

**LA PRUDENCE LEASING FINANCE CO. LTD.**

**ANNUAL REPORT**

**31 DECEMBER 2017**

*LA PRUDENCE LEASING FINANCE CO. LTD.*

**ANNUAL REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**LA PRUDENCE LEASING FINANCE CO. LTD.**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

**REPORT OF CORPORATE GOVERNANCE**

**The Board acknowledges the importance and benefits of Corporate Governance and accepts its responsibility under the Code of Corporate Governance for Mauritius 2004 (The Code).**

The Directors present their report and the audited financial statements of La Prudence Leasing Finance Co. Ltd. (the "Company") for the year ended 31 December 2017.

**ACTIVITY**

The main activities of the Company are to conduct non-bank deposit taking business and to provide asset finance through finance leases and operating leases.

**DIRECTORS**

The list of Directors of the Company who held office during the year is set out on page 5. In accordance with the Code of Corporate Governance, all non-executive directors will stand for re-election at the AGM.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

Company law requires the Directors to prepare financial statements for each financial year which present fairly the financial position, financial performance and cash flows of the Company. In preparing those financial statements, the Directors are required to:

- 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 followed and complied with, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors have confirmed that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Company and to enable them to ensure that the financial statements comply with the Mauritian Companies Act 2001 and applicable accounting standards. They 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.

**DIRECTORS' INTERESTS**

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

**CONTRACTS OF SIGNIFICANCE**

The contracts of significance subsisting during the year to which the Company is a party and in which a Director is or was materially interested, either directly or indirectly, relates to the operating lease agreements entered into with Prudence Properties Ltd for the rental of office space at Barkly Wharf and with the United Docks Ltd for the rental of office space at United Docks Business Park. The monthly rental amounts to Rs 101,934 for Prudence Properties Ltd for the period January to July 2017 and Rs 136,206 for United Docks Business Park for the period July 2017 to December 2017.

**UNEXPIRED SERVICE CONTRACTS**

None of the Directors proposed for re-election at the forthcoming Annual Meeting has an unexpired service contract.

**LA PRUDENCE LEASING FINANCE CO. LTD.****FOR THE YEAR ENDED 31 DECEMBER 2017****REPORT OF CORPORATE GOVERNANCE (CONTINUED)****AUDITORS**

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

	2017 (Rs)	2016 (Rs)	2015 (Rs)
<b>PricewaterhouseCoopers</b>			
Audit services	-	400,000	380,000
Other services - non audit related	-	766,525	286,775
<b>Ernst and Young</b>			
Audit services	650,000	-	-
Other services - non audit related	615,920	-	-
<b>Total</b>	<b>1,265,920</b>	<b>1,166,525</b>	<b>666,775</b>

The other non-audit services relate to fees paid on account of (i) preparation of the Compliance review report as per the requirements of the Bank of Mauritius Guidelines on Maintenance of Accounting and other Records and Internal Control Systems; and (ii) tax compliance. Ernst and Young has been appointed as the auditor for the year 2017 succeeding PricewaterhouseCoopers.

**DIVIDEND PAID**

Year	2017	2016	2015	2014	2013	2012	2011	2010
<b>Dividend paid per share (Rs)</b>	NIL	0.60	NIL	0.75	0.50	0.62	NIL	0.40

No dividend was paid in 2017

**HOLDING STRUCTURE**

Prudence Holding Limited, a Company incorporated under the Mauritian Companies Act 2001 as a public company, holds 100% shareholding of La Prudence Leasing Finance Co. Ltd. The Directors consider Prudence Holding Limited as the parent company of La Prudence Leasing Finance Co Ltd.

**CONSTITUTION**

The constitution of the Company provides restriction on transfer of shares.

**AGREEMENTS****Agreement affecting the governance of the Company by the board**

There was no such agreement during the year under review. The Company does not have any shareholders' agreement that affects the governance of the company by the Board.

**Third party management agreement**

There was no management agreement between third parties and the Company during the year under review.

**LA PRUDENCE LEASING FINANCE CO. LTD.****FOR THE YEAR ENDED 31 DECEMBER 2017****REPORT OF CORPORATE GOVERNANCE (CONTINUED)****THE BOARD OF DIRECTORS***Composition*

The Directors of the Company are as follows:

	<b>Designation</b>	<b>Appointment Date</b>
Mr Mushtaq Mohamed Oomar Noormohamed Oosman	Chairman-Independent Director	3 March 2016
Mr Gopeechand Garsee	Independent Director	23 December 2013
Mrs Stephanie Anne Sophie De La Hogue	Non Executive Director	28 June 2013
Mr Max Tony Kim Tow Fon Sing	Non Executive Director	23 December 2013
Mr Gerard Lionnet	Independent Director	3 December 2015
Mrs Lagesse Marie Danielle	Independent Director	29 January 2016
Mr Philippe Olivier Maurel	Non Executive Director	30 June 2016
Mr Clement Yue-Chi-Ming	Executive Director	22 June 2017

Mr Lakshmana Lutchmenarraidoos resigned as Managing Director and Executive Director on the 16<sup>th</sup> of January 2017.

Mr Clement Yue-Chi-Ming was appointed as Managing Director and Executive Director on the 22<sup>nd</sup> of June 2017.

La Prudence Leasing Finance Co. Ltd business falls under the direct responsibility of Prudence Holding Limited ("PHL") which elects the Board of Directors. The selection process and recommendations for Directors is usually done by the Corporate Governance and Remuneration Committee of La Prudence Leasing Co. Ltd.

**Profile of Board members****Mr. Mushtaq Mohamed Oomar Noormohamed Oosman ("Mushtaq Oosman")**

*Independent Director from 3 March 2016 and Chairman as from 21 October 2016*

Mushtaq Oosman, born in 1954, is an independent Director of La Prudence Leasing Finance Co Ltd. He has worked for 30 years at PricewaterhouseCoopers Ltd (PwC). He became a Partner of PwC in July 1991. Primarily an Assurance Partner, he was also responsible for Business Recovery Services. He has served on the Governance Board of PwC Africa and was also responsible for the financial affairs of PwC in Mauritius.

He is also a fellow of the Institute of Chartered Accountants of England and Wales.

**Mrs Lagesse Marie Danielle**

*Independent Director*

Danielle Lagesse, born in 1953, is an independent Director of La Prudence Leasing Finance Co Ltd since 29 January 2016. She qualified as Attorney at Law of the Supreme Court of Mauritius in 1980. In June 2010, she was the first woman from the private sector to receive the title of Senior Attorney. Between 1981 and 2016 she was the Head of Chambers at Etude Lagesse.

She is a Litigation Lawyer very involved in corporate disputes but now more active in Private Mediation and Arbitration including International Arbitration. She is a founder member and Fellow of the Mauritius Institute of Directors where she was a director for 5 years. A Member of the Australian Institute of Directors, she is also an Independent Director of P.O.L.I.C.Y. Limited.

**Mr Philippe Olivier Maurel**

*Non-Executive Director*

Mr Philippe Olivier Maurel is a non-executive Director of La Prudence Leasing Finance Co Ltd since 30 June 2016. Born in 1982, he holds a BSc Marine Biology from James Cook University and a BSc in Land Surveying from Curtin University, Australia. He is a surveyor and director at Merestone Ltd where he works on a full time basis. He is also a director of Coastal Hire Ltd and Multibox Ltd.

**LA PRUDENCE LEASING FINANCE CO. LTD.****FOR THE YEAR ENDED 31 DECEMBER 2017****REPORT OF CORPORATE GOVERNANCE (CONTINUED)****Mr Gopeechand Garsee***Independent Director*

Gopeechand Garsee, born in 1956, is an independent Director of La Prudence Leasing Finance Co. Ltd since December 2013. He has worked for thirty seven years with Barclays Bank in Mauritius.

From 2000 to 2006 he was Senior Corporate Manager at Barclays Bank Mauritius. From 2006 to 2013, he was Corporate Director/Head of Large Corporates of the bank.

**Mrs Stephanie Anne Sophie De La Hogue***Non-Executive Director*

Stéphanie de La Hogue, born in 1982, has been appointed to the Board as Non Executive Director since 28 June 2013. She holds a bachelor's degree in marketing from the Institut de Management International de Paris. Stéphanie de La Hogue is in charge of Poivre Corporate Services Ltd, a family group of companies' corporate office. She is also a Director of Rey & Lenferna Ltd, Forges Tardieu Ltee, Labelling Industries Ltd, CEAL Ltd and Ducray Lenoir Ltd.

**Mr Max Tony Kim Tow Fon Sing***Non-Executive Director*

Max Tony Fon Sing, born in 1962, graduated in BSc Hons Computing & Mathematics at North London Polytechnic and did his post graduate studies at University of Birmingham leading to a DBA & MBA. He was a System Analyst at Peat Marwick/KPMG and Managing Director of Bona Aluminium & Sign Express. He is presently a Director of MaxCity Group of Companies.

**Mr Gerard Lionnet***Independent Director*

Gerard Lionnet, born in 1950, has acquired a long experience at senior management level with a substantial amount of achievements at the Mauritius Commercial Bank Ltd. where he ended his career as regional manager of the Curepipe Region leading twelve branches in 2012. He had a large exposure to a wide range of industries and experienced risk management, financial management at the regional level. Mr Lionnet has a wide experience of preparing for, participating and managing proceedings at strategic levels.

