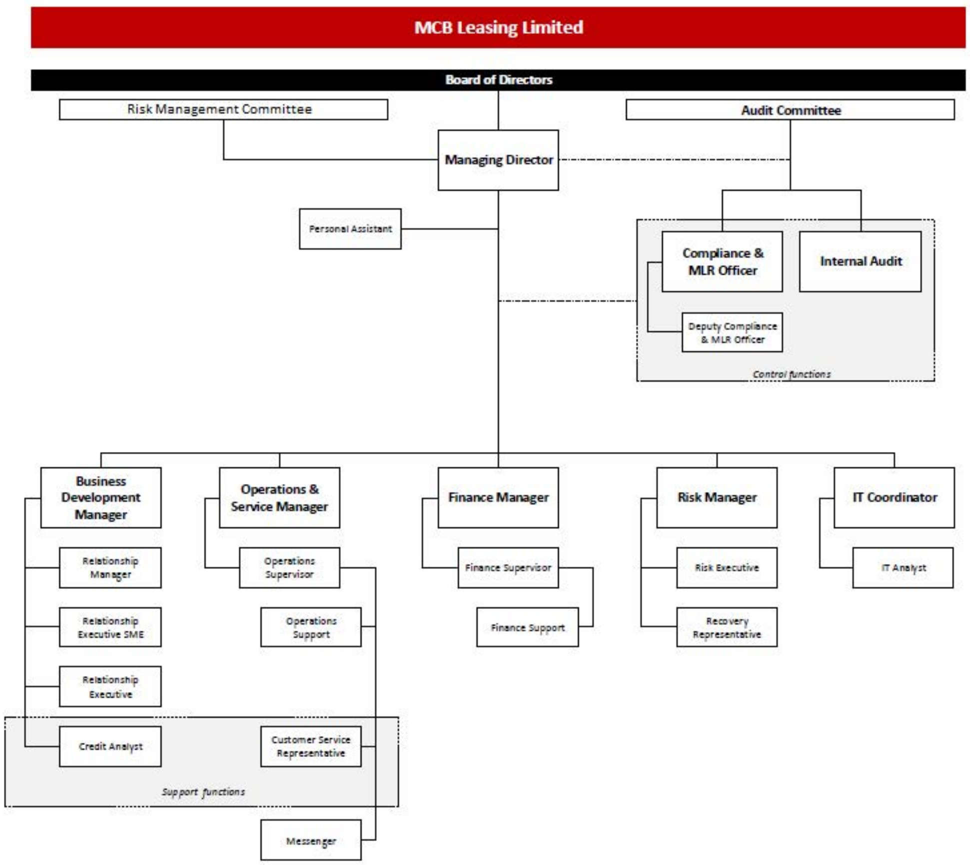
Company Secretary

- Provides the Board as a whole and Directors individually with guidance as to their roles and responsibilities;
- Assists the Chairperson in governance processes such as Board and Committee evaluation;
- Develops and circulates agendas for meetings and drafts minutes and ensures follow ups; *and*
- Ensures that the shareholders' interests are taken care of and act as primary point of contact.

1.4. Organisation Chart

The Organisation Chart setting out the structure of the Company as well as the reporting lines is reviewed on a regular basis to assess the needs of the business and ensure that the structure is appropriate and maximises effectiveness. The Organisation Chart may be viewed on the website of the Company.

As at June 30, 2023 the Organisation Chart of the Company, as approved by the Board, was as follows:



Headcount: 46

1.5. Delegation by the Board

The Board has delegated some of its functions to two Board Committees, namely:

(a) The Audit Committee and
(b) The Risk Management Committee.

Each Committee has its own terms of reference set out in a Committee Charter which is regularly reviewed by the Board. Regular reports are made to the Board by the Chairperson of each Committee.

2. THE STRUCTURE OF THE BOARD AND ITS COMMITTEES

2.1. Board Size

The Board is a unitary board that currently consists of six directors.

Taking into consideration the size of the Company and the scope and nature of its operations, the Board is of the opinion that the composition of the Board with one executive director, two non-executive directors and three independent directors is adequate for the smooth running of the Company and for enabling effective decision-making.

Furthermore, the Composition of the Board meets the requirements recommended by the Bank of Mauritius and there is a sufficient number of independent directors with no relationship with the Company or its shareholders.

2.2. Board Composition

The Board regularly reviews its size and composition to ensure that there is an appropriate balance of expertise, skills and experience amongst its members. All members of the Board possess the necessary knowledge, skills, objectivity, intellectual honesty, integrity, experience and commitment to make sound judgements on various key issues relevant to the business of the Company and to protect the interests of shareholders, clients and other stakeholders.

The Board comprises three male directors and three female directors.

The membership to the Board Committees is disclosed as follows:

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 Committee
Raj Gungah	Male	Mauritius	Managing Director and Executive Director	(i) Member of the Risk Management Committee
Martine Ip Min Wan	Female	Mauritius	Independent Director	(i) Chairperson of the Audit Committee (ii) Member of the Risk Management Committee
Johanne Joseph	Female	Mauritius	Independent Director	(i) Chairperson of the Risk Management Committee (ii) Member of the Audit Committee

NAME	GENDER	COUNTRY OF RESIDENCE	BOARD APPOINTMENT	BOARD COMMITTEE APPOINTMENT
Désiré Léo (as from June 2023)	Male	Mauritius	Non-Executive Director	-
Jean Michel Ng Tseung (up to June 2023)	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 holds a BA (Honours) Economics and is a member of the Institute of Chartered Accountants in 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 Committee and the Corporate Governance Committee. He was an independent non-executive director of The Mauritius Commercial Bank Limited ("MCB Ltd") from 2013 to 2019.

Directorship in listed companies: ENL Ltd

Raj Gungah (Managing Director)
Raj 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 MCB Ltd. Prior to joining the Company, he was Regional Manager of MCB Ltd for Port Louis region since May 2015.

Raj holds a 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.

Johanne Joseph *(Independent Director)*
Johanne 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 and 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.

Martine Ip Min Wan ***(Independent Director)***
Martine 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.

Désiré Léo ***(Non-Executive Director as from June 2023)***
Désiré is an Associate of the Chartered Institute of Bankers (ACIB) and holds a BSC in Finance from the University of Manchester, and an International MBA from Paris Sorbonne/Dauphine. Since Désiré joined MCB Ltd, he has been exposed to multiple lines of businesses, and assignments within the Group. His career began in the retail sector before moving to the IT operations. As from 2003 onward, his scope of responsibilities has been focused on the Corporate Banking, initially within the domestic market, then he moved to the international front where he was involved in a vast array of pluri-jurisdictions financing structures and sectors. Back in 2017, his eagerness to address new challenges brought him to the shores of the Maldives where he has been spearheading the Group’s subsidiary in the Maldives, and upon his return to Mauritius in September 2022, has assumed the responsibilities as the Head of Development of the overseas and para banking subsidiaries of MCB Group.

Jean Michel Ng Tseung ***(Non-Executive Director up to June 2023)***
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 until July 2015, when he was appointed Chief Executive Officer (CEO) of MCB Investment Holding Ltd. As from 1st March 2023, Jean Michel was appointed CEO of MCB Group Limited. 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.

Directorship in listed companies: MCB Group Limited

Anju Umrowsing-Ramtohul ***(Non-Executive Director)***
Anju 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 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 MCB Ltd, 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.

2.4. Attendance at Board and Board Committee meetings during financial year 2022/2023

The Board determines the frequency of Board meetings in such a way as to ensure that it can focus on and deal with important matters in a timely and efficient manner. In this respect, the Board Charter requires that meetings be conducted at least on a quarterly basis. Although Board meetings follow an annually scheduled calendar and a provisional agenda of items for discussions, the agenda remains sufficiently flexible to include new topics while additional meetings are also called upon to effectively respond to new business needs.

CORPORATE GOVERNANCE REPORT (INCLUDING STATUTORY DISCLOSURES)

In general, meetings are convened so that directors are able to attend and participate in person. In case personal attendance by a director is not possible, the latter can still join the meeting by video conference. Directors receive Board papers in a timely manner to facilitate discussions and help make informed decisions at the meetings. The Chairperson presides over the Board meetings to ensure their smooth functioning and promotes open discussions and debates with the objective of maximizing participation and, as a result, upholding the quality of decision-making. The Company Secretary attends Board meetings and prepares minutes to record deliberations and decisions taken during meetings.

The Board was convened five times during the financial year ended 30 June 2023 with each Board Committee holding four meetings.

Details of attendance are shown below.

Name	Board Meetings	Audit Committee	Risk Management Committee
Number of meetings held	5	4	4
Independent Directors			
Simon-Pierre Rey	5/5	4/4	4/4
Martine Ip Min Wan	5/5	4/4	4/4
Johanne Joseph	5/5	4/4	4/4
Executive Director			
Raj Gungah	5/5	N/A	4/4
Non-Executive Directors			
Désiré Léo (as from June 2023)	0/0	N/A	N/A
Jean Michel Ng Tseung (up to June 2023)	3/5	N/A	N/A
Anju Umrowsing-Ramtohul	5/5	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 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.

In line with the revised *Guideline on Related Party Transactions* issued by the Bank of Mauritius in May 2022, the Board is responsible for the monitoring and reviewing of related party transactions, their terms and conditions, and ensuring the effectiveness of the established procedures and compliance.

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 the provision 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 Committee

The Risk Management 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 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.

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 receives an induction pack which includes a set of the Company's governing documents. An introductory meeting is organised with the Managing Director to explain the business activities of the Company and its governing policies.

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

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. During the year under review, directors individually followed AML/CFT Training either provided for by the Company or by other parties.

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 Conflict of Interest and Related Party Transactions 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.

This policy is published on the website of the Company.

4.5. Related Party Transactions

Related Party Transactions are tabled at the Risk Management Committee meetings and, thereafter approved by the Board. 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 32 to the financial statements.

4.6. Information, Information Technology and Information Security Governance Policy

The Board oversees information governance within the organization. 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 MCB Ltd 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 July 2023 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 2025.

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 2023 is as follows:

Non-Executive Directors	**Rs**
Mr Simon-Pierre Rey	244,500
Mrs Martine Ip Min Wan	179,800
Mrs Johanne Joseph	173,900
Mr Désiré Léo (as from June 2023)	-
Mr Jean Michel Ng Tseung (up to June 2023)	-
Mrs Anju Umrowsing-Ramtohul	-
	598,200
Executive Director	
Raj Gungah	4,123,273
	4,721,473

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.

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

Risk management and internal control

The Board has the ultimate responsibility to maintain an effective risk management and internal control system, which it regularly reviews to cater for the principal and emerging risks that may affect the achievement of the Company's strategic objectives.

Supported by the Risk Management Committee and Audit Committee, the Board ensures that the necessary structures, processes and methods for identification, evaluation and monitoring of the principal risks faced by the Bank are integrated into the latter's overall risk governance framework.

The Board has received assurance, through the regular reporting by the Chairpersons of relevant Committees, on the adequacy of the risk management processes and systems in place over the period under review.

CORPORATE GOVERNANCE REPORT (INCLUDING STATUTORY DISCLOSURES)

The Board, assisted by the Audit Committee, ensures that the internal control framework in place results in an acceptable level of risk exposure whilst guaranteeing compliance with established internal policies and procedures and relevant laws and regulations. The Internal Audit and Compliance functions regularly report to the Audit Committee.

Furthermore, the Audit Committee receives feedback from the Company's external auditor and engages with the latter in the absence of Management to ensure that there are no unresolved material issues of concern. Based on the work performed by internal and external auditors, reviews by Management and regular reporting from the Chairperson of the Audit Committee, the Board satisfies itself that the internal control systems are adequate and effective.

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 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

The three lines of defence model

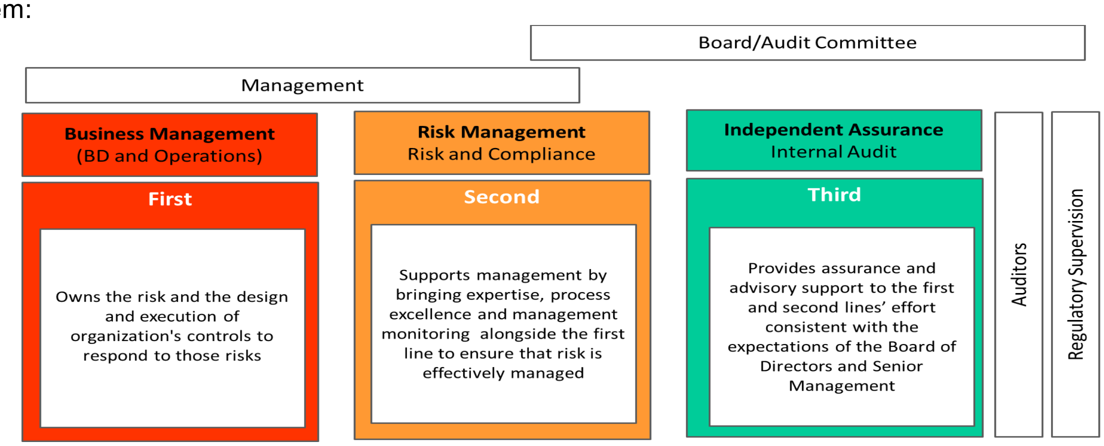
Management, through the different process owners, acts as the first line of defence and has the primary responsibility to own and manage risks associated with day-to-day operational activities including design, operation, and implementation of controls.

The second line of defence consists of compliance and risk functions which ensure compliance with applicable laws, rules and standards by overseeing and monitoring the daily operations and providing advice to the first line of defence. The second line of defence plays a key role in anchoring the principles of compliance and having effective risk management processes in place.

The third line of defence is provided by internal audit which ensures that the first two lines are operating effectively and advise how they could be improved. The third line of defence provides an evaluation, through a risk-based approach, on the effectiveness of governance, risk management, and internal controls to the Company's Board and senior management. It gives assurance to regulators and external auditors that appropriate controls and processes are in place and are operating effectively.

Although they sit outside the organisation external auditors can play an important role through their considerations of the governance and control structure of the Company. Specific governance and risk management requirements are often set by the regulators (the Bank of Mauritius and Financial Services Commission) who undertake their own independent controls assessment.

The section below describes the role of the different lines of defence, which encompass the governance system:



Principal risks faced by the Company

Risks	Description	Examples of subjects covered by the Company's Risk Management 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.	• 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 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	Funding risk: The risk arising from not having sufficiently stable and diverse sources of funding or the funding structure being inefficient 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.	• 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.	• 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.	• 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.	• 4-eyes principle applicable to operational processes; • Appointment of a Compliance Officer & MLRO; • Regular Internal audit inspections performed by MCB Ltd 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	• 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.

5.2. 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 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; and
- Reviewed major exposures and impairment provision.

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 Mauritius Companies Act 2001 (the "Act"), the 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. Since its incorporation, the Company has built a solid mainstay with a tradition that upholds excellence in all aspects of its business.

The total lease portfolio of the Company now comprises finance leases and operating leases to the tune of Rs 4.4 billion, whilst deposits raised locally amounted to Rs 4.0 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 key partner within the leasing sector.

With a staff strength of forty six employees, the Company has the necessary expertise and commitment to reach out to different customer segments, serve 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 a digital transformation journey.

6.2. Overview of the external environment

The global context has been characterised by multiple challenges during the past year, with the ramifications of the war in Ukraine fueling inflation levels higher than seen in decades across regions, which have, in turn, triggered a sharp tightening of interest rates. Such conditions have, along with pandemic legacies, dampened economic prospects worldwide. Although a global growth is projected by the IMF, the growth forecast remains weak by historical standards and the risks to the global outlook are firmly tilted to the downside for the near-term. Notwithstanding the challenging international landscape, the Mauritian economy pursued its recovery path in 2022, driven by the rebound in tourism, an upturn in the export-oriented manufacturing activities and the expansion in nationwide investment and financial services. In fact, the Mauritian economy is set to continue its recovery path this year, underpinned, mainly, by a noteworthy expansion in tourism and the continuing good showing in the financial services and ICT sectors, subject to the testing conditions in key export markets and the still elevated inflation environment. Economic growth would also benefit from a pickup in nationwide investment notably reflecting the execution of large public infrastructure projects as well as the implementation of property development ventures and smart city projects. In response to heightened inflationary pressures, the Bank of Mauritius has increased the Key Rate, by 225 basis points during the financial year 2022/23, to 4.5%.

6.3. Business model

The leasing market continues to remain highly competitive especially with Key Rate increases leading to more expensive funding and new entrants to the sector driving a sharp price competition.

The strains on the global supply chain and the rising prices prolonged well into the first half of the year whereby the delays in production and delivery of vehicles remained a challenge in the market and ultimately impacted the timing of disbursements.

However, as the Mauritian economy continued to pick up and the limitations on the supply chain eased off, the second half of the year saw a steady growth in the demand for financing of cars, vehicles and equipment.

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 remains on reinforcing 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.

Management is cognizant of the *Guideline on Climate-related and Environmental Financial Risk Management* issued by the Bank of Mauritius and is actively working in close collaboration with its Group Head Office in order to implement the new regulatory requirements. At the same time, the Company has been embracing ESG initiatives led by its Group Office.

6.6. Political Donations

No donations were made by the Company during the period under review (2022: Nil, 2021: Nil).

6.7. Charitable Donations

No donations were made to charitable associations by the Company during the year (2022: Rs: Nil, 2021: Rs Nil).

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 1,036,408 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 Committee Charter;
- The Position Statements;
- The Appointment process of Non-Executive Directors;
- The terms and conditions of appointment of Non-Executive Directors;
- The Policy on Conflict of Interest and 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 20 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 internationally recognised firms 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: Review of minutes of Board and Committee meetings, availability of policies and procedures
- Accounting: Internal and regulatory reporting
- Fixed Deposit: Client's request for new Fixed Deposits, update/creation of customers, creation of Fixed Deposit account, payment of interest, management of preferential rates, closure of Fixed Deposit, pledges and processing at maturity
- Leases – Front Office: Update/creation of customers, analysis of lease request - credit appraisal, management of preferential rates, handling of request for lease proposal, preparation and generation of letters.
- Leases – Middle Office: Verification of pre-requisites and handling of lease agreements
- Leases – Back Office: Activation of contracts, invoicing, early termination, residual value, disbursement, rescheduling of existing leases and moratorium
- Debtor's management: Asset repossession, debtors' management, collections, provisions and regulatory reporting (credit)
- Administration: Complaints management and other reporting to BOM

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.

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. External auditor's Fees

	2023 Rs	**2022 Rs**	2021 Rs
Statutory fees paid to:			
Deloitte	966,875	875,000	725,000
Fees for other assurance services relating to:			
Dividend Declaration	359,125	325,000	300,000
AML/CFT	138,125	125,000	

Please note that the above fees exclude VAT.

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 *[Qualifying as Tier 1 Capital]*	Rs400,000,000

8.2. Company Structure and Common Directors

The Company's holding structure as at 30 June 2023 was as follows:

MCB Group Limited

↓ 57.73%*

Fincorp Investment Limited

↓ 100%*

MCB Leasing Limited

**The % disclosed relates to voting rights.*

Mr Jean Michel Ng Tseung who held the position of director until June 2023 was 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 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 results 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 29 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 2023
Approval of Financial Statements FY 2023/2024	September 2024

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.

Simon-Pierre Rey
Chairperson of the Board of Directors

Raj Gungah
Managing Director

September 26, 2023

MCB LEASING LIMITED

STATEMENT OF COMPLIANCE – YEAR ENDED JUNE 30, 2023

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

Name of PIE: MCB Leasing Limited

Reporting Period: July 01, 2022 — June 30, 2023

We, the Directors of MCB Leasing Limited, confirm that, to the best of our knowledge, MCB Leasing Limited has complied with all its obligations and requirements under the National Code of Corporate Governance for Mauritius (2016).

Signed for and on behalf of the Board of Directors:

Simon-Pierre Rey
Chairperson of the Board of Directors

Raj Gungah
Managing Director

September 26, 2023

MCB LEASING LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES –
YEAR ENDED JUNE 30, 2023

Company law requires the directors to prepare Financial Statements for each financial year, which give a true and fair view of the state of affairs of the Company.

In preparing those Financial Statements, the directors are required to:

- ensure that adequate accounting records and an effective system of internal controls and risk management have been maintained;
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether International Financial Reporting Standards have been adhered to, subject to any material departures disclosed, explained and quantified in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;
- keep proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Company while ensuring
- that the Financial Statements fairly present the state of affairs of the Company, as at the financial year end, and the results of its operations and cash flows for that period; and
- ensure that the Financial Statements have been prepared in accordance with and comply with International Financial Reporting Standards, the Mauritius Companies Act 2001, the Financial Reporting Act 2004 as well as the requirements of the Banking Act 2004 and the guidelines issued thereunder.

The directors confirm that they have complied with the above requirements in preparing the financial statements. The directors are also responsible for safeguarding the assets of the Company and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Other main responsibilities of the directors include the assessment of the Management's performance relative to corporate objectives; overseeing the implementation and upholding of the Code of Corporate Governance; and ensuring timely and comprehensive communication to all stakeholders on events significant to the Company.

- International Financial Reporting Standards, the Mauritius Companies Act 2001, the Financial Reporting Act 2004 as well as the requirements of the Banking Act 2004 and the guidelines issued thereunder have been adhered to; and
- the Financial Statements have been prepared on the going concern basis as the Company is likely to continue in business in the foreseeable future.

The directors report that:

- adequate accounting records and an effective system of internal control system and risk management framework have been maintained;
- the Financial Statements fairly present the state of affairs of the Company, as at the financial year end, and the results of its operations and cash flows for that period; and
- appropriate accounting policies supported by reasonable and prudent judgements and estimates have been consistently used.

For and on behalf of the Board of Directors:

Simon-Pierre Rey
Chairperson of the Board of Directors

Raj Gungah
Managing Director

September 26, 2023

MCB LEASING LIMITED

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING – YEAR ENDED JUNE 30, 2023

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 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 Committee, which comprises of 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 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

Raj Gungah
Managing Director

Martine Ip Min Wan
Chairperson of the Audit Committee

September 26, 2023

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

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 33 to 91, which comprise the statement of financial position as at June 30, 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to financial statements, including 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 June 30, 2023, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), and comply with the requirements of the Mauritius Companies Act 2001, the Banking Act 2004 and the Financial Reporting Act 2004.

Basis for opinion

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses	
IFRS 9 *Financial Instruments* requires recognition of expected credit losses ('ECL') on financial instruments, which involves significant judgement and estimates. The key areas where we identified greater levels of management judgements and estimates and therefore increased levels of audit focus in the implementation of IFRS 9 are: • **Model estimations** – Statistical modelling is used to estimate 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. • **Significant Increase in Credit Risk ('SICR')** - Determining the criteria for significant increase in credit risk and identifying SICR. • **Macro-Economic Forecasts –** IFRS 9 requires the measurement of ECL on a forward-looking basis using the most appropriate macro- economic forecasts. The macro-economic forecasts are estimates of future economic conditions. • **Qualitative adjustments** – Adjustments to the model-driven ECL results are raised by management to address known impairment model limitations or emerging trends. Such adjustments are inherently uncertain and significant management judgement is involved in estimating these amounts. For impaired leases, the most significant judgements are whether impairment events have occurred and the valuation of the underlying collaterals and future cash flows. The details of the policies and processes followed for the determination of ECL are disclosed in notes 5(d) and 7(a) of the financial statements. Due to the significance of the judgements applied in the determination of the provision for expected credit losses, this item is considered as a key audit matter.	Our procedures included the following amongst others: • Involving a team of specialists to validate the model, including: ✓ Evaluating the appropriateness of the impairment methodologies applied by the Company against the requirements of IFRS 9; ✓ Assessing the appropriateness of the macro- economic forecasts used; and ✓ Independently assessing the probability of default, loss given default and exposure at default assumptions. • Inspecting the minutes of Risk Management Committee to ensure that there are governance controls in place in relation to assessment of allowance for credit impairment; • Reviewing the criteria for staging of credit exposures, including the appropriateness of the criteria used for SICR; • Obtaining audit evidence of management judgements and assumptions, especially focusing on the consistency of the approach; • Independently recalculating the ECL for impaired leases, on a sample basis, based on our assessment of the expected cash flows and collateral values, for which we have inspected the underlying valuation reports; and • Assessing whether the disclosures are in accordance with the requirements of IFRS 9.

Deloitte.

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Mauritius

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, secretary's certificate, corporate governance report (including statutory disclosures), statement of compliance, statement of directors' responsibilities, statement of management's responsibility for financial reporting and management discussion and analysis document but, does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of directors for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Deloitte.

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Mauritius

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

Report on other legal and regulatory requirements

Mauritius Companies Act 2001

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

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

Financial Reporting Act 2004

Corporate Governance Report

Our responsibility under the Financial Reporting Act 2004 is to report on the compliance with the Code of Corporate Governance (the "Code") disclosed in the annual report and assess the explanations given for non-compliance with any requirement of the Code. From our assessment of the disclosures made on corporate governance in the annual report, the 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

September 26, 2023

Agrawal.