**Mr Clement Yue-Chi-Ming***Managing Director and Executive Director*

Clement Yue Chi Ming, born in 1966, has been appointed as Executive Director to the Board on 22nd June 2017. He holds a DipCRM from the Institute of Financial Services (UK) and a BSc (Hons) in Financial Services, UMIST (UK). He is an Associate member of the Institute of Bankers (ACIB) London, UK. He spent 30 years with Barclays Bank Mauritius Ltd, holding various roles in the branch network, Credit Risk, Recovery and Corporate & International Banking Division.

**LA PRUDENCE LEASING FINANCE CO. LTD.****FOR THE YEAR ENDED 31 DECEMBER 2017****REPORT OF CORPORATE GOVERNANCE (CONTINUED)****BOARD ROLES AND RESPONSIBILITIES****Role of the Board**

The Board of Directors is fully aware of its role and responsibility for providing and maintaining good corporate governance. It has taken into consideration the guidelines of the Bank of Mauritius to ensure that the requirements and standards of good corporate governance are strictly adhered to, especially the establishment of good corporate values, the enhancement of all the Company stakeholders' interests, the management of risk, the implementation of proper management information systems and the integrity of internal controls.

In line with its commitments, the Company has aligned policies, systems and processes to embed sound corporate governance principles, ethical and gender representation standards.

**Role of the Chairperson**

The Board of La Prudence Leasing Finance Co Ltd is headed by Mr Mushtaq Oosman, who is an independent non-executive director with vast experience corporate and financial matters

The main roles of the Chairperson are to

- preside over meetings, encourage participation of directors in board matters and mediate differences of opinion;
- participate in the nomination of directors to ensure that the Board has the right mix of competencies, skills, objectivity and expertise;
- guide the Board and Senior Management ensuring time for consultation, preparing of agenda and minutes and supervision of implementation of resolutions;
- ensure that all relevant information on financial and operating matters are placed before the Board to enable directors to reach informed decisions; and
- ensure adoption of good corporate governance practices.

**Role of the Executive, Non-Executive and Independent Directors**

The Non-Executive and Independent Directors generally do not engage in the day-to-day management of the Company, but are involved in policy making and planning exercises. In addition, their responsibilities include monitoring of executive directors, acting in and protecting the interest of the company's stakeholders.

The Executive Director, who is also the Managing Director, has the responsibility for managing the day-to-day business and operations of the Company.

**Role of the Company Secretary**

The secretary is responsible for ensuring that board procedures are followed, that the applicable rules and regulations for the conduct of the affairs of the board are complied with and for all matters associated with the maintenance of the board or otherwise required for its efficient operation. The Company Secretary is also responsible for the co-ordination of all Board business including agendas, timely convocations, Board papers, drawing up of Board and Committee minutes as required and all statutory filings.

**Common Directorships**

There is no common directorship between La Prudence Leasing Finance Co Ltd and Prudence Holding Ltd as at 31 December 2017.

**Director's interest in the Company**

<b>Directors</b>	<b>Direct interest</b>	<b>Indirect Interest</b>
Mr Philippe Olivier Maurel	-	3.85%

**LA PRUDENCE LEASING FINANCE CO. LTD.****FOR THE YEAR ENDED 31 DECEMBER 2017****REPORT OF CORPORATE GOVERNANCE (CONTINUED)*****Compliance with Code of Corporate Governance***

The disclosures contained in this report are intended to provide the reader with a description of La Prudence Leasing Finance Co. Ltd. corporate governance policies and practices.

Save for what is stated in explanations given hereunder, the Board confirms compliance to the Mauritius Code of Corporate Governance 2004. The Board further commits that the new Code of Corporate Governance for Mauritius (2016) shall be adopted for the Financial Year ending 2018.

The board of La Prudence Leasing Finance Co. Ltd. is responsible to ensure that the Company adheres to the highest standards of corporate governance. The board has approved the composition and the terms of reference of the following committees and to assist it in the execution of its policies and its decision-making process:

- Audit Committee
- Risk and Conduct Review Committee
- Corporate Governance, Nomination and Remuneration Committee
- Assets and Liabilities Committee

As required by Section 75(2) of the Financial Reporting Act 2004, the Company has adopted the Mauritius Code of Corporate Governance 2004 for the year ended 31 December 2017 and has submitted to the Financial Reporting Council a statement of compliance with the Code. The Board confirms that the Company has strived to comply in all material respects with the principles of the Code. Explanations of any sections of the Code not fully complied with, have been provided and will be attached to the statement of compliance.

**COMMITTEES OF THE BOARD****AUDIT COMMITTEE**

The Audit Committee's activities involve a strategic reappraisal of the audit assurance plan, continued challenge of the Company's risk process and tolerance, an internal audit effectiveness review, continued understanding of key business areas and their associated risks, and improving ongoing Committee learning.

The Audit Committee remain focused on the audit assurance and risk process to support the company's longer-term objectives. The Committee closely monitors the strategic progress of the business against the plan set out. The Committee receives presentations from across the business to better understand key elements of the strategic plan, the associated risks and how these are being mitigated.

The responsibilities of the Audit Committee include the following:

- review of all financial information (including critical accounting policies, accounting estimates and financial statement disclosures) which are communicated to the Stakeholders;
- assessment of whether the institution has implemented adequate internal control and financial disclosure procedures;
- recommend to shareholders the appointment, removal, and remuneration of external auditors pursuant to S. 39 of the Banking Act 2004;
- review of any transactions brought to its attention by Internal and External Auditors or any officers of the institution, or that might otherwise come to its attention, which might adversely affect the financial condition of the institution;
- report to the board on the conduct of its responsibilities in frequency specified by the board; and
- ensure that management is taking appropriate corrective action in response to deficiencies identified by the auditors, including internal control weaknesses and instances of non-compliance with laws.

**The members of the Audit Committee for the year were:**

Mr. Gopeechand Garsee  
Mr. Gerard Lionnet  
Mrs Danielle Lagesse



**LA PRUDENCE LEASING FINANCE CO. LTD.****FOR THE YEAR ENDED 31 DECEMBER 2017****REPORT OF CORPORATE GOVERNANCE (CONTINUED)****RISK AND CONDUCT REVIEW COMMITTEE**

Pursuant to Section 54 of the Banking Act 2004, the Board of Directors are required to maintain adequate internal control systems that commensurate with the nature and volume of its activities and various types of risks to which it is exposed. In view of delivering its roles and responsibilities, the Board of Directors has set up a Risk and Conduct Review Committee (the Committee) to work on the technical aspect and report thereto. The Risk and Conduct Review Committee assists the Board in setting up risk strategies and to assess and monitor the risk management process. The Committee also advises the Board on risk issues.

The responsibilities of the Risk and Conduct Review Committee include the following:

- identification, assessment and management of principal risks, including those relating to credit, market, liquidity, operational, compliance, and reputation of the Company, and prudent actions to mitigate the risks;
- appointing of a chief risk officer who, among other things, shall provide assurance that the oversight of risk management is independent from operational management and is adequately resourced with proper visibility and status in the Company;
- design, implement and adhere to internal risk management policies and procedures and effective control systems to avoid losses arising from internal control weaknesses;
- formulating and making recommendations to the board on prudent risk management issues; and
- Designing contingency and business continuity plans to ensure their ability to operate on an ongoing basis and limit losses in the event of severe business disruption.

The Committee is also responsible for monitoring and reviewing related party transactions, their terms and conditions and ensuring adherence to the established procedures and compliance to the Bank of Mauritius Guidelines:

The mandate of the Committee also includes:

- require management of the financial institution to establish policies and procedures to comply with the requirements of the Guideline on Related Party Transactions;
- review the policies and procedures periodically to ensure their continuing adequacy and enforcement, in the best interests of the financial institution;
- review and approve each credit exposure to related parties;
- ensure that market terms and conditions are applied to all related party transactions;
- review the practices of the financial institution to ensure that any transaction with related parties that may have a material effect on the stability and solvency of the financial institution is identified and dealt with in a timely manner; and
- report periodically and in any case not less frequently than on a quarterly basis to the board of directors on matters reviewed by it, including exceptions to policies, processes and limits.

**The members of the Risk and Conduct Review Committee for the year were:**

Mr Gopeechand Garsee  
 Mr Gerard Lionnet  
 Mrs Danielle Lagesse  
 Mr Clement Yue-Chi-Ming

The Risk and Conduct Review Committee was set up in June 2017 to ensure compliance with the Bank of Mauritius Guidelines on Corporate Governance.

**MANAGEMENT OF KEY RISKS**

Operational risks are identified at meetings where the Managing Director as well as the Directors are present. Mr Lakshmana Lutchmenarraidoos resigned on 16 January 2017 and Mr Clement Yue-Chi-Ming succeeded him in this position. From 16 January 2017 to 21 June 2017, the affairs of the Company were being managed by the Senior Officers of the Company in close consultation with the Chairperson and the Board. The Company deals with key risks identified by brainstorming on a Management level as well as seeking guidance from Directors' experiences. Action plans and corrective measures are taken to manage the key risks.

Financial risks identified by the Board of Directors as well as their management team have been expanded in Note 3. Other operational risks are also disclosed in the Management Discussion and Analysis section on page 31.

**LA PRUDENCE LEASING FINANCE CO. LTD.****FOR THE YEAR ENDED 31 DECEMBER 2017****REPORT OF CORPORATE GOVERNANCE (CONTINUED)****CORPORATE GOVERNANCE, NOMINATION AND REMUNERATION COMMITTEE**

The Corporate Governance, Nomination and Remuneration Committee is a useful mechanism for making recommendations to the board on all corporate governance provisions to be adopted so that the board remains effective and complies with prevailing corporate governance principles.

The Corporate Governance, Nomination and Remuneration Committee is responsible for the establishment and implementation of systems and procedures to ensure independence of the board from management. The responsibilities of The Corporate Governance, Nomination and Remuneration Committee include the following:

- the establishment and implementation of systems and procedures to ensure independence of the board from management. The committee provides a link between the board and management in governance matters;
- the appraisal of the performance of the board as a whole as well as its committees. The nomination committee is responsible for making recommendations to the board on the appointment of Directors and senior executives. It ensures that the most competent individuals capable of making significant contribution to the prudential management of the Company are appointed to the board and in key management positions;
- defining, on behalf of the board, the Company's remuneration policy for senior executives and heads of the departments, and determines the specific remuneration, benefits and other terms and conditions of employment of these persons;
- provide oversight of remuneration and compensation of Directors, senior management and other key personnel;
- ensure that compensation is consistent with the financial institution's culture, objectives and strategy;
- make recommendations to the board regarding the use of incentive compensation plans and equity based remuneration plans;
- identify qualified candidates for board membership and for the positions of chairperson of the board, chairperson of the committees and committee members and ensure succession planning;
- establish formal, clear and transparent selection criteria for prospective Directors and evaluation of criteria for current Directors;
- assess the effectiveness of the board and direct the process of renewing and replacing board members;
- recommend to the board to accept or decline any tendered resignation of a Director;
- ensure a review, and evaluation at least annually, of the current Directors' performance and attendance at board and committee meetings;
- ensure that the board members receive thorough orientation and training on board governance and key strategic issues facing the financial institution;
- succession planning; and
- ensure that all the Directors and Officers of the Company are duly covered by a Professional Indemnity Insurance

The role of the committee is also to ensure that disclosures are made in the Annual Report in compliance with the disclosure provisions of the Code of Corporate Governance and to the best international practice.

**The members of the Corporate Governance, Nomination and Remuneration Committee for the year were:**

Mrs Danielle Lagesse  
 Mrs Stephanie Anne Sophie De la Hogue  
 Mr Mushtaq Oosman  
 Mr Clement Yue-Chi-Ming

Mr Clement Yue-Chi-Ming was appointed in June 2017.

**ASSETS AND LIABILITIES COMMITTEE**

The Assets and Liabilities Committee [the 'Committee' or 'ALCO'] assists the board in discharging its supervision responsibilities by overseeing all matters as specified in this Terms of Reference. The ALCO supports the board in evaluating the adequacy and monitoring the implementation of La Prudence Leasing Finance Co. Ltd [the 'Company' or 'LPLF'] policies and procedures with regard to the risk appetite, risk monitoring, capital and liquidity management of the Company.

**LA PRUDENCE LEASING FINANCE CO. LTD.**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

**REPORT OF CORPORATE GOVERNANCE (CONTINUED)**

**ASSETS AND LIABILITIES COMMITTEE (CONTINUED)**

The responsibilities of the Assets and Liabilities Committee include the following:

- Review industry trends with respect to product innovations that influence the business practice of La Prudence Leasing Finance Co. Ltd.;
- Analyse the operating plans by asset and liability mix, growth and performing and non-performing leases and margin and explain variations between actual and projected plans;
- Review liquidity limits (liquidity ratio) and monitor the liquidity position of the Company and liquidity management activities undertaken by La Prudence Leasing Finance Co. Ltd., including funding activities, contingency funding and any other relevant liquidity measurements the Committee deems appropriate;
- Review market rates that influence the operation of La Prudence Leasing Finance Co. Ltd. Rates shall include debit and credit products and transaction fees and other charges;
- Monitor and undertake separate analyses of interest rate risk using various methods, including but not restricted to variances, net interest income sensitivity and scenarios stress-testing;
- Monitor trends in the economy in general and interest rates in particular with a view toward limiting any potential adverse impact on La Prudence Leasing Finance Co. Ltd.'s financial performance;
- Review and approve interest rate risk tolerances by studying how movements in interest rates impacts the Company's earnings and capital compared to the budgeted earnings and capital;
- Monitor the capital position of the Company and the capital management activities undertaken by the Company to ensure that capital levels are maintained in accordance with regulatory requirements and management instructions;
- Review status of the investments, including performance, appreciation or depreciation;
- Review and monitor treasury policy and strategy, including the treasury operations and fund management processes;
- Review the limits of interest rate risk, liquidity and capital levels;
- Ensure compliance with regulatory requirements and internal policies with respect to asset and liability management processes; and
- Ensure timely submission of returns to the regulatory authorities.

**The members of the Assets and Liabilities Committee for the year were:**

Mr. Mushtaq Qosman

Mrs. Stephanie Anne Sophie De la Hogue

Mr. Gopeechand Garsee

Mr. Gerard Lionnet

Mr Clement Yue-Chi-Ming

Mr Clement Yue-Chi-Ming was appointed in June 2017.

**LA PRUDENCE LEASING FINANCE CO. LTD.****FOR THE YEAR ENDED 31 DECEMBER 2017****REPORT OF CORPORATE GOVERNANCE (CONTINUED)****ATTENDANCE AT BOARD AND COMMITTEE MEETINGS**

	Board	Audit, Risk and Conduct Review Committee	Audit Committee	Risk and Conduct Committee	Corporate Governance Committee	Assets and Liabilities Committee
Mushtaq Oosman (Chairman)	5	N/A	N/A	N/A	5	4
Gopéechand Garsee	5	3	3	2	N/A	4
Stéphanie Anne Sophie De La Hogue	5	N/A	N/A	N/A	4	3
Max Tony Kim Tow Fon Sing	4	N/A	N/A	N/A	N/A	N/A
Gerard Lionnet	5	3	3	2	N/A	4
Lagasse Marie Danielle	5	2	3	2	5	N/A
Philippe Olivier Maurel	5	N/A	N/A	N/A	N/A	N/A
Clément Yue-Chi-Ming (Appointed Director on 22.6.17)	3	N/A	N/A	2	3	1
Number of Meetings	5	3	3	2	5	4

The frequency of all Board and Sub Committee meetings held during the year is in line with the requirements of the Bank of Mauritius Guideline on Corporate Governance. The Audit Committee was separated from the Risk and Conduct Review Committee on 22 June 2017 to ensure compliance with the Bank of Mauritius Guidelines on Corporate Governance. The Managing Director who is also a member of the Risk and Conduct Review Committee is not involved in the approval of Related Party Transactions.

**Board Meeting**

The Board holds meetings on a quarterly basis to devise, implement, review and monitor strategies and measures. The decisions are then implemented by management.

**Risk Management**

Risk management issues are disclosed in Note 3 to the financial statements.

**Internal Control and Audit**

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

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

Further to the approval of the Bank of Mauritius, the Board of Directors has appointed KPMG to act as internal auditors. The scope of their intervention concerns Debtors' Management, Deposit cycle and Financial Statement Close Process, Compliance to BoM guidelines, IT Review and Leasing Cycle and Deposit cycle.

**Third Party Management Agreement**

No such agreement presently exists.

**Statement of Remuneration policy**

Remuneration packages are prudently designed to attract and motivate Directors, executive management and senior management of high calibre to maintain the Company's position in the market. They are also designed to reward them for enhancing the Company's performance.

**LA PRUDENCE LEASING FINANCE CO. LTD.****FOR THE YEAR ENDED 31 DECEMBER 2017****REPORT OF CORPORATE GOVERNANCE (CONTINUED)****Employee Share Option**

There is no employee share option scheme.

**Remuneration of Directors**

The Directors received Rs 5,040,969 as Directors fees and Managing Directors' Salary/Bonus during the year (2016 - Rs 3,450,180; 2015 - Rs 3,733,222).

**PROFILE OF SENIOR MANAGEMENT****Clement Yue-Chi-Ming**

*Managing Director and Executive Director*

Clement Yue Chi Ming has been appointed as Executive Director to the Board on 22nd June 2017. He holds a DipCRM from the Institute of Financial Services (UK) and a BSc (Hons) in Financial Services, UMIST (UK). He is an Associate member of the Institute of Bankers (ACIB) London, UK.

He spent 30 years with Barclays Bank Mauritius Ltd, holding various roles in the branch network, Credit Risk, Recovery and Corporate & International Banking Division.

**Yannick Lai**

*Head of Operations and HR*

Yannick Lai who holds a Bachelor of Commerce from Concordia University, Canada.

She has broad experience in various investment departments. She worked for one year at Mackenzie Financial Corporation; Canada then joined Spectrum Investments, Canada for three years.

In Mauritius, she was previously employed by La Prudence Mauricienne Assurances as an Analyst in 2002 and joined the Investment Division of Feber in 2009.

She joined La Prudence Leasing Finance Co Ltd in November 2010.

**Baboo Amreetsingh Gujadhur**

*Head of Finance and Risk Management*

Baboo Amreetsingh Gujadhur is ACCA qualified and holds an MSC Marketing Management from the University of Mauritius.

He was previously employed as Credit Control and Dispute Manager at TNT Business Solutions Ltd from July 2016 to February 2017 and was the Head of Finance at Appletree (Mauritius) Ltd from October 2010 to November 2014.