Vishal Agrawal, FCA

Licensed by FRC

MCB LEASING LIMITED

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2023

	Notes	2023 Rs.	2022 Rs.	2021 Rs.
ASSETS				
Cash and cash equivalents	11	**65,743,292**	45,395,800	55,693,673
Net investment in lease receivables	12	**3,159,903,748**	3,043,058,315	3,151,120,992
Investment in securities	13	**374,169,276**	333,585,658	304,132,523
Equipment	14	**1,170,132,920**	890,181,275	722,472,522
Intangible assets	15	**24,414,206**	19,038,278	11,830,180
Current tax assets	19	**15,420,323**	12,130,871	-
Other assets	16	**104,829,440**	59,146,376	56,651,760
Total assets		**4,914,613,205**	4,402,536,573	4,301,901,650
LIABILITIES				
Deposits from customers	17	**3,952,067,798**	3,591,083,626	3,395,373,302
Borrowings	18	**89,190,854**	20,665,732	129,034,435
Current tax liabilities	19	**-**	-	4,916,793
Deferred tax liabilities	20	**35,096,034**	18,800,105	14,636,906
Other liabilities	21	**71,652,446**	59,850,745	66,647,359
Total liabilities		**4,148,007,132**	3,690,400,208	3,610,608,795
SHAREHOLDERS' EQUITY				
Share capital	22	**400,000,000**	400,000,000	400,000,000
Statutory reserve		**149,157,947**	135,587,491	126,310,964
Retained earnings		**217,448,126**	176,548,874	164,981,891
Total equity		**766,606,073**	712,136,365	691,292,855
Total equity and liabilities		**4,914,613,205**	4,402,536,573	4,301,901,650

These financial statements have been authorised and approved for issue by the Company's Board of Directors on September 26, 2023 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 37 to 91 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, 2023

	Notes	2023 Rs.	2022 Rs.	2021 Rs.
Interest income		**206,945,166**	217,070,527	240,660,376
Interest expense		**(116,503,456)**	(113,992,491)	(135,445,051)
Net interest income	23	**90,441,710**	103,078,036	105,215,325
Operating lease income		**266,107,583**	219,955,105	188,102,205
Processing fees		**13,118,935**	11,583,561	11,067,127
Other operating income	24	**17,786,990**	7,567,728	16,194,160
		297,013,508	239,106,394	215,363,492
Operating income		**387,455,218**	342,184,430	320,578,817
Net impairment gains/(losses) on financial assets	25	**26,180,388**	(1,991,053)	(18,680,347)
Personnel expenses	26	**(51,874,034)**	(43,523,621)	(42,422,447)
Profit/(loss) on disposal of assets	27	**502,883**	(8,664,386)	(3,900,943)
Depreciation and amortisation	14&15	**(220,565,387)**	(184,890,399)	(155,222,059)
Other expenses	28	**(31,291,911)**	(28,396,780)	(26,687,586)
Profit before income tax		**110,407,157**	74,718,191	73,665,435
Income tax expense	19	**(19,937,449)**	(12,874,681)	(13,105,307)
Profit and other comprehensive income for the year		**90,469,708**	61,843,510	60,560,128

The notes on pages 37 to 91 form an integral part of these financial statements.

MCB LEASING LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2023

	Note	Share capital Rs.	Statutory reserve Rs.	Retained earnings Rs.	Total equity Rs.
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
Transactions with owners of the Company:					
- Dividends	29	-	-	(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
Transactions with owners of the Company:					
- Dividends	29	-	-	(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
Balance at July 1, 2022		**400,000,000**	**135,587,491**	**176,548,874**	**712,136,365**
Profit and other comprehensive income for the year		**-**	**-**	**90,469,708**	**90,469,708**
Transactions with owners of the Company:					
- Dividends	29	**-**	**-**	**(36,000,000)**	**(36,000,000)**
Statutory appropriations of retained earnings		**-**	**13,570,456**	**(13,570,456)**	**-**
Balance at June 30, 2023		**400,000,000**	**149,157,947**	**217,448,126**	**766,606,073**

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 equals the Company's share capital.

The notes on pages 37 to 91 form an integral part of these financial statements.

MCB LEASING LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

	Notes	2023 Rs.	2022 Rs.	2021 Rs.
Profit before income tax		**110,407,157**	74,718,191	73,665,435
Adjustments for:				
(Profit)/loss on disposal of assets on operating leases	27	**(1,525,347)**	1,246,533	(220,040)
Loss on disposal of repossessed leased assets	27	**1,022,464**	7,417,853	4,120,983
Amortisation of intangible assets	15	**3,822,911**	7,596,096	10,964,898
Depreciation of equipment	14	**216,742,476**	177,294,303	144,257,161
Net impairment (gains)/losses on financial assets	25	**(26,180,388)**	1,991,053	18,680,347
Operating profit before working capital changes		**304,289,273**	270,264,029	251,468,784
Movement in working capital				
- Decrease in interest receivable		**(28,107)**	(110,933)	(2,513,614)
- Increase/(Decrease) in interest payable		**20,185,651**	(16,010,892)	(130,232,697)
- (Increase)/Decrease in other assets		**(59,518,490)**	(29,829,571)	7,606,547
- Increase/(Decrease) in other liabilities		**11,801,701**	(6,444,275)	(49,251,863)
Changes in operating assets and liabilities:				
- net (increase)/decrease in net investment in lease receivables		**(87,322,086)**	113,760,043	124,670,913
- net increase/(decrease) in deposits		**340,798,520**	211,721,214	(617,166,265)
Cash generated from/(used in) operations		**530,206,462**	543,349,615	(415,418,195)
Income tax paid	19	**(6,930,972)**	(25,759,146)	-
Net cash generated from/(used in) operating activities		**523,275,490**	517,590,469	(415,418,195)
Cash flows from investing activities				
Purchase of investment securities (net)		**(40,555,511)**	(29,646,182)	144,640,783
Proceeds from financial institutions		**-**	-	57,676,671
Proceeds from sale of repossessed leased assets		**9,470,000**	12,180,325	7,272,967
Proceeds from sale of equipment		**77,388,728**	85,245,662	118,744,093
Purchase of intangible assets	15	**(9,198,839)**	(14,804,194)	(1,500,873)
Purchase of equipment	14	**(572,557,498)**	(431,495,250)	(311,219,804)
Net cash (used in)/from investing activities		**(535,453,120)**	(378,519,639)	15,613,837
Cash flows from financing activities				
Dividends paid	29	**(36,000,000)**	(41,000,000)	(22,000,000)
Repayments of borrowings		**(1,125,089,878)**	(659,488,703)	(545,294,535)
Proceeds from borrowings		**1,193,615,000**	551,120,000	629,665,200
Net cash from/(used in) financing activities		**32,525,122**	(149,368,703)	62,370,665
Increase/(Decrease) in cash and cash equivalents		**20,347,492**	(10,297,873)	(337,433,693)
Movement in cash and cash equivalents				
At July 1,		**45,395,800**	55,693,673	393,127,366
Increase/(Decrease)		**20,347,492**	(10,297,873)	(337,433,693)
At June 30,	11(i)	**65,743,292**	45,395,800	55,693,673

The notes on pages 37 to 91 form an integral part of these financial statements.

1. GENERAL INFORMATION

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.

The directors have authorised the issue of the financial statements on September 26, 2023.

2. ADOPTION OF NEW AND REVISED STANDARDS

New and amended standards adopted by the Company

A number of amendments to standards and interpretations are effective for annual periods beginning on July 1, 2022 and have not been applied in preparing these financial statements. None of these is expected to have a significant and material effect on the financial statements of the Company in the current reporting period. For this financial year, the following has been adopted:

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

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It further clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. The amendment is effective for annual reporting periods beginning on or after July 1, 2022, with earlier application permitted.

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

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts. The amendment is effective for annual reporting periods beginning on or after July 1, 2022 with earlier application permitted.

<u>Amendments resulting from annual improvements 2018 – 2020 Cycle for the following standards</u>

The following changes are effective for annual reporting periods beginning on or after July 1, 2022:

IFRS 9 - The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

New and revised standards in issue but not yet effective

<u>Amendments to IAS 1- Classification of Liabilities as Current or Non-current</u>

The amendments aim to help companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. The amendments are effective for annual reporting periods beginning on or after July 1, 2023, with earlier application permitted.

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

New and revised standards in issue but not yet effective (continued)

Amendments to IAS 8 - Definition of Accounting Estimates

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, whilst changes in accounting policies are generally applied retrospectively to past transactions and other past events. The amendments are effective for annual reporting periods beginning on or after July 1, 2023.

Amendments to IAS 12 - Deferred Tax related to assets and liabilities arising from a single transaction

The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The amendments are effective for annual reporting periods beginning on or after July 1, 2023, with earlier application permitted.

Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ described in IFRS Practice Statement 2. The amendments are effective for annual reporting periods beginning on or after July 1, 2023, with earlier application permitted.

Amendments to IFRS 16 sale and leaseback transaction with variable payments that do not depend on an index or rate

The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that related to the right of use it retains. The new requirements do not prevent a seller lessee from recognizing in profit or loss any gain or loss relating to the partial or full termination of a lease. The amendments are effective for reporting periods beginning on or after July 1, 2024.

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.

3. BASIS OF ACCOUNTING

Statement of compliance

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, the 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.

Basis of preparation

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.

3. BASIS OF ACCOUNTING (CONTINUED)

Basis of preparation (continued)

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.

4. 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.

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

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.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(b) Financial instruments

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.

If the transaction price differs from fair value at initial recognition, the Company will account for such difference as follows:

- if fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised in profit or loss on initial recognition (i.e. day 1 profit or loss);
- in all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial instruments (continued)

After initial recognition, the deferred gain or loss will be released to profit or loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

(c) Financial assets

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:

(i) Amortised cost

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(d). Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

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 is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

(ii) FVOCI

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'.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial assets (continued)

(ii) FVPL

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.

In order to determine the classification and subsequent measurement of its financial assets, the Company performs the SPPI test and the business model assessment.

Business model

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

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

The Company considers all relevant information available when making the business model assessment. However this assessment is not performed on the basis of scenarios that the Company does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios. The Company takes into account all relevant evidence available such as:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed;
- how managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

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').

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial assets (continued)

SPPI (continued)

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.

The Company classifies its financial assets, comprising cash and cash equivalents, deposits with financial institutions, net lease receivables, investment securities and other assets under the amortised cost 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 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

**Only for the financial year 2022*

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(f).

(d) 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.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Impairment of financial assets (continued)

(i) ECL methodology

The key inputs used for measuring ECL are:

- probability of default (“PD”)
- loss given default (“LGD”)
- exposure at default (“EAD”)

These figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect probability-weighted forward-looking information.

PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. The calculation is based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates. The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from any collateral. The LGD models for secured assets consider forecasts of future collateral valuation taking into account sale discounts, time to realisation of collateral, cross collateralisation and seniority of claim, cost of realisation of collateral and cure rates (i.e. exit from non-performing status). LGD models for unsecured assets consider time of recovery, recovery rates and seniority of claims. The calculation is on a discounted cash flow basis, where the cash flows are discounted by the original EIR of the credit exposure.

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities. The Company’s modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the credit exposure that are permitted by the current contractual terms, such as amortisation profiles, early repayment or overpayment, changes in utilisation of undrawn commitments and credit mitigation actions taken before default.

(ii) Credit-impaired

A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. It is credit impaired when contractual payments or accounts in excess are past due by more than 89 days and/or other quantitative and qualitative factors indicate that the obligator is unlikely to honour its credit obligations.

Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer
- a breach of contract such as a default or past due event
- the lender of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Impairment of financial assets (continued)

(ii) Credit-impaired (continued)

It may not be possible to identify a single discrete event—instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Company assesses whether debt instruments that are financial assets measured at amortised cost or FVOCI are credit- impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Company considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A credit exposure is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default.

(iii) Default

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

The Company considers the following as constituting an event of default:

- The borrower is past due more than 89 days on any material credit obligation to the Company; or
- The borrower is unlikely to pay its credit obligations in full to the Company.

When assessing if the borrower is unlikely to pay its credit obligation, the Company takes into account both qualitative and quantitative indicators such as breach of covenants and financial performance.

The Company uses a variety of sources of information to assess default which are either developed internally by its Group Head Office or obtained from external sources such as *Guideline on Credit Impairment Measurement and Income Recognition*.

(iv) 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.

- 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:

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Impairment of financial assets (continued)

(iv) Three-stage model (continued)

Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
Performing	***Under Performing***	***Default***
Financial assets for which creditrisk 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 havedefaulted but have not yet reached write-off.
12-month ECL	**Lifetime ECL**	**Incurred loss**

(v) 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 29 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 of more of the following criteria:

- Short term forbearance;
- Extension to terms granted;

For corporate 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
- Early signs of cash flow/liquidity problems such as delay in servicing of trade creditors /leases.