He joined La Prudence Leasing Finance Co Ltd in April 2016.

**Ravindranath Karroo**

*Head of Recoveries*

Ravindranath Karroo holds a BSC (Hons) Economics and has more than 10 years' experience in the financial sector. Ravin has previously worked for CIM Finance Ltd as Team Leader in the Debt Collection and Customer Service Department.

He joined La Prudence Leasing Finance Co Ltd in December 2016.

**LA PRUDENCE LEASING FINANCE CO. LTD.****FOR THE YEAR ENDED 31 DECEMBER 2017****REPORT OF CORPORATE GOVERNANCE (CONTINUED)****PROFILE OF SENIOR MANAGEMENT (CONTINUED)****Karishma Chumun-Ramphul***Head of Compliance and MLRO*

Karishma Ramphul holds a BSC (Hons) in Management from the University of Mauritius and a Post Graduate Diploma in Compliance, from the University of Johannesburg.

She has over 10 years of rich professional experience in Compliance and Anti-Money Laundering within the Financial Services Sector. She has worked for Swan, Cim Insurance Ltd and Change Express Ltd.

She joined La Prudence Leasing Finance Co Ltd in January 2017.

**Benoit Coosnapa***Head of Sales and Marketing*

Benoit Coosnapa holds a Diploma in Financial Services Management – Institute of Financial Services (UK), a Master of Business Administration of the University of Wales. He is a Certified Product Manager of the Association of International Product Marketing & Management (USA) and has more than 25 years' experience with Barclays Bank Mauritius Ltd.

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

**RELATED PARTY TRANSACTIONS**

The Company's total exposure on leases granted to related parties amounts to **Rs 106,223,813** (2016 - Rs 109,493,912; 2015 - Rs 86,090,291). This represented 43.54% (2016 - 45.60%; 2015 - 39.07%) of the Company's Tier 1 Capital and is in compliance with the guidelines on related party transactions issued by the Bank of Mauritius.

Please refer to Management Discussions and Analysis and Note 21 of the financial statements for details of all related party transactions the Company had with its related parties at 31 December 2017.

**POLITICAL DONATIONS**

The Company did not make any political donations during the financial year ended 31 December 2017 (2016 - Rs Nil; 2015 - Rs Nil).

**CHARITABLE DONATIONS**

During the year under review the Company has made charitable donations under the CSR initiative of Rs. 83,283 (2016 - Rs. 222,090; 2015 - Rs 286,616)

	CSR paid to:	Amount
1	TIPA	31,642
2	ASSOCIATION D'ALPHABETISATION DE FATIMA	31,642
3	LION CLUB CUREPIPE	20,000
	Total CSR paid	83,283

**LA PRUDENCE LEASING FINANCE CO. LTD.****FOR THE YEAR ENDED 31 DECEMBER 2017****REPORT OF CORPORATE GOVERNANCE (CONTINUED)****Sustainability Reporting**

The Company has developed and implemented social, safety, health and environmental policies and practices that in all material respects comply with existing legislative and regulatory framework.

**Dividend Policy**

There is no formalised dividend policy but the board of Directors decide on the quantum of dividends to be declared and paid based on the availability of funds and the Company meeting the solvency test requirements and the Bank of Mauritius requirements. The payment of dividend is subject to the performance of the company, its cash flow and investment requirements.

**Directors' dealing in shares**

The Directors follow the principles of the model code on securities transactions by Directors as detailed in Appendix 6 of the Mauritius Stock Exchange rules.

The Directors have not held or traded in any shares of the company during the year.

**Update and orientation programme for Directors**

Procedures are in place to ensure that newly-appointed Directors receive an induction and orientation programme upon joining the Board. Directors are also provided with the Board Charter, which clearly outlines their duties and obligations.

**Training of Directors**

Directors are encouraged to develop their knowledge and skills. The Directors attended a training session on the new Code of Corporate Governance for Mauritius (2016).

**Proposed timetable of Important Events in year 2017**

Some of the key milestones are as follows:

Publication of Audited Financial Statements	March
Declaration of dividend	April
Board and Sub Committee Meetings	Quarterly

Authorised for issue by the Board of Directors on -  
and signed on its behalf by:



Mr. Mushtaq Oosman  
CHAIRMAN

**LA PRUDENCE LEASING FINANCE CO. LTD.**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

**STATEMENT OF COMPLIANCE**

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

**Name of PIE: La Prudence Leasing Finance Co. Ltd**

**Reporting Period: 1 January 2017 to 31 December 2017**

We, the Directors of La Prudence Leasing Finance Co. Ltd, confirm that to the best of our knowledge that the Company has complied with all of its obligations and requirements under the Code of Corporate Governance for Mauritius 2004 save and except that:

1) Under Section 2.2.3 of the Code of Corporate Governance – Given the size and structure of the Company, the Board is satisfied with the appointment of only one Executive Director.

2) Under Section 2.3.3 of the Code of Corporate Governance - The Company did not have a Managing Director for the period 16 January 2017 to 21 June 2017. Mr Clement Yue-Chi-Ming was appointed as Managing Director on the 22<sup>nd</sup> of June 2017.

**SIGNED BY:**

**Names:**

  
.....  
**DIRECTOR**

  
.....  
**DIRECTOR**

**DATE: 29 March 2018**



**LA PRUDENCE LEASING FINANCE CO. LTD.**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**MANAGEMENT DISCUSSION AND ANALYSIS**

In this management discussion and analysis, the Company has included certain forward-looking statements which have been based on assumptions and projections for the future. There is the risk that forecasts, projections and other postulations contained therein will not materialise and that actual results may vary materially from the plans and expectations. The Company has no plan to update any forward looking statements periodically. The reader of this report should, therefore, stand cautioned not to place any undue reliance on such statements.

**1 FINANCIAL REVIEW**

**1.1.1 PERFORMANCE AGAINST OBJECTIVES**

	Actual 2016 Restated %	Budget 2017 %	Actual 2017 %	Budget 2018 %
<b>AREAS OF PERFORMANCE</b>				
<b>REVENUE GROWTH RATIO</b>				
Revenue growth	22.06%	23.09%	12.29%	18.86%
<b>EXPENSE GROWTH RATIO</b>				
Operating expense growth	11.25%	19.71%	2.96%	18.51%
<b>PRODUCTIVITY RATIO</b>				
Non-interest expense/(Net interest income + other income)	64.10%	70.34%	69.32%	72.50%
<b>OVERALL PERFORMANCE RATIO</b>				
Return on equity	3.95%	7.14%	3.53%	4.83%
Return on average assets	0.67%	1.06%	0.53%	0.68%
Portfolio quality				
Ratio of adjustment & provision for credit losses to average leases	2.78%	2.57%	3.70%	3.76%

**Revenue Growth**

Total revenue for the year ended 31 December 2017 increased by 12.29% compared to actual 2016. This is mainly explained by the following factors:

- Sales in Finance and Operating Leases have increased in volume compared to 2016 due to results of strong strategic and partnerships actions took by the management since 2016. The Company is now an active and well known player in the market.
- The pricing strategy of leases has been reviewed during the year to match market rates.

**Expense Growth ratio**

Total operating expenses have gone up by 2.96% compared to actual 2016. This increase in expense growth ratio can be explained by:

- An increase in the amount of Fixed Deposit taken during the year as a result of Liquidity and Investment needs of the company.
- The operating expenses are lesser than budgeted following reduction in Interest Expense on Bank Loans and Fixed Deposits. The decrease in repo rates has made fresh Fixed Deposits cheaper than previous years. Since Loans from the banks and the SIC are being repaid, the interest expenses are also decreasing.
- An increase in depreciation of Property, Plant & Equipment as a result of several acquisitions of Vehicles which the Company leased out on operating lease.

**Productivity Ratio**

The productivity ratio, below than budget 2017, is due to:

- Lesser personnel expenses compared to 2016 due to cost cutting exercises.
- Lesser other expenses (consultant, directors' fees, marketing strategy and IT investment).
- Net impairment loss on financial assets has been reviewed. This is also as a result of an increase in specific provisioning and loss on repossessed assets.

**Overall Performance ratio**

Return on equity is 3.53% compared to a budget of 7.14% and Return on average assets is 0.53% compared to a budget of 1.06%. These are mainly explained by the volume of assets financed and depreciation of Property, Plant & Equipment as well as bad debts recognized during the year. The Portfolio quality ratio is 3.70% compared to a budget of 2.57%. Despite the economic slowdown, Management has made sufficient and adequate provision to be in line with the statutory requirement of the regulatory bodies.

**LA PRUDENCE LEASING FINANCE CO. LTD.**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

**1.2 REVIEW BY FINANCIAL PRIORITY AREAS**

**1.2.1 ASSET TYPE ANALYSIS**

Below is a breakdown of the Company's portfolio by asset type. Motor vehicles remain the main assets being financed and represent 77% (2016: 72%) of the total portfolio.

	2017	2016	2015
	Rs'000	Rs'000	Rs'000
Agricultural equipment	19,806	16,399	19,966
Boat equipment	9,643	12,320	13,365
Computer equipment	27,124	33,713	23,567
Other equipment	252,843	269,220	305,075
Vehicles	1,022,397	853,129	732,465
	<b>1,331,813</b>	<b>1,184,781</b>	<b>1,094,438</b>

**1.2.2 REVENUE GROWTH**

	2017	2016	2015
	%	Restated %	Restated %
Net Interest Margin (Net Interest income/Total average interest earnings assets )	3.58%	3.28%	3.14%
Net Interest Margin/Total Average Assets	2.77%	2.66%	2.79%

**LA PRUDENCE LEASING FINANCE CO. LTD.**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

**1.2 REVIEW BY FINANCIAL PRIORITY AREAS (CONTINUED)**

**1.2.2 REVENUE GROWTH (CONTINUED)**

	Income 2017	Related assets 2017	Income 2016	Related assets 2016	Income 2015	Related assets 2015
	Rs	Rs	Rs	Restated Rs	Rs	Restated Rs
Finance lease income	99,296,268	1,286,779,988	92,060,200	1,150,048,498	78,897,530	1,062,552,082
Operating lease Income	19,145,884	116,208,818	15,500,131	67,821,420	6,164,930	51,759,843
Placements and loans to banks	5,435,580	296,739,651	3,399,722	298,935,596	6,114,163	152,039,987
Rs	123,877,732	1,699,728,457	110,960,053	1,516,805,514	91,176,623	1,266,351,912
	Interest expense 2017	Related liabilities 2017	Interest expense 2016	Related liabilities 2016	Interest expense 2015	Related liabilities 2015
	Rs	Rs	Rs	Restated Rs	Rs	Restated Rs
Loans	1,544,265	42,991,524	3,647,654	65,633,561	5,851,750	113,719,733
Deposits	57,934,632	1,336,701,272	54,123,083	1,192,711,029	46,075,362	864,081,697
Rs	59,478,897	1,379,692,796	57,770,737	1,258,344,590	51,927,112	977,801,430
			2017	2016	2015	
			Rs	Restated Rs	Restated Rs	
Net interest income			45,252,950	37,689,185	33,084,581	
Non-interest income						
Operating lease rentals			19,145,884	15,500,131	6,164,930	
Fee income and commissions			5,495,293	4,171,731	3,279,460	
Other income			526,141	545,511	317,216	
Net foreign exchange (gain)/loss			274,027	2,864,091	4,292,620	
			25,441,345	23,081,464	14,054,226	
Total income		Rs	70,694,295	60,770,649	47,138,807	
Non-interest income/Total income			35.99%	37.98%	29.81%	

**LA PRUDENCE LEASING FINANCE CO. LTD.**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

**1.2 REVIEW BY FINANCIAL PRIORITY AREAS (CONTINUED)**

**1.2.3 COST CONTROL**

	2017	2016	2015
	Rs	Restated Rs	Restated Rs
<b>Non – interest expense</b>			
Staff costs	22,697,076	16,252,596	17,709,425
Depreciation of property, plant and equipment	14,799,136	14,467,687	4,912,573
Amortisation of intangible assets	213,239	246,678	69,982
Other expenses	9,361,095	7,505,882	10,438,840
Office rent	1,467,670	1,234,663	1,177,447
<b>Total non-interest expense</b>	<b>Rs 48,538,216</b>	<b>39,707,506</b>	<b>34,308,267</b>
<b>PRODUCTIVITY RATIO</b>			
Non-interest expense/Total Income	68.66%	65.34%	72.78%

Non-interest expenses have mostly increased because of the increase in Staff Cost, Relocation of office and depreciation of Property, Plant & Equipment. The increase in depreciation is due to acquisition of assets classified as operational leases during the year.

**1.2.4 CREDIT EXPOSURE AND CONCENTRATION BY SECTOR**

	2017	2017	2016	2016	2015	2015
	Rs'000	%	Rs'000	%	Rs'000	%
<b>Lendings</b>						
Agriculture and Fishing	69,362	5.21%	48,776	4.12%	52,887	4.83%
Manufacturing and Textile	182,092	13.67%	178,503	15.07%	200,348	18.31%
Tourism	73,407	5.51%	76,553	6.46%	41,958	3.83%
Transport	89,843	6.74%	67,516	5.70%	63,632	5.81%
Construction and Civil Engineering	93,167	6.99%	106,157	8.96%	125,548	11.47%
Financial and Business Services	145,572	10.96%	103,611	8.75%	82,542	7.54%
Traders and Commerce	279,476	20.98%	251,507	21.23%	209,477	19.14%
ICT Services	3,825	0.29%	-	0.00%	-	0.00%
Personal	13,205	0.99%	11,220	0.95%	287	0.03%
Professional	196,312	14.74%	194,117	16.38%	177,527	16.22%
Other	-	0.00%	-	0.00%	-	0.00%
Media, Entertainment and Recreational Activities	43,429	3.26%	42,234	3.56%	35,231	3.22%
Freeport Enterprise Certificate Holders	4,658	0.35%	4,588	0.39%	3,049	0.28%
Infrastructure	59,233	4.45%	57,626	4.86%	23,802	2.17%
Services Sector	12,462	0.94%	-	0.00%	-	0.00%
Education	27,034	2.03%	21,516	1.82%	60,604	5.54%
Modernisation and Expansion	4,027	0.30%	2,663	0.22%	255	0.02%
Health Development	34,709	2.61%	18,194	1.54%	17,292	1.59%
	<b>1,331,813</b>	<b>100%</b>	<b>1,184,781</b>	<b>100%</b>	<b>1,094,439</b>	<b>100%</b>

Sectors with the highest credit concentration of the Company during the year was the Traders and Commerce and Professionals which represents 20.98% (2016–21.23% and 2015–19.14%) and 14.74% (2016–16.38% and 2015 – 16.22%) respectively of the total investment as shown in the above table.

**LA PRUDENCE LEASING FINANCE CO. LTD.****FOR THE YEAR ENDED 31 DECEMBER 2017****MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)****1.2 REVIEW BY FINANCIAL PRIORITY AREAS (CONTINUED)****1.2.5 CREDIT QUALITY**Total provision as a percentage of net investment in finance lease was **3.38%** at 31 December 2017.

	Gross investment in finance leases	Instalments Due	Non- performing leases	Specific provision	Portfolio provision	2017 Total provision	2016 Total Provision Restated	2015 Total provision Restated
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Agriculture and Fishing	68,006	1,356	518	518	688	1,206	998	1,055
Manufacturing and Textile	166,475	15,617	32,317	12,017	1,663	13,680	9,759	3,682
Tourism	72,112	1,294	1,869	431	725	1,156	728	814
Transport	88,761	1,082	1,629	154	897	1,051	1,167	2,229
Construction and Civil Engineering	86,086	7,081	12,932	4,224	879	5,102	4,578	5,891
Financial and Business Services	135,084	10,488	11,725	6,560	1,377	7,937	4,936	4,902
Traders and Commerce	272,335	7,141	8,985	3,961	2,751	6,712	5,975	3,367
ICT Services	3,687	140	450	-	38	38	-	-
Personal	12,263	942	-	-	126	126	107	3
Professional	193,459	2,853	3,831	1,861	1,936	3,798	3,990	7,235
Media, Entertainment and Recreational Activities	42,730	699	715	-	434	434	433	343
Freeport Enterprise Certificate Holders	4,647	11	-	-	47	47	46	30
Others	-	-	-	-	-	-	-	-
Services Sector	12,462	-	-	-	125	125	-	-
Education	26,497	537	2,891	-	270	270	213	220
Infrastructure	55,696	3,537	2,975	2,400	564	2,964	1,605	1,941
Modernisation and Expansion	3,139	888	1,133	-	40	40	11	2
Health Development	34,612	97	-	-	347	347	186	173
	<b>1,278,051</b>	<b>53,763</b>	<b>81,970</b>	<b>32,126</b>	<b>12,907</b>	<b>45,033</b>	<b>34,732</b>	<b>31,887</b>

The Company has in respect of non-performing leases a provisioning policy which is in compliance with the requirement of the Guideline on Credit Impairment Measurement issued by the Bank of Mauritius. Non-performing leases relates to lease that have instalments due for more than 3 months and that have been considered in the specific provision for impairment losses on finance leases.

**LA PRUDENCE LEASING FINANCE CO. LTD.**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

**1.2 REVIEW BY FINANCIAL PRIORITY AREAS (CONTINUED)**

**1.2.5 CREDIT QUALITY (CONTINUED)**

	Net Investment in finance lease Rs	Non Performing Leases Rs	Provision for impairment Rs	B/A %	C/B %	C/A %
31 December 2017	A	B	C			
<b>Lendings</b>						
Agriculture and Fishing	69,362	518	1,206	0.75%	232.81%	1.74%
Manufacturing and Textile	182,091	32,317	13,680	17.75%	42.33%	7.51%
Tourism	73,407	1,869	1,156	2.55%	61.85%	1.57%
Transport	89,843	1,629	1,051	1.81%	64.52%	1.17%
Construction and Civil Engineering	93,167	12,932	5,102	13.88%	39.45%	5.48%
Financial and Business Services	145,572	11,725	7,937	8.05%	67.69%	5.45%
Traders and Commerce	279,476	8,985	6,712	3.21%	74.70%	2.40%
ICT Services	3,826	450	38	11.76%	8.44%	0.99%
Personal	13,205	-	126	0.00%	0.00%	0.95%
Professional	196,312	3,831	3,798	1.95%	99.14%	1.93%
Media, Entertainment and Recreational Activities	43,429	715	434	1.65%	60.70%	1.00%
Freeport Enterprise Certificate Holders	4,658	-	47	0.00%	0.00%	1.00%
Other	-	-	-	0.00%	0.00%	0.00%
Services Sector	12,462	-	125	0.00%	0.00%	1.00%
Education	27,034	2,891	270	10.69%	9.34%	1.00%
Infrastructure	59,233	2,975	2,964	5.02%	99.63%	5.00%
Modernisation and Expansion	4,027	1,133	40	28.14%	3.53%	1.00%
Health Development Certificate Holders	34,709	-	347	0.00%	0.00%	1.00%
	<b>1,331,813</b>	<b>81,970</b>	<b>45,033</b>	<b>6.15%</b>	<b>54.94%</b>	<b>3.38%</b>

During the year 2017 there were no restructured leases amounting to Rs Nil. The leases were rescheduled for a longer repayment period than initially agreed.