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

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Impairment of financial assets (continued)

(v) Significant increase in credit risk ("SICR") (continued)

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised.

In making this assessment, the Company considers both quantitative and qualitative information, as outlined earlier, that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Company's historical experience and expert credit assessment including forward-looking information.

The Company relies on the specialist team at its Group Head Office who use external and internal information to generate a 'base case' scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities.

(vi) Forward economic information

The Company uses multiple scenarios to model the non-linear impact of assumptions about macroeconomic factors on ECL. The Company applies probabilities to the forecast scenarios identified.

The Company has identified key drivers of credit risk and credit losses for each portfolio of financial instruments and, using a statistical analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

(vii) 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 restructured leases, financial instruments are transferred out of stage 3 when they no longer exhibit any evidence of credit impairment as described above.

(viii) Write-off

Financial assets are written off either partially or in its entirety when the Company has no reasonable expectations of recovering them. This occurs when the Company determines that the customer does not have the capacity to repay the amount due or the collateral given by the customer is not sufficient to cover the exposure. The write off does not mean that the Company has forfeited its legal right to claim the sums due.

The Company retains the right to proceed with enforcement actions under the Company's recovery procedure and any recovery will be recognised in profit or loss under "Other income" as recoveries of advances written off.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Modification of lease receivables

The Company sometimes renegotiates or otherwise modifies the contractual cash flows of finance leases to customers. When this happens, the Company assesses whether or not the new terms are substantially different from 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;
- Significant extension of the lease term when the borrower is not in financial difficulty;
- Significant change in the interest rate;
- 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 assets. 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 in net impairment of financial assets.

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

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and 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).

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Derecognition of financial assets (other than on a modification)

The Company derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognised in OCI and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

(g) Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Company or a contract that will or may be settled in the Company's own equity instruments and is a non-derivative contract for which the Company is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Company's own equity instruments.

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.

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expired).

The exchange between the Company and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment.

If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) 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 *Leases*. This expense is presented within other 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.

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

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 are 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.

Recognition and initial measurement of finance lease receivables

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

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

Subsequent measurement

The recognition of interest income 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.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Leases (continued)

Subsequent measurement (continued)

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in finance lease receivables.

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 (d).

(i) Equipment

Items of equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

If significant parts of an item of 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 equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

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

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 years

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

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

(j) Intangible assets

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Costs that are directly attributable with the design of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- the directors intend to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Intangible assets (continued)

- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads.

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

Expenditure that enhances or extends the benefits of computer software programmes beyond their original specifications and lives is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, but not exceeding a period of ten years.

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

(k) 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.

(l) 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 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.

(m) Repossessed assets

The Company classifies its repossessed assets as assets as held for sale under "Other Assets" since their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and other selling costs.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) 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.

(o) 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 profit or loss the period in which they occur.

(p) 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.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(q) Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable.

The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Taxation (continued)

Deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities

Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the end of the reporting period and are expected to apply in the period when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

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

Other tax exposures

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

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.

(r) Equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

(s) Share capital

Share capital comprises ordinary shares and preference shares.

(t) 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 and the regulator.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Offsetting

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.

(v) Interest income and expense

Interest income and expense for all financial instruments except for those classified as held for trading or those measured or designated as at FVTPL are recognised as 'Interest income' and 'Interest expense' in the profit or loss account using the effective interest method.

(w) Income from leasing business

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

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

(x) 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.

(y) Employee benefits

<u>Short-term employee benefits</u>

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.

<u>Termination benefits</u>

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 through its participation in the multi-employer pension scheme of The Mauritius Commercial Bank Limited. 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 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.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Employee benefits (continued)

Termination 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 retirement gratuity is determined by the estimated future cash outflows using a discount rate by reference to current interest rates and the yield on bonds and treasury bills and recent corporate debenture issues. Where the present value of the gratuity payable on retirement is greater than five years of pension payable under the pension plan, the additional gratuity payable is recognised as a liability.

State Pension Plan

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

(z) Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information. Where IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* 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. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In applying the Company's accounting policies, which are described in note 5, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying the Company's accounting policies

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

(i) Lease classification

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.

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

Critical judgements in applying the Company's accounting policies (continued)

(ii) Significant increase in credit risk

As explained in note 5(d) (v), ECL are measured as an allowance equal to 12-month ECL for stage 1 assets or lifetime ECL for stage 2 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Company takes into account qualitative and quantitative reasonable and supportable forward-looking information.

(iii) Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Company monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

(iv) Models and assumptions used

The Company uses various models and assumptions in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

Key sources of estimation uncertainty

The following are key estimations that the directors have used in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

(i) Establishing the number and relative weightings of forward-looking scenarios and determining the forward-looking information relevant to each scenario:

When measuring ECL the Company uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

(ii) Determining PD and LGD

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

The directors estimate that a 1% change in lease loss rate will lead to a change in impairment of Rs635,166 (2022: Rs 1.1m, 2021: Rs 2.2m). 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

The Company has exposure to the following financial risks from financial instruments:

- credit risk;
- liquidity risk; and
- market risks (including liquidity risk and currency risk).

Risk Management Framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors has established the Risk Management Committee, which is responsible for approving and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

The risk management policies and systems are reviewed regularly to reflect changes in market conditions, regulatory requirements, wider Group risk initiatives throughout the MCB Group Limited and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Risk Management Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee also regulatory receives reports from the different lines of defence, including internal audit, on the reviews performed of the risk management controls and procedures.

(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. Credit risk is the single largest risk in the Company's business: management therefore carefully manages its credit risk. The credit risk management and control are centralized in a credit risk management team which provides regular update to the Risk Management Committee and other governance forums.

Credit risk management

The Company's credit risk is managed through:

- Establishing credit policies, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements;
- Establishing the authorisation structure for the approval and renewal of credit facilities;
- Authorisation limits are allocated to Senior Officers of the Company. Larger facilities require approval by Managing Director, Members of the Credit Committee, or the Board of Directors;
- Renewals and reviews of facilities are subject to the same review process;
- Limiting concentrations of exposure to counterparties and sectors, in line with regulatory requirements and the Company's internal policies;
- Developing and maintaining the Company's risk gradings to categorise exposures according to the degree of risk of default;
- Developing and maintaining the Company's processes for measuring ECL: This includes processes for reviewing and approving ECL figures, including determining SICR and any management overlays;
- Reviewing compliance with agreed exposure limits, including receiving regular reports on the credit quality of significant exposures, and monitoring of impaired exposures and the recovery actions.

7. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

Collateral management

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 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.

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:

Credit impaired leases as at June 30,	Gross exposure Rs	Impairment allowance Rs	Fair value of collateral held Rs
2023	**64,245,638**	**44,926,188**	**81,667,594**
2022	113,417,170	83,680,817	38,973,921
2021	103,779,940	68,367,929	38,569,459

The Company did not hold any financial instrument for which no loss allowance is recognized because of collateral. There was no change in the Company's collateral policy during the year.

Repossessed assets

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:

	2023 **Rs**	2022 Rs	2021 Rs
Vehicles	**8,865,000**	7,575,000	9,146,122

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

7. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

Credit risk concentration

The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower. Limits on the level of credit risk are approved by the Board of Directors in line with the *Guideline on Credit Concentration Risk* issued by the Bank of Mauritius.

Concentrations of credit risk arise when several distinct counterparties or exposures have comparable economic characteristics, or such counterparties are engaged in similar activities or operate in the same industry sectors so that their collective ability to meet contractual obligations is uniformly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, a number of controls and measures to minimise undue concentration of exposure in the Company's portfolio have been implemented as per regulatory requirements. The Company's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Any identified concentrations of credit risks are controlled and managed and in line with the Risk Appetite Framework of the Company.

The Company does not have any overseas exposures.

Refer to Note 12 for a sector-wise breakdown of the Company's lease book.

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.

At June 30, 2023, balances written off from the books of the Company amount to **Rs 21,243,750** (2022: Rs 5,511,156; 2021: Rs 19,041,009).

The Company has implemented a Write-Off Policy in line with the *Guideline on Write-off of Non-Performing Assets* issued by the Bank of Mauritius.

Modified leases

As a result of the Company's forbearance activities, financial assets might be modified. The Company did not enter into any significant modifications in the course of the current financial year, and neither did it incur any material modification losses.

Credit quality analysis

The Company monitors credit risk per class of financial instrument.

The table below outlines the classes identified, as well as the financial statement line item and the note that provides an analysis of the items included in the financial statement line for each class of financial instrument.

7. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

Credit quality analysis (continued)

Class of financial instrument	Financial statement line	Note
Debt investment securities at amortised cost	Cash and cash equivalents Investment securities Other assets	11 13 16
Lease receivables	Net investment in lease receivables	12
Undrawn lease commitments	Other liabilities	30(a)

An analysis of the Company's credit risk exposure per class of financial asset, internal grading and "stage" without taking into account the effects of any collateral or other credit enhancements is provided in the following tables.

The Company monitors the credit quality of its different portfolios into 2 grades: performing and non-performing. The performing portfolio relates to all credits which are less than 90 days overdue

Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

Cash and cash equivalents

	Stage 1	Stage 2	Stage 3	Total
June 30, 2023	**Rs**	**Rs**	**Rs**	**Rs**
Performing	**65,804,381**	-	-	**65,804,381**
Non-performing	-	-	-	-
Total gross carrying amount	**65,804,381**	-	-	**65,804,381**
Loss allowance	**(61,089)**	-	-	**(61,089)**
Carrying amount	**65,743,292**	-	-	**65,743,292**
June 30, 2022				
Performing	45,662,461	-	-	45,662,461
Non-performing	-	-	-	-
Total gross carrying amount	45,662,461	-	-	45,662,461
Loss allowance	(266,661)	-	-	(266,661)
Carrying amount	45,395,800	-	-	45,395,800
June 30, 2021				
Performing	55,804,658	-	-	55,804,658
Non-performing	-	-	-	-
Total gross carrying amount	55,804,658	-	-	55,804,658
Loss allowance	(110,985)	-	-	(110,985)
Carrying amount	55,693,673	-	-	55,693,673

There were no transfers between the ECL stages during the years presented.

7. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

Credit quality analysis (continued)

Investment securities

	Stage 1	Stage 2	Stage 3	Total
June 30, 2023	**Rs**	**Rs**	**Rs**	**Rs**
Performing	**374,493,239**	-	-	**374,493,239**
Non-performing	**-**	-	-	**-**
Total gross carrying amount	**374,493,239**	-	-	**374,493,239**
Loss allowance	**(323,963)**	-	-	**(323,963)**
Carrying amount	**374,169,276**	-	-	**374,169,276**
June 30, 2022				
Performing	333,937,728	-	-	333,937,728
Non-performing	-	-	-	-
Total gross carrying amount	333,937,728	-	-	333,937,728
Loss allowance	(352,070)	-	-	(352,070)
Carrying amount	333,585,658	-	-	333,585,658
June 30, 2021				
Performing	304,180,613	-	-	304,180,613
Non-performing	-	-	-	-
Total gross carrying amount	304,180,613	-	-	304,180,613
Loss allowance	(48,090)	-	-	(48,090)
Carrying amount	304,132,523	-	-	304,132,523

There were no transfers between the ECL stages during the years presented.

Net Investment in lease receivables

	Stage 1	Stage 2	Stage 3	Total
June 30, 2023	**Rs**	**Rs**	**Rs**	**Rs**
Performing	**3,104,724,767**	**54,449,896**	**-**	**3,159,174,663**
Non-performing	**-**	**-**	**64,245,638**	**64,245,638**
Total gross carrying amount	**3,104,724,767**	**54,449,896**	**64,245,638**	**3,223,420,301**
Loss allowance	**(14,641,517)**	**(3,948,848)**	**(44,926,188)**	**(63,516,553)**
Carrying amount	**3,090,083,250**	**50,501,048**	**19,319,450**	**3,159,903,748**
June 30, 2022				
Performing	2,971,238,205	67,239,774	-	3,038,477,979
Non-performing	-	-	113,417,170	113,417,170
Total gross carrying amount	2,971,238,205	67,239,774	113,417,170	3,151,895,149
Loss allowance	(18,765,312)	(6,390,705)	(83,680,817)	108,836,834
Carrying amount	2,898,472,893	60,849,069	29,736,353	3,043,058,315

7. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

Credit quality analysis (continued)

Net Investment in Lease Receivables (Continued)

	Stage 1	Stage 2	Stage 3	Total
June 30, 2021	Rs	Rs	Rs	
Performing	3,025,877,585	135,997,667	-	3,161,875,252
Non-performing	-	-	103,779,940	103,779,940
Total gross carrying amount	3,025,877,585	135,997,667	103,779,940	3,265,655,192
Loss allowance	(28,315,066)	(17,851,205)	(68,367,929)	(114,534,200)
Carrying amount	2,997,562,519	118,146,462	35,412,011	3,151,120,992

Other assets

	Stage 1	Stage 2	Stage 3	Total
June 30, 2023	**Rs**	**Rs**	**Rs**	**Rs**
Performing	**51,093,959**	**732,138**	-	**51,826,097**
Non-performing	**-**	-	**6,351,218**	**6,351,218**
Total gross carrying amount	**51,093,959**	**732,138**	**6,351,218**	**58,177,315**
Loss allowance	**(101,227)**	**(52,933)**	**(6,351,218)**	**(6,505,378)**
Carrying amount	**50,992,732**	**679,205**	**-**	**51,671,937**
June 30, 2022				
Performing	35,599,279	3,167,937	-	38,767,216
Non-performing	-	-	7,936,242	7,936,242
Total gross carrying amount	35,599,279	3,167,937	7,936,242	46,703,458
Loss allowance	(177,411)	(282,166)	(7,879,669)	(8,339,246)
Carrying amount	35,421,868	2,885,771	56,573	38,364,212
June 30, 2021				
Performing	44,648,534	-	-	44,648,534
Non-performing	-	-	6,050,022	6,050,022
Total gross carrying amount	44,648,534	-	6,050,022	50,698,556
Loss allowance	(219,276)	-	(6,050,022)	(6,269,298)
Carrying amount	44,429,258	-	-	44,429,258

There were no transfers between the ECL stages during the years presented.