**LA PRUDENCE LEASING FINANCE CO. LTD.**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

**1.2 REVIEW BY FINANCIAL PRIORITY AREAS (CONTINUED)**

**1.2.5 CREDIT QUALITY (CONTINUED)**

	Gross including instalment due Leases	Non Performing Leases	Provision for impairment	B/A	C/B	C/A
	Rs A	Rs B	Restated Rs C	%	Restated %	Restated %
<b>31 DECEMBER 2016</b>						
<b>Lendings</b>						
Agriculture and fishing	48,776	518	998	1.06%	192.66%	2.05%
Manufacturing/textile	178,503	17,488	9,759	9.80%	55.80%	5.47%
Tourism	76,553	3,510	728	4.59%	20.74%	0.95%
Transport	67,516	4,982	1,167	7.38%	23.42%	1.73%
Construction and civil engineering	106,157	10,535	4,578	9.92%	43.46%	4.31%
Financial and business services	103,612	10,281	4,936	9.92%	48.01%	4.76%
Traders/commerce	251,506	11,188	5,975	4.45%	53.40%	2.38%
Personal	11,220	-	106	-	-	0.94%
Professional	194,117	9,065	3,990	4.67%	44.02%	2.06%
Media entertainment and recreational activities	42,234	2,572	433	6.09%	16.84%	1.03%
Freeport enterprise certificate holders	4,588	-	46	-	-	1.00%
Other	-	-	-	-	-	-
Education	21,516	-	213	-	0.00%	0.99%
Infrastructure	57,626	1,640	1,605	2.85%	97.87%	2.78%
Modernisation and Expansion	2,663	1,530	11	57.45%	0.72%	0.41%
Health Development Certificate Holders	18,194	-	186	0.00%	100.00%	1.02%
	<b>1,184,781</b>	<b>73,309</b>	<b>34,731</b>	<b>6.19%</b>	<b>47.38%</b>	<b>2.93%</b>

During the year 2016 there were 6 restructured leases amounting to Rs 29,660,573. The leases were rescheduled for a longer repayment period than initially agreed.

**LA PRUDENCE LEASING FINANCE CO. LTD.**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

**1.2 REVIEW BY FINANCIAL PRIORITY AREAS (CONTINUED)**

**1.2.5 CREDIT QUALITY (CONTINUED)**

	Total Leases	Non Performing Leases	Provision for Impairment Restated	B/A	C/B	C/A
	Rs A	Rs B	Rs C	%	Restated %	Restated %
<b>31 December 2015</b>						
<b>Lendings</b>						
Agriculture and fishing	52,887	916	1,055	1.73%	115.17%	2.00%
Manufacturing/textile	200,348	44,989	3,682	22.46%	8.18%	1.84%
Tourism	41,958	892	814	2.13%	91.25%	1.94%
Transport	63,632	12,276	2,229	19.29%	18.15%	3.50%
Construction and civil engineering	125,548	13,914	5,891	11.08%	42.34%	4.69%
Financial and business services	82,542	12,443	4,902	15.07%	32.89%	5.94%
Traders/commerce	209,477	9,361	3,367	4.47%	35.97%	1.61%
Personal	287	-	3	0.00%	100.00%	1.15%
Professional	177,527	12,833	7,235	7.23%	56.37%	4.08%
Media entertainment and recreational activities	35,231	952	543	2.70%	36.02%	0.97%
Freeport enterprise certificate holders	3,049	-	30	0.00%	100.00%	0.99%
Other	-	-	-	0.00%	0.00%	0.00%
Education	60,604	-	220	0.00%	100.00%	0.36%
Infrastructure	23,802	5,332	1,941	22.40%	36.40%	8.15%
Modernisation and Expansion	255	-	2	0.00%	100.00%	0.78%
Health Development Certificate Holders	17,292	-	173	0.00%	100.00%	1.00%
	<u>1,094,439</u>	<u>113,908</u>	<u>31,887</u>	<u>10.41%</u>	<u>27.99%</u>	<u>2.91%</u>

During the year 2015 there were 2 restructured leases amounting to Rs 5,416,970. The leases were rescheduled for a longer repayment period than initially agreed.



**LA PRUDENCE LEASING FINANCE CO. LTD.**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

**1.2 REVIEW BY FINANCIAL PRIORITY AREAS (CONTINUED)**

**1.2.5 CREDIT QUALITY (CONTINUED)**

	Opening balance Restated Rs'000	Provision for the year Rs'000	Leases write off Rs'000	Releases Rs'000	Closing balance Rs'000
<b>31-Dec-17</b>					
<u>Portfolio provision for impairment losses</u>					
Agriculture and fishing	480	208	-	-	688
Manufacturing/textile	1,606	57	-	-	1,663
Tourism	728	-	-	(3)	725
Transport	621	276	-	-	897
Construction and civil engineering	963	-	-	(84)	879
Financial and business services	932	444	-	-	1,376
Traders/commerce	2,399	353	-	-	2,752
ICT Services	-	38	-	-	38
Personal	110	17	-	-	127
Professional	1,871	64	-	-	1,935
Freeport enterprise certificate holders	46	1	-	-	47
Media entertainment and recreational activities	396	38	-	-	434
Other	-	-	-	-	-
Services Sector	-	125	-	-	125
Education	213	57	-	-	270
Infrastructure	557	7	-	-	564
Modernisation and Expansion	11	29	-	-	40
Health Development Certificate Holders	182	165	-	-	347
	<b>11,115</b>	<b>1,879</b>	<b>-</b>	<b>(87)</b>	<b>12,907</b>
	Opening balance Restated Rs'000	Provision for the year Rs'000	Leases write off Rs'000	Releases Rs'000	Closing balance Rs'000
<b>31-Dec-17</b>					
<u>Specific provision for impairment losses</u>					
Agriculture and fishing	518	-	-	-	518
Manufacturing/textile	8,154	3,560	-	(548)	11,166
Tourism	-	431	-	-	431
Transport	545	154	-	(545)	154
Traders/Commerce	3,575	2,391	(884)	(711)	4,371
Personal	38	-	-	(38)	-
Construction and civil engineering	3,616	653	-	(45)	4,224
Professional	2,120	925	-	(364)	2,681
Financial and business services	4,003	2,191	-	(14)	6,180
Infrastructure	1,049	1,352	-	-	2,401
	<b>23,618</b>	<b>11,657</b>	<b>(884)</b>	<b>(2,265)</b>	<b>32,126</b>
<b>Total provisioning for impairment losses</b>	<b>34,733</b>	<b>13,536</b>	<b>(884)</b>	<b>(2,352)</b>	<b>45,033</b>

**LA PRUDENCE LEASING FINANCE CO. LTD.**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

**1.3 REVIEW BY FINANCIAL PRIORITY AREAS (CONTINUED)**

**1.2.5 CREDIT QUALITY (CONTINUED)**

	Opening balance Restated Rs'000	Provision for the year Restated Rs'000	Leases write off Restated Rs'000	Releases Restated Rs'000	Closing balance Restated Rs'000
<b>31-Dec-16</b>					
<u>Portfolio provision for impairment losses</u>					
Agriculture and fishing	519	-	-	(39)	480
Manufacturing/textile	1,553	53	-	-	1,606
Tourism	410	318	-	-	728
Transport	513	108	-	-	621
Construction and civil engineering	1,117	-	-	(154)	963
Financial and business services	701	231	-	-	932
Traders/commerce	2,002	397	-	-	2,399
Personal	4	106	-	-	110
Professional	1,647	224	-	-	1,871
Freeport enterprise certificate holders	208	-	-	(162)	46
Media entertainment and recreational activities	165	231	-	-	396
Education	219	-	-	(6)	213
Infrastructure	573	-	-	(16)	557
Modernisation and Expansion	2	9	-	-	11
Health Development Certificate Holders	173	9	-	-	182
	<b>9,806</b>	<b>1,686</b>	<b>-</b>	<b>(377)</b>	<b>11,115</b>

	Opening balance Restated Rs'000	Provision for the year Restated Rs'000	Leases write off Restated Rs'000	Releases Restated Rs'000	Closing Balance Restated Rs'000
<b>31-Dec-16</b>					
<u>Specific provision for impairment losses</u>					
Agriculture and fishing	536	18	(18)	(18)	518
Manufacturing/textile	2,129	6,750	-	(725)	8,154
Tourism	403	416	(416)	(403)	-
Transport	1,715	214	(24)	(1,360)	545
Traders/Commerce	1,366	2,931	(91)	(631)	3,575
Personal	-	40	(2)	-	38
Construction and civil engineering	4,774	2,157	(2,056)	(1,259)	3,616
Professional	5,588	3,107	(2,999)	(3,576)	2,120
Financial and business services	4,201	1,419	(88)	(1,529)	4,003
Infrastructure	1,370	357	-	(678)	1,049
	<b>22,082</b>	<b>17,409</b>	<b>(5,694)</b>	<b>(10,179)</b>	<b>23,618</b>
<b>Total provisioning for impairment losses</b>	<b>31,888</b>	<b>19,095</b>	<b>(5,694)</b>	<b>(10,556)</b>	<b>34,733</b>