Undrawn lease commitments

	Stage 1	Stage 2	Stage 3	Total
June 30, 2023	**Rs**	**Rs**	**Rs**	**Rs**
Performing	**501,983,806**	-	-	**501,983,806**
Non-performing	**-**	-	-	**-**
Total gross carrying amount	**501,983,806**	**-**	**-**	**501,983,806**
Loss allowance	**(471,865)**	**-**	**-**	**(471,865)**
Carrying amount	**501,511,941**	**-**	**-**	**501,511,941**

7. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

Credit quality analysis (continued)

Undrawn lease commitments (continued)

June 30, 2022				
Performing	479,043,591	-	-	479,043,591
Non-performing	-	-	-	-
Total gross carrying amount	479,043,591	-	-	479,043,591
Loss allowance	(508,175)	-	-	(508,175)
Carrying amount	478,535,416	-	-	478,535,416
June 30, 2021				
Performing	367,130,538	-	-	367,130,538
Non-performing	-	-	-	-
Total gross carrying amount	367,130,538	-	-	367,130,538
Loss allowance	(860,516)	-	-	(860,516)
Carrying amount	366,270,022	-	-	366,270,022

There were no transfers between the ECL stages during the years presented.

For financial assets recognised in the statement of financial position, the exposure to credit risk equals their carrying amount. Other assets exclude VAT receivable and assets held for sale amounting to **Rs 53,157,503** (2022: Rs 20,782164, 2021: Rs 12,222,502).

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 and Treasury Bills being held with the Government of Mauritius, the credit risk is deemed as negligible.

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

As at June 30, 2023	**Gross carrying amount Rs**	**Allowance for ECL Rs**	**Net carrying amount Rs**
Net investment in lease receivables	3,223,420,301	(63,516,553)	3,159,903,748
Cash and cash equivalents	65,804,381	(61,089)	65,743,292
Investment securities	374,493,239	(323,963)	374,169,276
Other assets	58,177,315	(6,505,378)	51,671,937
Total gross carrying amount on Statement of Financial Position	**3,721,895,236**	**(70,406,983)**	**3,651,488,253**
Off balance sheet lease commitments	**501,983,806**	**(471,865)**	**501,511,941**

7. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

Credit quality analysis (continued)

As at June 30, 2022	Gross carrying amount	Allowance for ECL	Net carrying amount
Net investment in lease receivables	3,151,895,149	(108,836,834)	3,043,058,315
Cash and cash equivalents	45,662,461	(266,661)	45,395,800
Investment securities	333,937,728	(352,070)	333,585,658
Other assets	46,703,458	(8,339,246)	38,364,212
Total gross carrying amount on Statement of Financial Position	3,578,198,796	(117,794,811)	3,460,403,985
Off balance sheet lease commitments	479,043,591	(508,175)	478,535,416
As at June 30, 2021			
Net investment in lease receivables	3,265,655,192	(114,534,200)	3,151,120,992
Cash and cash equivalents	55,804,658	(110,985)	55,693,673
Investment securities	304,180,613	(48,090)	304,132,523
Other assets	50,698,556	(6,269,298)	44,429,258
Total gross carrying amount on Statement of Financial Position	3,676,339,019	(120,962,573)	3,555,376,446
Off balance sheet lease commitments	367,130,538	(860,516)	366,270,022

Reconciliation of gross carrying amount of net investment in lease receivables by stages:

Movement in provisions for expected credit losses

	Stage 1 Rs '000	Stage 2 Rs '000	Stage 3 Rs '000	Total Rs '000
At July 1, 2020	**3,230,745**	**96,500**	**81,274**	**3,408,519**
Transfer to Stage 1	45,993	(37,635)	(8,358)	-
Transfer to Stage 2	(127,728)	133,841	(6,113)	-
Transfer to Stage 3	(61,924)	(13,326)	75,249	-
Leases disbursement	1,056,278	22,973	14,135	1,093,386
Repayment of leases	(1,117,487)	(66,355)	(52,407)	(1,236,249)
At June 30, 2021	**3,025,878**	**135,998**	**103,780**	**3,265,655**
Transfer to Stage 1	78,967	(60,157)	(18,811)	-
Transfer to Stage 2	(44,154)	51,239	(7,085)	-
Transfer to Stage 3	(31,488)	(36,243)	67,731	-
Leases disbursement	1,026,304	8,246	18,249	1,052,798
Repayment of leases	(1,084,268)	(31,843)	(50,447)	(1,166,558)
At June 30, 2022	**2,971,238**	**67,240**	**113,417**	**3,151,895**

7. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

Credit quality analysis (continued)

Reconciliation of gross carrying amount of net investment in lease receivables by stages (continued):

	Stage 1	Stage 2	Stage 3	Total
	Rs '000	Rs '000	Rs '000	Rs '000
At July 1, 2022	2,971,238	67,240	113,417	3,151,895
Transfer to Stage 1	55,404	(36,291)	(19,113)	-
Transfer to Stage 2	(40,225)	50,829	(10,604)	-
Transfer to Stage 3	(8,989)	(9,831)	18,820	-
Leases disbursement	1,205,157	6,322	3,815	1,215,294
Repayment of leases	(1,077,861)	(23,819)	(29,431)	(1,131,111)
Write off	-	-	(12,658)	(12,658)
At June 30, 2023	**3,104,724**	**54,450**	**64,246**	**3,223,420**

(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 (gross of impairment allowances).

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.

7 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

At 30 June 2023	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	65,804,381	-	-	-	-	-	65,804,381
Investment securities	-	105,586,293	116,964,100	-	151,942,846	-	374,493,239
Net investment in lease receivables	103,098,230	201,095,019	291,475,190	539,764,543	1,217,259,213	870,728,106	3,223,420,301
Other assets	58,177,315	-	-	-	-	-	58,177,315
Total assets	**227,079,926**	**306,681,312**	**408,439,290**	**539,764,543**	**1,369,202,059**	**870,728,106**	**3,721,895,236**
Financial Liabilities							
Deposits from customers	201,996,665	28,829,255	50,829,274	330,936,266	2,412,578,093	926,898,245	3,952,067,798
Borrowings	75,521,096	1,566,703	1,571,838	2,631,192	7,007,010	893,015	89,190,854
Other liabilities	68,026,026	-	-	-	-	-	68,026,026
Total liabilities	**345,543,787**	**30,395,958**	**52,401,112**	**333,567,458**	**2,419,585,103**	**927,791,260**	**4,109,284,678**
Net liquidity gap	**(118,463,861)**	**276,285,354**	**356,038,178**	**206,197,085**	**(1,050,383,044)**	**(57,063,154)**	**(387,389,442)**
Undrawn commitments	**272,757,950**	**41,677,428**	**62,516,143**	**125,032,285**	**-**	**-**	**501,983,806**

*Other assets exclude VAT receivables and assets held for sale.
*Other liabilities exclude accruals and provision for expected credit losses on undrawn commitments.

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 investment in lease receivables	85,037,049	168,335,222	248,482,267	471,415,778	1,475,151,466	703,473,367	3,151,895,149
Other assets	46,703,458	-	-	-	-	-	46,703,458
Total assets	177,402,968	168,335,222	248,482,267	551,141,710	1,729,363,262	703,473,367	3,578,198,796
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	55,137,819	-	-	-	-	-	55,137,819
Total liabilities	354,417,421	164,886,375	163,349,316	288,483,320	2,000,280,086	695,470,659	3,666,887,176
Net liquidity gap	(177,014,453)	3,448,847	85,132,951	262,658,390	(270,916,824)	8,002,708	(88,688,380)
Undrawn commitments	255,971,504	40,558,561	60,837,842	121,675,684	-	-	479,043,591

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	-	-	-	49,982,499	102,562,177	151,635,937	304,180,613
Net investment in lease receivables	97,491,252	192,107,252	282,048,112	531,474,187	1,658,262,583	504,271,806	3,265,655,192
Other assets	50,698,556	-	-	-	-	-	50,698,556
Total assets	203,994,466	192,107,252	282,048,112	581,456,686	1,760,824,760	655,907,743	3,676,339,019
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	62,384,397	-	-	-	-	-	62,384,397
Total liabilities	646,577,852	99,692,275	108,864,512	459,976,574	1,570,448,954	701,231,967	3,586,792,134
Net liquidity gap	(442,583,386)	92,414,977	173,183,600	121,480,112	190,375,806	(45,324,224)	89,546,885
Undrawn commitments	30,594,212	61,188,423	91,782,635	183,565,269	-	-	367,130,538

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:

	2023	
	EURO	**USD**
	Rs	**Rs**
Assets		
Bank balances	**510,871**	**23,840**
Net investment in lease receivables	**170,784**	**10,120**
	681,655	**33,960**
Liabilities		
Borrowings	**1,492,298**	**-**
	1,492,298	**-**

	2022	
	EURO	**USD**
	Rs	**Rs**
Assets		
Bank balances	87,883	109,760
Net investment in lease receivables	11,609,942	251,306
	11,697,825	361,066
Liabilities		
Other liabilities	929,716	624,973
Borrowings	6,163,508	22
	7,093,224	624,995

	2021	
	EURO	**USD**
	Rs	**Rs**
Assets		
Bank balances	77,083	3,526,494
Net investment in lease receivables	24,585,268	3,842,688
	24,662,351	7,369,182
Liabilities		
Other liabilities	208,768	171,767
Borrowings	15,205,082	21
	15,413,850	171,788

A 3% fluctuation in the exchange rate of EURO/GBP/USD against the rupee will have an impact of **Rs 23k** (2022: Rs 130k, 2021: Rs 503k) 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.

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%, As at
- 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 in the Management Discussion and Analysis section of this Annual Report.

9 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

	2023 Carrying value Rs'000	**2023 Fair value Rs'000**	2022 Carrying value Rs'000	2022 Fair value Rs'000	2021 Carrying value Rs'000	2021 Fair value Rs'000
Financial assets						
Cash and cash equivalents	65,743	65,743	45,396	45,396	55,694	55,694
Deposits with financial institutions	-	-	-	-	-	-
Net investment in lease receivables	3,159,904	3,159,904	3,043,058	3,043,058	3,151,121	3,151,121
Investment securities	374,169	374,169	333,586	333,586	304,133	304,133
Other assets	51,672	51,672	38,364	38,364	44,429	44,429
	3,651,488	3,651,488	3,460,404	3,460,404	3,555,377	3,555,377
Financial liabilities						
Deposits from customers	3,952,068	3,952,068	3,591,084	3,591,084	3,395,373	3,395,373
Borrowings	89,191	89,191	20,666	20,666	129,034	129,034
Other liabilities	68,498	68,498	55,646	55,646	63,245	63,245
	4,109,757	4,109,757	3,667,396	3,667,396	3,587,652	3,587,652

The above financial assets and liabilities would be under Level 2 of the Fair Value Hierarchy.

(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 investment in 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.

9 **FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)**

(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.

(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.

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group,pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Bank is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily quoted equity investments and instruments for which a market,which is considered to be the most representative price, is readily available. These financial assets have been classified as fair value through profit or loss and fair value through other comprehensive income.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on specific estimates. If all significant input required to fair value an instrument is observable, the instrument is included in level 2. If one or more significant inputs are not based on observable market data, the instrument is included in level 3.

10 CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

Assets	**IFRS 9 Measurement Category**	**2023**	2022	2021
		Rs.	Rs.	Rs.
Cash and cash equivalents	Amortised cost	**65,743,292**	45,395,800	55,693,673
Net investment in lease receivables	Amortised cost	**3,159,903,748**	3,043,058,315	3,151,120,992
Investment in securities	Amortised cost	**374,169,276**	303,585,658	304,132,523
Investment in securities	FVOCI	**-**	30,000,000	-
Other assets	Amortised cost	**51,671,937**	38,364,212	44,429,258
		3,651,488,253	3,460,403,985	3,555,376,446
Liabilities				
Deposits from customers	Amortised cost	**3,952,067,798**	3,591,083,626	3,395,373,302
Borrowings	Amortised cost	**89,190,854**	20,665,732	129,034,435
Other liabilities	Amortised cost	**68,026,026**	55,137,819	62,384,397
		4,109,284,678	3,666,887,177	3,586,792,135

11 CASH AND CASH EQUIVALENTS

(i) BALANCES

	2023	2022	2021
	Rs.	Rs.	Rs.
Balances and deposits with banks in Mauritius	**65,800,688**	45,658,629	55,800,246
Cash in hand	**3,693**	3,832	4,412
Less allowance for expected credit losses (Stage 1)	**(61,089)**	(266,661)	(110,985)
Current	**65,743,292**	45,395,800	55,693,673

The Company holds banking facilities with The Mauritius Commercial Bank Limited in the form of current accounts which are non-interest bearing. The banking facilities are secured by movable and immovable properties of the Company.

11 CASH AND CASH EQUIVALENTS (CONTINUED)

(ii) NET DEBT RECONCILIATION

	2023 Rs.	2022 Rs.	2021 Rs.
Cash and cash equivalents	**65,743,292**	45,395,800	55,693,673
Borrowings (Note 18)	**(89,190,854)**	(20,665,732)	(129,034,435)
Net (debt)/ surplus	**(23,447,562)**	24,730,068	(73,340,762)
Cash and liquid investments	**65,743,292**	45,395,800	55,693,673
Gross debt-fixed interest rate	**(89,190,854)**	(16,487,880)	(113,829,332)
Gross debt-variable interest rate	**-**	(4,177,852)	(15,205,103)
	(23,447,562)	24,730,068	(73,340,762)

	Cash and cash equivalents Rs.	**Deposits with financial institutions Rs.**	**Borrowings Rs.**	**Total Rs.**
Net debt as at 01 July 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**
Payments	**-**	**-**	**1,125,089,878**	**1,125,089,878**
Proceeds	**-**	**-**	**(1,193,615,000)**	**(1,193,615,000)**
Cash flows	**20,347,492**	**-**	**-**	**20,347,492**
Net surplus/ (debt) as at 30 June 2023	**65,743,292**	**-**	**(89,190,854)**	**(23,447,562)**

12 NET INVESTMENT IN LEASE RECEIVABLES

		2023 Rs.	2022 Rs.	2021 Rs.
(a)	**Gross investment in finance leases**			
	- Within one year	**1,135,432,981**	1,112,862,387	1,103,120,802
	- Within 1 and 2 years	**915,670,145**	930,880,659	930,108,798
	- Within 2 to 3 years	**700,122,831**	701,957,225	728,153,785
	- Within 3 to 4 years	**481,370,482**	443,609,426	509,331,415
	- Within 4 to 5 years	**264,049,070**	199,326,635	254,291,550
	- More than 5 years	**163,948,179**	100,513,248	99,047,054
		3,660,593,688	3,489,149,580	3,624,053,404
	Unearned future finance income on finance leases	**(455,715,925)**	(412,655,084)	(462,163,326)
		3,204,877,763	3,076,494,496	3,161,890,078
(b)	**Rental receivables on finance lease and operating leases**	**18,542,538**	75,400,653	103,765,114
	Total gross investment in leases	**3,223,420,301**	3,151,895,149	3,265,655,192
	Less allowance for expected credit losses			
	- Stages 1 & 2 – ECL	**(18,590,365)**	(25,156,017)	(46,166,271)
	- Stage 3 – ECL	**(44,926,188)**	(83,680,817)	(68,367,929)
	Net investment in lease receivables	**3,159,903,748**	3,043,058,315	3,151,120,992

(c) **Remaining term to maturity of investment in finance lease receivables**

	2023	2022	2021
Current:			
Up to 3 months	**304,193,249**	253,372,271	289,598,504
Over 3 months and up to 6 months	**291,475,190**	248,482,267	282,048,112
Over 6 months and up to 12 months	**539,764,543**	471,415,778	531,474,187
Non Current:			
Over 1 year and up to 5 years	**1,962,678,766**	2,081,793,957	2,063,487,334
Over 5 years	**125,308,553**	96,830,876	99,047,055
	3,223,420,301	3,151,895,149	3,265,655,192

(d) **Allowance for expected credit losses**

	2023	2022	2021
Stages 1 & 2 ECL			
At July 01,	**25,156,017**	46,166,271	53,892,300
Release for the year	**(6,565,652)**	(21,010,254)	(7,726,029)
At June 30,	**18,590,365**	25,156,017	46,166,271
Stage 3 ECL			
At July 01,	**83,680,817**	68,367,929	60,154,338
Bad debts written off against provisions	**(12,658,450)**	-	-
(Release)/Allowance for the year	**(26,096,179)**	15,312,888	8,213,591
At June 30,	**44,926,188**	83,680,817	68,367,929
Total	**63,516,553**	108,836,834	114,534,200

12 NET INVESTMENT IN LEASE RECEIVABLES (CONTINUED)

(e) Allowance for expected credit losses by industry sectors

	2023						
	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	Gross amount of leases net of total allowances for expected credit losses Rs.'000
Agriculture and fishing	108,261	147	371	-	147	518	107,743
Manufacturing	398,494	3,813	1,840	161	3,452	5,453	393,041
Tourism	163,746	9,481	707	450	7,158	8,315	155,431
Transport	198,448	5,521	890	511	4,394	5,795	192,653
Construction	224,101	1,923	1,032	479	1,002	2,513	221,588
Traders	812,668	6,157	3,837	376	4,788	9,001	803,667
Information, Communication and Technology	54,976	795	260	-	449	709	54,267
Financial and business services	113,887	84	544	25	5	574	113,313
Personal	777,790	27,643	3,494	1,409	17,065	21,968	755,822
Professional	49,953	1,449	212	316	1,017	1,545	48,408
Media entertainment and recreational activities	55,707	1,738	254	76	1,041	1,371	54,336
Others	265,389	5,495	1,201	146	4,408	5,755	259,634
	3,223,420	64,246	14,642	3,949	44,926	63,517	3,159,903

12 NET INVESTMENT IN LEASE RECEIVABLES (CONTINUED)

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

	2022						
	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	Gross amount of leases net of total allowances for expected credit losses Rs.'000
Agriculture and fishing	141,752	1,016	885	5	787	1,677	140,075
Manufacturing	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	18,765	6,391	83,681	108,837	3,043,058

12 **NET INVESTMENT IN LEASE RECEIVABLES (CONTINUED)**

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

	2021						
	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**	**Gross amount of leases net of 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
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

12 NET INVESTMENT IN 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 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	(0)
Additional Provision	6,480	3,573	42,413	52,466
Provision Released	(33,563)	(6,629)	(17,971)	(58,164)
At 30 June 2022	**18,766**	**6,390**	**83,681**	**108,837**
Transfer to Stage 1	16,320	(3,414)	(12,906)	0
Transfer to Stage 2	(256)	6,645	(6,389)	0
Transfer to Stage 3	(57)	(942)	999	0
Additional Provision	5,557	2,432	16,386	24,375
Provision Released	(25,688)	(7,162)	(24,187)	(57,037)
Write off	-	-	(12,658)	(12,658)
At 30 June 2023	**14,642**	**3,949**	**44,926**	**63,517**

13 INVESTMENT SECURITIES

	2023 **Rs**	2022 Rs	2021 Rs
<u>Investment in debt securities measured at amortised cost</u>			
Investment in government bonds (Non-current)	**151,942,846**	254,211,796	254,198,114
Investment in government treasury bills (current)	**222,550,393**	49,725,932	49,982,499
Less allowance for expected credit losses - Stage 1	**(323,963)**	(352,070)	(48,090)
	374,169,276	303,585,658	304,132,523
<u>Investment in debt securities messured at FVOCI</u>			
Investment in corporate bonds (current)	**-**	30,000,000	-
	374,169,276	333,585,658	304,132,523

Investment in securities comprise of Government bonds and treasury bills.

The rates of interest on investment in securities range from 3.32% to 5.1% and maturity dates range from August 2023 to November 2025.

Investment in securities are unsecured.

MCB LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

14 **EQUIPMENT**

	Computer equipment	Office equipment	Furniture & fittings	Motor vehicles	Assets under operating leases		Total
					Motor vehicles	Plant and equipment	
2023	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
At July 1, 2022	**8,729,721**	**3,211,429**	**3,628,567**	**2,434,440**	**1,229,516,974**	**128,330,539**	**1,375,851,670**
Additions	**-**	**-**	**272,986**	**-**	**541,981,072**	**30,303,440**	**572,557,498**
Disposals	**-**	**-**	**-**	**-**	**(159,018,918)**	**(15,788,700)**	**(174,807,618)**
At June 30, 2023	**8,729,721**	**3,211,429**	**3,901,553**	**2,434,440**	**1,612,479,128**	**142,845,279**	**1,773,601,550**
DEPRECIATION							
At July 1, 2022	**7,093,421**	**3,134,644**	**3,570,260**	**1,337,208**	**410,259,249**	**60,275,613**	**485,670,395**
Charge for the year	**712,193**	**44,855**	**113,363**	**486,621**	**196,145,351**	**19,240,093**	**216,742,476**
Disposal	**-**	**-**	**-**	**-**	**(86,930,064)**	**(12,014,177)**	**(98,944,241)**
At June 30, 2023	**7,805,614**	**3,179,499**	**3,683,623**	**1,823,829**	**519,474,536**	**67,501,529**	**603,468,630**
NET BOOK VALUE							
At June 30, 2023	**924,107**	**31,930**	**217,930**	**610,611**	**1,093,004,592**	**75,343,750**	**1,170,132,920**
2022							
COST							
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**

14 EQUIPMENT (CONTINUED)

2021	Computer equipment Rs.	Office equipment Rs.	Furniture & fittings Rs.	Motor vehicles Rs.	Assets under operating leases: Motor vehicles Rs.	Assets under operating leases: Plant and equipment Rs.	Total Rs.
COST							
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

The directors have reviewed the carrying amount of the equipment of the Company and are of the opinion that at June 30, 2023, the carrying value has not suffered any impairment. (2022 and 2021: Nil)

15 INTANGIBLE ASSETS

	Computer Software		
	2023	2022	2021
	Rs.	Rs.	Rs.
COST			
At July 1	**68,317,583**	68,317,583	66,816,710
Additions	**-**	-	1,500,873
At June 30,	**68,317,583**	68,317,583	68,317,583
AMORTISATION			
At July 1	**64,083,499**	56,487,403	45,522,505
Charge for the year	**3,822,911**	7,596,096	10,964,898
At June 30,	**67,906,410**	64,083,499	56,487,403
NET BOOK VALUE			
At June 30,	**411,173**	4,234,084	11,830,180

	Work in Progress*		
COST			
At July 1	**14,804,194**	-	-
Additions	**9,198,839**	14,804,194	-
	24,414,206	19,038,278	11,830,180

* Work-in-progress relates to payments made for purchase of the new leasing and accounting software of the Company which will go live during the next financial year.

16 OTHER ASSETS

	2023	2022	2021
	Rs.	Rs.	Rs.
Assets held for sale	**2,026,230**	3,040,351	9,146,122
Other receivables comprise:	**109,308,588**	64,445,271	53,774,936
Fees and Residual Value Receivable	***6,559,332***	*6,195,176*	*12,844,359*
Rental Accrued	***17,712,695***	*13,719,430*	*15,544,427*
Insurance Refundable	***256***	*-*	*121,500*
VAT receivable	***51,131,273***	*17,741,813*	*3,076,380*
Other Receivables	***33,905,032***	*26,788,852*	*22,188,270*
Less allowance for expected credit losses			
Stages 1 & 2 - ECL	**(154,160)**	(459,577)	(219,276)
Stage 3- ECL	**(6,351,218)**	(7,879,669)	(6,050,022)
	104,829,440	59,146,376	56,651,760

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

*Other receivables mainly comprise assets under buyback agreements for which funds have not yet been received.