**LA PRUDENCE LEASING FINANCE CO. LTD.**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

**1.2 REVIEW BY FINANCIAL PRIORITY AREAS (CONTINUED)**

**1.2.5 CREDIT QUALITY (CONTINUED)**

	Opening balance	Provision for the year	Leases write off	Releases	Closing balance
	Rs'000	Restated Rs'000	Restated Rs'000	Restated Rs'000	Restated Rs'000
<b>31 December 2015</b>					
<u>Portfolio provision for impairment losses</u>					
Agriculture and fishing	497	22	-	-	519
Manufacturing/textile	911	642	-	-	1,553
Tourism	457	-	-	(47)	410
Transport	4,840	-	-	(4,327)	513
Construction and civil engineering	1,427	-	-	(310)	1,117
Financial and business services	613	88	-	-	701
Traders/commerce	1,566	436	-	-	2,002
Personal	2,045	-	-	(2,041)	4
Professional	1,650	-	-	(3)	1,647
Freeport enterprise certificate holders	-	208	-	-	208
Media entertainment and recreation activities	-	165	-	-	165
Other	156	-	-	(156)	-
Education	-	219	-	-	219
Infrastructure	562	11	-	-	573
Modernisation & Expansion	-	2	-	-	2
Health Development Certificate Holders	-	173	-	-	173
	<b>14,724</b>	<b>1,966</b>	<b>-</b>	<b>(6,884)</b>	<b>9,806</b>

	Opening balance	Provision for the year	Leases write off	Releases	Closing balance
	Rs'000	Restated Rs'000	Restated Rs'000	Restated Rs'000	Restated Rs'000
<b>31 December 2015</b>					
<u>Specific provision for impairment losses</u>					
Agriculture and fishing	532	436	-	(432)	536
Manufacturing/textile	2,635	674	(993)	(187)	2,129
Tourism	654	403	(664)	10	403
Transport	1,151	853	(167)	(122)	1,715
Traders/Commerce	853	1,242	(101)	(628)	1,366
Personal	834	-	(36)	(798)	-
Construction and civil engineering	4,684	2,874	(431)	(2,353)	4,774
Professional	2,904	3,363	(586)	(93)	5,588
Financial and business services	5,719	49	-	(1567)	4,201
Infrastructure	1,848	526	(389)	(615)	1,370
	<b>21,814</b>	<b>10,420</b>	<b>(3,367)</b>	<b>(6,785)</b>	<b>22,082</b>
<b>Total provisioning for Impairment losses</b>	<b>36,538</b>	<b>12,386</b>	<b>(3,367)</b>	<b>(13,669)</b>	<b>31,888</b>

**LA PRUDENCE LEASING FINANCE CO. LTD.**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

**1.2 REVIEW BY FINANCIAL PRIORITY AREAS (CONTINUED)**

**1.2.5 CREDIT QUALITY (CONTINUED)**

Management reviews the Debtors ageing on a weekly basis to assess the progress of unpaid lease rentals. Clients having more than 60 days arrears are closely monitored and are often called to discuss the conduct of their leases.

As far as the provisioning of facilities is concerned, the Company adopts a very conservative approach. Management continuously scrutinises any exposure in arrears. A specific bad debts provision is raised when there is probability that the Company will not be able to collect the full amount of capital and interest due. The Company also caters for provisioning at portfolio level. Provision for credit losses are done on a quarterly basis.

Suspension of interest on non-performing facilities is carried out in a structured approach, in line with IAS 39 and relevant Bank of Mauritius Guidelines.

**LA PRUDENCE LEASING FINANCE CO. LTD.**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

**2 CAPITAL STRUCTURE**

As a deposit taking institution, the Company is required to maintain net owned funds of not less than Rs200 million.

The Company increased its net owned funds to Rs 200 million in 2008. It maintains at all times a minimum Risk Weighted Capital Adequacy Ratio of at least 10% as required by the Bank of Mauritius.

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

- Tier 1 capital consist of stated capital, statutory reserve, retained earnings and reserves created by appropriations from post-tax retained earnings. Deferred income taxes and intangible assets are deducted from Tier 1 capital.
- Tier 2 supplementary capital consists of general and portfolio provisions and shall not exceed a maximum of 100% of Tier 1 capital.

At the end of 2017, the Company's capital adequacy ratio was **18.42%** (2016 (Restated) - 20.12%; 2015 (Restated) - 22.04)

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

<b>CAPITAL BASE</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
		Restated	Restated
	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>
<b>A. Tier 1 Core Capital</b>			
- Paid up capital	200,000	200,000	200,000
- Statutory reserve	18,354	17,046	15,633
- General Banking Reserves	-	-	-
- Retained earnings	28,728	21,312	25,305
	<b>247,082</b>	<b>238,357</b>	<b>240,938</b>
<b>Less</b>			
- Deferred income taxes	(2,757)	(3,383)	(3,929)
- Intangible assets	(402)	(560)	(660)
<b>Tier 1 capital</b>	<b>243,923</b>	<b>234,414</b>	<b>236,349</b>
<b>B. Tier 2 Supplementary Capital</b>			
General provisions/ Portfolio provisions/ general loan loss reserves against unidentified losses	12,907	11,115	9,805
<b>Tier 2 capital</b>	<b>12,907</b>	<b>11,115</b>	<b>9,805</b>
<b>C. Total Capital</b>			
Tier 1 : Core Capital	243,923	234,415	236,349
Tier 2 : Supplementary capital	12,907	11,115	9,805
<b>Total gross capital</b>	<b>256,830</b>	<b>245,530</b>	<b>246,154</b>
<b>Total net capital</b>	<b>256,830</b>	<b>245,530</b>	<b>246,154</b>
Weighted amount of on-balance sheet assets	1,394,399	1,220,197	1,116,910
Capital Adequacy Ratio	18.42%	20.12%	22.04%

**LA PRUDENCE LEASING FINANCE CO. LTD.**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

*Statutory reserve*

The Banking Act 2004 requires the Company to maintain a statutory reserve, wherein 15% of its net profit after tax is required to be transferred from retained earnings, until such time that the statutory reserve will equal the Company's share capital. The Company has accordingly transferred such provision during the year.

The deposits/Shareholder's equity is disclosed below:

	2017	2016	2015
	Rs'000	Restated Rs'000	Restated Rs'000
Total shareholder's equity	<u>247,082</u>	<u>238,357</u>	<u>240,938</u>
Total deposits	<u>1,336,701</u>	<u>1,192,711</u>	<u>864,082</u>
Deposits/Shareholder's equity	<u>5.41</u>	<u>5.00</u>	<u>3.59</u>

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

**3 RISK MANAGEMENT POLICIES AND CONTROLS**

The objective of the Company is to add value to the Company's equity by maximising the risk-adjusted return to the shareholder. The Board of directors is responsible for the reviews, approval and implementation of risk management policies and controls. The Board's approach has been to identify the risk areas, put the necessary controls, ensure continuous assessment, monitor, measure and report.

**3.1 CREDIT RISK**

Credit risk is the risk of loss due to the inability or unwillingness of counterparty to a financial instrument to fulfil its obligations. This risk is mitigated by a credit assessment of the potential client, adequate deposit by the latter and collateral guarantees.

- The Company employs a range of policies and practices to mitigate credit risk. The most traditional and effective of these is the taking of security for lease given, which is common practice.

The Company maintains records of the payment history for significant contract holders with whom it conducts regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Company.

Management information reported to the Company includes details of provisions for impairment on leases and receivables and subsequent write-offs. Lease receivables are recognised as soon as the contract with the lessee is signed. An allowance for lease impairment is established if there is the objective evidence that the Company will not be able to collect all amounts due according to the original contractual terms of the lease. The amount of the provision for impairment is the difference between the carrying amount and the recoverable amount, including amount recoverable from guarantees and collateral. If the amount of the impairment subsequently decreases due to an event occurring after the write down, the release of the provision is credited as a reduction of the provision for loan losses.

For banks, the Company transacts only with highly reputable financial institutions. The credit quality of this financial asset can be assessed by the historical information about the financial strengths of the financial institutions the Company is dealing with. In the opinion of the Company, there is no associated risk as these are reputable institutions in the industry.

**3.2 INTEREST RATE RISK**

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

**3.3 FOREIGN EXCHANGE RATE RISK**

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

**3.4 LIQUIDITY RISK**

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

Liquid assets equivalent to not less than 10 per cent of deposit liabilities are maintained at all times. This is monitored continually and a weekly return of liquid assets and deposits is submitted to the Bank of Mauritius.

## **MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

### **3 RISK MANAGEMENT POLICIES AND CONTROLS (CONTINUED)**

#### **3.5 OPERATIONAL RISK**

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

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

#### **3.6 COMPLIANCE RISK**

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

#### **3.7 LEGAL RISK**

Legal risk is the risk that the business activities of the Company have unintended or unexpected legal consequences. It includes risk arising from:

- Inadequate documentation, legal or regulatory incapacity, insufficient authority of a counterparty and uncertainty about the validity or enforceability of a contract in counterparty insolvency;
- Actual or potential violations of law or regulation (including activity unauthorized for a leasing company and which may attract a civil or criminal fine or penalty); and
- The possibility of civil claims (including acts or other events which may lead to litigation or other disputes).