17 DEPOSITS FROM CUSTOMERS

Time deposits with remaining term to maturity:

	2023 Rs.	2022 Rs.	2021 Rs.
Retail customers			
Within 3 months	**191,325,661**	322,929,260	467,935,175
Over 3 up to 6 months	**46,270,531**	145,077,261	105,720,518
Over 6 up to 12 months	**241,654,995**	204,955,730	435,024,151
Over 1 up to 5 years	**2,583,809,978**	2,248,672,286	1,929,868,136
	3,063,061,165	2,921,634,537	2,938,547,980
Corporate customers			
Within 3 months	**39,500,260**	137,040,074	113,585,024
Over 3 up to 6 months	**4,558,743**	151,188,899	-
Over 6 up to 12 months	**89,281,271**	81,245,808	19,703,219
Over 1 up to 5 years	**755,666,359**	436,044,308	323,537,079
	889,006,633	805,519,089	456,825,322
	3,952,067,798	3,727,153,626	3,395,373,302
Current	**612,591,461**	906,367,032	1,141,968,087
Non-current	**3,339,476,337**	2,684,716,594	2,253,405,215
	3,952,067,798	3,591,083,626	3,395,373,302

The above consists of deposits bearing interest at the rates of 0.65% - 5.6% per annum (2022: 1.25% - 5.2%, 2021: 1.7%-5.7%). Deposits are denominated in rupees.

18 BORROWINGS

	2023 Rs.	2022 Rs.	2021 Rs.
Borrowings comprise:			
Current			
Bank loans	**75,000,000**	4,177,851	107,827,925
Other loans	**6,290,829**	5,453,731	2,930,800
	81,290,829	9,631,582	110,758,725
Non-current			
Bank loans	**-**	-	4,566,348
Other loans	**7,900,025**	11,034,150	13,709,362
	7,900,025	11,034,150	18,275,710
	89,190,854	20,665,732	129,034,435

(a) Bank and other loans

	2023 Rs.	2022 Rs.	2021 Rs.
Remaining term to maturity			
Within one year	**81,290,829**	9,631,582	110,758,725
One to two years	**4,580,666**	5,531,608	9,384,034
After two years to five years	**3,319,359**	5,502,542	8,891,676
	89,190,854	20,665,732	129,034,435

(b) The rates of interest on borrowings range from 0.35% to 5.5% and 0.75% to 2.78% on the borrowings denominated in MUR and EURO respectively. (2022: 1.5% to 3.5% and 0.75% to 2.78% and 2021: 1.5% to 3.5% and 0.75% to 2.42%)

(c) Borrowings are denominated in MUR and EUR. The currency risk profile is provided in note 7(d).

18 BORROWINGS (CONTINUED)

(d) Other loans consists of loans from Industrial Finance Corporation of Mauritius 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.

19 INCOME TAX

	2023 Rs.	2022 Rs.	2021 Rs.
Current income tax on the adjusted profit for the year at **17%** (2022: 17%, 2021: 17%)	**3,641,520**	8,711,482	15,518,059
Deferred tax (note 20)	**16,295,929**	4,163,199	(2,412,752)
	19,937,449	12,874,681	13,105,307

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:

	2023 Rs.	2022 Rs.	2021 Rs.
Profit before income tax	**110,407,157**	74,718,191	73,665,435
Tax calculated at a rate of 17% (2022: 17%, 2021: 17%)	**18,769,217**	12,702,092	12,523,124
Tax effect on:			
Expenses not deductible for tax purposes	**38,686,816**	31,901,097	30,013,425
Income not subject to tax	**(53,814,513)**	(35,891,707)	(27,018,490)
Deferred tax	**16,295,929**	4,163,199	(2,412,752)
	19,937,449	12,874,681	13,105,307
Current tax (asset) / liability			
At July 1,	**(12,130,871)**	4,916,793	(10,601,266)
Charge for the year	**3,641,520**	8,711,482	15,518,059
Income tax paid	**(6,930,972)**	(25,759,146)	-
At June 30,	**(15,420,323)**	(12,130,871)	4,916,793

20 DEFERRED TAX LIABILITIES

Deferred income taxes are calculated on all temporary differences under the liability method at **17%** (2022: 17%, 2021: 17%). The movement on the deferred income tax account is as follows:

	2023 Rs.	2022 Rs.	2021 Rs.
At July 1,	**18,800,105**	14,636,906	17,049,658
Statement of profit or loss and other			
Charged/(credited) to profit and loss	**16,295,929**	4,163,199	(2,412,752)
At June 30,	**35,096,034**	18,800,105	14,636,906

20 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 and the Company intends to settle its current tax assets and liabilities on a net basis.The following amounts are shown in the Statement of Financial Position:

	2023	2022	2021
	Rs.	Rs.	Rs.
Deferred tax liabilities			
Temporary Differences:			
Accelerated capital allowances	**47,145,438**	38,911,613	35,346,831
Allowance for expected credit losses	**(12,049,404)**	(20,111,508)	(20,709,925)
	35,096,034	18,800,105	14,636,906

21 OTHER LIABILITIES

	2023	2022	2021
	Rs.	Rs.	Rs.
Other payables and accruals consists of:	**53,267,609**	46,973,084	53,964,237
Registration duty payable to government	***7,224,500***	*19,375,953*	*12,035,270*
Amounts payable to car distributors	***17,576,787***	*4,558,712*	*4,557,781*
Amounts received from customers not yet allocated	***17,551,029***	*9,918,115*	*7,166,059*
Accruals	***3,154,555***	*4,204,751*	*3,402,446*
Others	***7,760,738***	*8,915,553*	*26,802,681*
Amounts due to group companies:			
- Entities under common control	**17,912,972**	12,369,486	11,822,606
Provision for expected credit losses on undrawn commitments	**471,865**	508,175	860,516
	71,652,446	59,850,745	66,647,359

*Other liabilities are expected to be settled within 12 months and are classified as 'current'.
*Other liabilities mainly comprise of unpresented payments.

22 SHARE CAPITAL

	2023	2022	2021
	Rs.	Rs.	Rs.
Authorised			
25,000,000 ordinary shares of Rs.10 each	**250,000,000**	250,000,000	250,000,000
20,000,000 preference shares of Rs.10 each	**200,000,000**	200,000,000	200,000,000
Issued and fully paid			
Ordinary shares at 30 June,	**200,000,000**	200,000,000	200,000,000
Preference shares at 30 June,	**200,000,000**	200,000,000	200,000,000
Total share capital	**400,000,000**	400,000,000	400,000,000

In June 2018, the Company issued 20,000,000 5.5% non-cumulative preference shares at Rs.10 each to MCB Group Limited. 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.

23 NET INTEREST INCOME

	2023 Rs.	2022 Rs.	2021 Rs.
Interest income on financial assets at amortised cost			
Cash and cash equivalents	**-**	-	966,856
Investment securities	**12,105,150**	10,327,481	12,488,454
Total interest income calculated using the effective interest rate method	**12,105,150**	10,327,481	13,455,310
Interest income on finance lease receivables	**194,840,016**	206,652,143	227,205,066
Interest income on investment in debt securities at FVOCI	**-**	90,903	-
Total interest income	**206,945,166**	217,070,527	240,660,376
Interest expense on financial liabilities at amortised cost			
Deposits from customers	**113,804,532**	112,556,331	133,764,258
Borrowings	**2,698,924**	1,436,160	1,680,793
Total interest expense	**116,503,456**	113,992,491	135,445,051
Net interest income	**90,441,710**	103,078,036	105,215,325

24 OTHER OPERATING INCOME

	2023 Rs.	2022 Rs.	2021 Rs.
Penalty fees on early encashment of fixed deposits	**3,016,332**	2,357,169	1,631,696
Penalty interest on leases	**5,495,386**	5,044,767	5,997,302
Miscellaneous Income	**9,275,272**	165,792	8,565,162
	17,786,990	7,567,728	16,194,160

*Miscellaneous income includes unrealised foreign gains.

25 NET IMPAIRMENT GAINS/(LOSSES) ON FINANCIAL ASSETS

	2023 Rs.	2022 Rs.	2021 Rs.
Allowances for ECLs on net investment in lease receivables:			
- Stage 3	**(26,096,179)**	15,312,888	26,032,787
- Stages 1 and 2	**(6,565,652)**	(21,010,254)	(7,726,029)
Allowances for ECLs on other financial assets	**6,481,443**	7,688,419	373,589
	(26,180,388)	1,991,053	18,680,347

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 2023, 2022 and 2021.

25 NET IMPAIRMENT GAINS/(LOSSES) ON 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
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Opening impairment provisions at 01 July 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 provisions	-	(17,819,196)	-	-	(1,221,813)	-	-	-	(19,041,009)
Impairment (released)/charged to profit or loss	(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 provisions	-	-	-	-	(5,511,156)	-	-	-	(5,511,156)
Impairment (released)/charged to profit or loss	(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**
Bad debts written off against provisions	**-**	**(12,658,450)**	**-**	**-**	**(8,585,300)**	**-**	**-**	**-**	**(21,243,750)**
Impairment (released)/charged to profit or loss	**(6,565,652)**	**(26,096,179)**	**(205,572)**	**(305,417)**	**7,056,849**	**-**	**(28,107)**	**(36,310)**	**(26,180,388)**
Closing impairment provisions at 30 June 2023	**18,590,365**	**44,926,188**	**61,089**	**154,160**	**6,351,218**	**-**	**323,963**	**471,865**	**70,878,848**

26 PERSONNEL EXPENSES

	2023 Rs.	2022 Rs.	2021 Rs.
Wages and salaries	**43,083,341**	36,398,927	35,250,555
Social security obligations	**5,964,986**	4,730,410	5,322,573
Other payroll costs	**2,825,707**	2,394,284	1,849,319
	51,874,034	43,523,621	42,422,447

The Company participates in a multi-employer plan.

27 PROFIT/(LOSS) ON DISPOSAL OF ASSETS

	2023 Rs.	2022 Rs.	2021 Rs.
Loss on disposal of repossessed leases	**(1,022,464)**	(7,417,853)	(4,120,983)
Profit/(loss) on disposal of assets on operating leases	**1,525,347**	(1,246,533)	220,040
	502,883	(8,664,386)	(3,900,943)

28 OTHER EXPENSES

	2023 Rs.	2022 Rs.	2021 Rs.
Management fee	**12,460,495**	4,443,686	5,367,504
Marketing and advertising	**109,292**	1,714,930	3,409,495
Licences and software cost	**2,152,531**	2,921,863	2,897,853
Statutory audit fees	**966,875**	875,000	833,750
Fees to statutory auditor for assurance engagements	**450,000**	450,000	345,000
Professional fees	**13,529,966**	10,680,865	9,970,945
Other operating expenses	**1,622,752**	7,310,436	3,863,039
	31,291,911	28,396,780	26,687,586

29 DIVIDENDS PAYABLE

	2023 Rs.	2022 Rs.	2021 Rs.
Dividend declared			
Preference dividends	**11,000,000**	11,000,000	22,000,000
Ordinary dividends	**25,000,000**	30,000,000	-
Dividend paid			
Preference dividends	**(11,000,000)**	(11,000,000)	(22,000,000)
Ordinary dividends	**(25,000,000)**	(30,000,000)	-
At June 30,	-	-	-

30 CONTINGENT LIABILITIES

(a) Commitments

(i) Lease commitments

At June 30, 2023, the Company had commitments amounting to **Rs 501,983,806** in respect of undrawn lease commitments (2022: Rs 479,043,591, 2021: Rs 367,130,538).

(ii) Intangible assets - Capital commitments

During the year under review, the Company has invested in a new leasing and accounting software. An additional amount of USD484,000 will be paid with respect to same within the next twelve months.

(b) Tax assessments

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 Rs 8,295,080.

The Company has received independent legal opinion confirming that the activities of the Company is covered by the relevant guidelines of the Act and is 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 Rs 18,071,425 in the books as at 30 June 2023 (30 June 2022: Rs Nil).

31 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.

32 RELATED PARTY TRANSACTIONS

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

	Rent Rs.	Management Fees Rs.	Interest income Rs.	Interest expense Rs.	Rental income from operating leases Rs.
2023					
Entities under common control	**1,021,678**	**11,438,817**	**-**	**-**	**-**
Directors and close family members	**-**	**-**	**53,546**	**496,054**	**-**
Enterprises in which directors have significant influence	**-**	**-**	**161,598**	**2,488,684**	**-**
2022					
Entities under common control	1,037,275	3,406,411	90,904	1,161,529	-
Directors and close family members	-	-	11,320	221,270	-
Enterprises in which directors have significant influence	-	-	1,605,747	-	-
2021					
Holding company	1,176,575	-	-	-	-
Entities under common control	-	4,190,929	12,953,620	1,527,004	-
Directors and close family members	-	-	174,939	845,500	-
Enterprises in which directors have significant influence	-	-	1,726,191	10,326,908	903,127

32 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.	Lease Receivables Rs.	Bank Balances Rs
2023					
Entities under common control	**9,289,179**	**75,000,000**			**65,739,599**
Directors and close family members			**10,350,000**	**1,856,862**	
Enterprises in which directors have significant influence				**2,824,046**	
2022					
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					
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	-

	2023 Rs.	2022 Rs.	2021 Rs.
(a) Key management personnel compensation:			
Salaries and short-term employee benefits	**4,123,273**	3,825,511	3,882,718
Pension benefit	**671,168**	570,869	542,379

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.

33 OPERATING LEASES

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

	2023	2022	2021
	Rs	Rs	Rs
Year 1	**304,289,540**	246,578,739	139,088,069
Year 2	**261,078,838**	196,609,517	107,721,358
Year 3	**214,501,770**	154,126,170	70,484,663
Year 4	**152,677,059**	108,244,878	45,509,343
Year 5	**74,136,884**	50,076,110	17,626,842
Year 6 and onwards	**34,669,591**	16,768,785	4,301,565
	1,041,353,682	772,404,199	384,731,840

34 SUBSEQUENT EVENTS

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

MANAGEMENT DISCUSSION AND ANALYSIS DOCUMENT — YEAR ENDED JUNE 30, 2023

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 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 external economy and the business model

Please refer to note 6.2 and 6.3 within the Corporate Governance Report section in this report.

(b) Financial Performance

Amidst a recovering economic climate, the lease portfolio of the Company grew by 8.7% to reach Rs 4,392 million (2022: Rs 4,039 million). The increase was principally attributable to a growth of 32% in operating leases which stood at Rs1,168.3 million as at June 30, 2023. The finance lease portfolio, standing at Rs3,223.4 million as at June 30, 2023, also contributed to the expanding portfolio with an increase of 2% year on year.

To cater for the progression in the lease portfolio, the deposit base expanded by 10% to Rs3,952 million at the year end (2022: Rs 3,591 million).

The combined impact of lower average finance leases balances and lower average rates coupled with the increase in average deposits volume year on year drove net interest income to decline by 12% to reach Rs 90 million at year end (2022: Rs 103 million). On the other hand, other income totalling Rs 297 million and comprising principally of operating lease income, increased by 24% as a result of the increase in the operating lease portfolio. Correspondingly, operating expenses (excluding impairment costs), increased on the back of an increase in the depreciation on leased assets in line with the increase in the operating lease portfolio.

Following the implementation of a rigorous credit management system, non-performing leases declined from Rs 113m to Rs 64m. This, together with the annual recalibration of IFRS 9, contributed largely to the reversal of impairment charges of Rs 26 million in FY2022/23. Overall, net profit after tax increased by 46% to reach Rs 90.5 million for FY2022/23 (FY2021/22: Rs 61.8 million)

(c) Performance against objectives

OBJECTIVES FOR 2022/23	PERFORMANCE IN 2022/23	OBJECTIVES FOR 2023/2024
OPERATING INCOME		
The lease portfolio is expected to increase from FY22 to FY23. Correspondingly, operating income is expected to increase by 14%.	The increase in the Company's operating income of 13% year on year is driven principally by an increase in operating lease income reflecting the growing share of the lease portfolio on the overall portfolio.	The lease portfolio is expected to increase from FY23 to FY24. Correspondingly, operating income is expected to increase by 28%.
NON INTEREST EXPENSE (Excluding impairment provisions and depreciation charges on operating leases)		
We are expecting non-interest expense to be contained in FY22/23.	Non-interest expense has increased by 9.6% principally on account of increases in staff costs following a headcount reinforcement during the year.	The non-interest expense is expected to increase by 18% in FY24 on account of increases in headcount and other operating expenditure.
COST TO INCOME RATIO		
We expect the cost to income ratio to remain at 49%	Cost to income ratio of 51% was recorded for FY22/23 compared to 49% in FY21/22 as the growth in operating expenses exceeded the growth in operating income.	The cost to income ratio is expected to be contained in FY24
RETURN ON AVERAGE EQUITY (ROE)		
ROE is expected to be contained for the next financial year.	This year's performance drove ROE to stand at 12.2% for FY22/23 (8.8% for FY21/22.	ROE is expected to be contained for the next financial year.
PORTFOLIO QUALITY		
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%.	Portfolio quality improved from 3.6% to 2.0% year on year on the back of an improved credit management system. Provision coverage on stage 3 exposures stood at 70% as at June 30, 2023 compared to 74% as at June 30, 2022.	NPL projected to conservatively be in the regions of 2.3% as at June 30, 2024.
CAPITAL MANAGEMENT		
Management expects capital adequacy levels to be steady	Our capital adequacy stood at 21.5%, as at June 30, 2023, compared to 20.6% on June 30, 2022.	Management expects capital adequacy levels to be steady.

1 Financial Review (Continued)

(c) Performance against objectives (Continued)

Analysis of results

Three-year summary	**2023 Rs'm**	2022 Rs'm	2021 Rs'm
Total assets	4,915	4,403	4,302
Total lease portfolio	4,392	4,039	3,986
Cash and cash equivalents	66	45	56
Investments in securities	374	334	304
Total deposits	3,952	3,591	3,395
Total borrowings	89	21	129
Capital and Reserves	767	712	691
Profit after income tax	90	62	61

The 11.6% growth in total assets year on year is principally attributable to the increase of Rs 353m in total lease portfolio, which includes operating leases of Rs1,168m under the item "Plant and Equipment". Additionally, liquid assets increased by Rs 61m reflecting the cash inflows following the built up in fixed deposits (increase of Rs 361m) and short term borrowings (increase of Rs 68m).

(d) Financial Ratios and data on credit

	2023 Rs'm	2022 Rs'm	2021 Rs'm
Interest income			
Cash and cash equivalents			
Deposits with financial institutions	-	-	1
Net investment in lease receivables	195	207	227
Investment in securities	12	10	12
Total	207	217	240
Interest expense			
Deposits from customers	114	113	134
Borrowings	3	1	1
Total	117	114	135
Net interest income	90	103	103

1 Financial Review (Continued)

(d) Financial Ratios and data on credit (continued)

Net Interest Income analysis

The decline in the finance lease portfolio seen during the last financial year persevered into the first half of the current year thus leading to a decrease in the average finance lease portfolio in the current year. This decrease coupled with a decline in the average rates led to a drop of 4.7% in interest income year on year. Additionally, the interest expense experienced a growth of 2.2% on account of the rise in the average volume of both deposits and borrowings. Consequently, net interest income decreased from Rs 103m to Rs 90m in FY23.

Non-interest income

	2023	2022	2021
	Rs'm	Rs'm	Rs'm
Operating lease income	**266**	220	188
Processing fees	**13**	12	11
Other operating income	**17**	7	16
Total	**297**	239	215

Operating lease income grew by 21% in the course of the year in line with the increase in the volume of operating leases. Whilst processing fees have remained fairly contained in the current year, other operating income increased by Rs 10m year on year.

Net impairment loss on financial assets

	2023	2022	2021
	Rs'm	Rs'm	Rs'm
Net impairment loss on financial assets	**(26)**	2	19

Whilst management has taken a conservative approach on Stage 3 customers when assessing the risk associated with showing early signs of distress, the application of a rigorous credit management system as well as the annual recalibration of the IFRS9 model allowed reversal of impairment losses amounting to Rs 26m during the year.

Operating expenses

	2023	2021	2020
	Rs’m	Rs’m	Rs’m
Personnel expenses	**52**	44	42
(Profit)/Loss on disposal of assets	**(1)**	9	4
Depreciation and amortisation	**221**	185	155
Other expenses	**31**	28	27
Total	**303**	265	228

1 Financial Review (Continued)

(d) Financial Ratios and data on credit (Continued)

Operating expenses

Increase in operating expenses is mainly attributable to:

- higher depreciation charges on assets under operating leases, in line with the increase in operating lease portfolio
- higher personnel expenses following a headcount reinforcement during the year

(e) Asset type analysis

For the year under review, cars remain on top of the list representing 69% of our portfolio. We note a slight increase in financing of Civil Engineering equipment. Other sectors witnessed no major fluctuations.

The main assets being financed, in % terms are depicted in the table below:

Asset Category	**% Portfolio 2023**	% Portfolio 2022	% Portfolio 2021
Cars	69	70	67
Industrial equipment	1	1	2
Civil Engineering Equipment	4	4	4
Buses, vans, lorries	10	11	11
Others	15	14	16

(f) 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 personal & professional sectors which is reflective of our risk appetite and overall local economic situation.

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

Sector	**2023 %**	2022 %	2021 %
Traders	**26**	25	23
Personal & Professional	**26**	22	22
Manufacturing	**13**	16	17
Transport	**6**	7	7
Construction	**7**	5	6
Services	**4**	9	5
Tourism	**5**	4	5
Agriculture	**3**	4	4
Others	**11**	7	11

1 Financial Review (Continued)

(g) Credit Quality

(i) Sector-wise analysis of credit quality

The sector-wise analysis of credit quality is disclosed in Note 12 of the financial statements

With continued efforts to improve its credit management system, the Company has seen its level of non-performing leases fall by 43% from Rs 113m to Rs 64m during the financial year. The main sector showing improvement is the personal sector whereby the non-performing leases dropped from Rs 46.8m to Rs 27.6m. Overall, the provision coverage ratio for non performing leases stands at 70%

(ii) Movement in expected credit losses

Refer to note 25 for the movement in the provisions for expected credit losses during the current year and prior years.

(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 June 30, 2023 was 21.5% (2022: 20.6% 2021: 21.0%)

b. Maintain liquid assets equivalent to not less than 10% of deposit liabilities. The statement of liquid funds and deposits for the week ended June 30, 2023 showed liquid assets to deposits ratio of 11.3**%** (2022: 12.1%, 2021: 12.1%)

1 Financial Review (Continued)

(h) Capital structure (continued)

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 June 30, 2023 amount to **Rs 13.6m** (2022: Rs 9.3m, 2021: Rs9.1m).

The capital adequacy ratio is computed as follows:

	Rs'000
Total Capital	**761,793**
Risk Weighted Assets ("RWA")	**3,536,965**
Capital adequacy ratio (Total Capital/ RWA)	**21.54%**

Further details of the total capital and risk weighted

	Rs'000
Tier 1	
Paid up capital	**400,000**
Statutory Reserve	**149,158**
Retained earnings	**217,448**
Intangible assets	**(24,414)**
Total Tier 1 Capital	**742,192**

	Rs'000
Tier 2	
Stage 1 and 2 allowances for expected credit losses	**19,601**
Subordinated debt	**-**
Total Tier 2 Capital	**19,601**
Total Capital (Tier 1 + Tier 2)	**761,793**

Risk Weighted assets ("RWA")

	Amount Rs'000	Risk Weight %	Weighted amount Rs'000
Claims on or guaranteed by Government of Mauritius	374,493	0%	-
Claims on, or claims guaranteed or accepted or endorsed by, banks licensed under the Banking Act 2004	65,804	20%	13,161
Investments in Finance and/or Operating Lease (<5m) leases <=Rs 5.0 million	3,780,290	75%	2,835,218
Other Leases (>5m)	566,552	100%	566,552
Other assets	122,035	100%	122,035
	4,909,174		**3,536,965**

2 Risk Management policies and controls

The Risk Management 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, 2023, the Company has complied with the liquidity ratio as per Bank of Mauritius requirements for the deposit-taking licence. The liquidity ratio was 11.3% as at 30 June 2023 (2022: 12.1%, 2021: 12.1%).

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.

The Company has further implemented a policy on credit concentration risk which falls under the mandate of the Risk Management 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 June 30, 2023 are as follows:

Customer	**Category**	**Net exposure Rs'000**	**% of Tier 1 Capital %**	**Regulatory limit %**
1	Group	189,919	26%	40%
2	Group	172,639	24%	40%
3	Group	120,250	17%	40%
4	Group	87,314	12%	40%
5	Single entity	77,344	11%	40%

4 Related party transactions policies and practices

The Company adheres to the *Guideline on Related Party Transactions* issued by the Bank of Mauritius and effective as from January 2009. 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.

Facilities with the related parties as at 30 June 2023 represents about 0.65% of Tier 1 (2022: 3.8% 2021: 4.1%). 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.

4 Related party transactions policies and practices (continued)

The top exposures with related parties as at June 30, 2023 are as follows:

Related Party	Net exposure Rs'000	% of Tier 1 Capital %
1	2,691	0.37%
2	1,857	0.26%
3	133	0.02%

5 Statement of Corporate Governance 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.

Simon-Pierre Rey
Chairperson of the Board

Martine Ip Min Wan
Chairperson of the Audit Committee

Raj Gungah
Managing Director

September 26, 2023