The Company identifies and manages legal risk through effective use of its external legal advisers.

#### **3.8 TAX RISK**

Tax risk is the risk of loss or increased charges associated with changes in, or errors in the interpretation of, taxation rates or law. The Company has appointed a tax advisor who ensures compliance with the tax laws and regulations in force in Mauritius.

**LA PRUDENCE LEASING FINANCE CO. LTD.**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

**4 RELATED PARTY TRANSACTIONS**

The Company has on 21 December 2010 set up an Audit and Risk Management committee whose aim, amongst others, is to ensure that Management establishes procedures to comply with the requirements / guidelines on "Related Party Transactions" set down by the Regulatory Body and in compliance with good governance practice. The Committee proposes to review the procedures periodically to ensure their continuing adequacy and enforcement.

As part of its review process, the Committee undertook to review the following:

- risk management policies and prudential limits,
- large exposures and large non-performing accounts,
- all major non-compliance with risk policies and Internal Audit Reports and compliance with statutory and regulatory requirements on risk and exposure limits.
- all major cases of fraud and irregularities relating to operational and other risks.

As at 31 December 2017, the Company's total exposure with related parties was **Rs 106,223,813** (2016 – Rs 109,493,912; 2015 – Rs 86,090,291). This represented **43.54%** (2016 – 45.60%; 2015 – 39.07%) of the Company's Tier 1 Capital, whilst the limit by the Bank of Mauritius Guidelines is 60%.

The table below shows the Company's exposure to its top ten related parties at 31 December 2017:

	Capital Outstanding Rs	As a % of Tier 1 capital
REY & LENFERNA LTD	30,816,014	12.56%
FORGES TARDIEU LIMITED	19,137,299	7.80%
LABELLING INDUSTRIES LTD	9,477,872	3.86%
MULTIBOX LTD	5,211,393	2.12%
CEAL LTD	4,650,000	1.89%
KPMG	4,322,120	1.76%
COASTAL HIRE LTD	3,575,933	1.46%
POIVRE CORPORATE SERVICES LTD	3,450,893	1.41%
SQUARE LINES LTD	2,964,260	1.21%
MERESTONE LTD	2,759,583	1.12%
	<b>86,365,367</b>	<b>35.19%</b>

During the year there has been no impairment for exposure to related parties (2016 and 2015 – Nil). Details of Related Party transactions are provided in Note 21 of these financial statements.

**5 STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

Refer to pages 3–15 in the report of corporate governance.



**LA PRUDENCE LEASING FINANCE CO. LTD.**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The financial statements of La Prudence Leasing Finance Co Ltd, (the "company" or "LPLF") presented in this annual report have been prepared by management, which is responsible for their integrity, consistency, objectivity and reliability of the information provided therein. International Financial Reporting Standards as well as the requirements of the Banking Act 2004 and the guidelines issued thereunder have been applied and management has exercised its judgement and made best estimates where deemed necessary.

The Company has designed and maintained its accounting systems, related internal controls and supporting procedures, to provide reasonable assurance that financial records are complete and accurate and that assets are safeguarded against loss from unauthorised use or disposal. These supporting procedures include careful selection and training of qualified staff, the implementation of organisation and governance structures providing a well-defined division of responsibilities, authorisation levels and accountability for performance, and the communication of the Company's policies, procedures and guidelines of the Bank of Mauritius throughout the Company.

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

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

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


The Company's external auditor, Ernst & Young, has full and free access to the Board of Directors and its Committees to discuss the audit and matters arising thereon, such as its observations on the fairness of financial reporting and adequacy of internal controls.

Authorised for issue by the Board of Directors on 29 March 2018

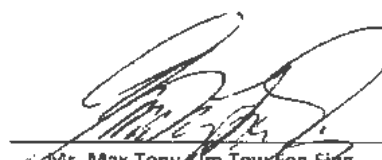
and signed on its behalf by:



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



Mr. Mushtaq Qosman  
**CHAIRMAN**



Mr. Max Tony Kim Tow Fop Sing  
**NON EXECUTIVE DIRECTOR**

**ECS SECRETARIES LTD**  
3<sup>rd</sup> Floor Labama House  
Sir William Newton Street  
Port Louis

**SECRETARY'S REPORT**

***LA PRUDENCE LEASING FINANCE CO. LTD.***

**Under Section 166(d) of the Mauritian Companies Act 2001**

We certify that we have filed with the Registrar of Companies all such returns as required of the Company under the Mauritian Companies Act 2001 for the financial year ended 31 December 2017.

A handwritten signature in blue ink, appearing to read 'A. Ali', is written over a faint, circular official stamp.

***ECS Secretaries Ltd***  
SECRETARY

**Date: 29 March 2018**

## INDEPENDENT AUDITOR'S REPORT

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

#### Report on the Audit of the Financial Statements

##### *Opinion*

We have audited the financial statements of La Prudence Leasing Finance Co. Ltd. (the "Company") set out on pages 38 to 83 which comprise the statement of financial position as at 31 December 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of, the financial position of the Company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001, Banking Act 2004 and Financial Report Act 2004.

##### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (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.

##### *Responsibilities of the Directors for the Financial Statements*

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

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

##### *Other Information*

The directors are responsible for the other information. The other information comprises the Report of Corporate Governance, Statement of Compliance, Management Discussion and Analysis, Statement of Management's Responsibility for Financial Reporting and Secretary's Report as required by the Companies Act 2001, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express 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 on the other information obtained prior to the date of this auditor's report, 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.

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF LA PRUDENCE LEASING FINANCE CO. LTD. (CONTINUED)

#### Report on the Audit of the Financial Statements (Continued)

##### *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 scepticism throughout the audit. We also:

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

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

##### *Other matter*

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

**INDEPENDENT AUDITOR'S REPORT**

**TO THE MEMBERS OF LA PRUDENCE LEASING FINANCE CO. LTD. (CONTINUED)**

**Report on Other Legal and Regulatory Requirements**

*Companies Act 2001*

We have no relationship with or interests in the Company other than in our capacity as auditors, tax advisors and dealings in the ordinary course of business.

We have obtained all the information and explanations we have required.

In our opinion, proper accounting records have been kept by the Company as far as it appears from our examination of those records.

*Banking Act 2004*

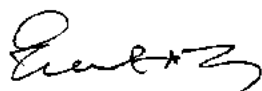
In our opinion, the financial statements have been prepared on a consistent basis and are complete, fair and properly drawn up and comply with the Banking Act 2004 and the regulations and guidelines of the Bank of Mauritius.

The explanations or information called for or given to us by the officers or agents of the Bank were satisfactory.

*Financial Reporting Act 2004*

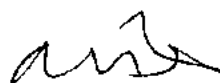
The directors are responsible for preparing the Corporate Governance Report. Our responsibility is to report on the extent of compliance with the Code of Corporate Governance as disclosed in the annual report and whether the disclosure is consistent with the requirement of the Code.

In our opinion, the disclosures in the Corporate Governance Report are consistent with the requirements of the Code.



**ERNST & YOUNG**  
Ebène, Mauritius

Date: .....29 MAR 2018.....



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

## LA PRUDENCE LEASING FINANCE CO. LTD.

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	2017	2016	2015
		Restated	Restated
	Rs	Rs	Rs
<b>ASSETS</b>			
Cash and cash equivalents (Note 20)	236,605,758	270,406,419	97,583,562
Other financial assets (Note 20)	60,133,893	28,529,177	54,456,425
Finance leases to customers (Note 4)	1,286,779,988	1,150,048,498	1,062,552,082
Intangible assets (Note 5)	402,480	559,719	659,865
Property, plant and equipment (Note 6)	119,702,918	70,448,725	54,302,247
Other assets (Note 8)	16,247,282	22,686,951	11,144,964
Current income tax assets (Note 11)	-	128,758	-
Deferred income tax assets (Note 7)	2,757,267	3,382,952	3,929,218
<b>Total assets</b>	<b>1,722,629,586</b>	<b>1,546,191,199</b>	<b>1,284,628,363</b>
<b>LIABILITIES</b>			
Deposits from customers (Note 9)	1,336,701,272	1,192,711,029	864,081,697
Other borrowed funds (Note 10)	42,991,524	65,633,561	113,719,733
Current income tax liabilities (Note 11)	369,471	-	289,277
Other liabilities (Note 12)	95,484,869	49,489,333	65,599,757
<b>Total liabilities</b>	<b>1,475,547,136</b>	<b>1,307,833,923</b>	<b>1,043,690,464</b>
<b>Shareholders' equity</b>			
Share capital (Note 13)	200,000,000	200,000,000	200,000,000
Statutory reserve	18,354,285	17,045,509	15,632,602
General banking reserve	-	-	-
Retained earnings	28,728,165	21,311,767	25,305,297
<b>Total equity</b>	<b>247,082,450</b>	<b>238,357,276</b>	<b>240,937,899</b>
<b>Total equity and liabilities</b>	<b>1,722,629,586</b>	<b>1,546,191,199</b>	<b>1,284,628,363</b>

Authorised for issue by the Board of Directors on 29 March 2018  
and signed on its behalf by:



Mr. Clement Yue-Chi-Ming  
MANAGING DIRECTOR



Mr. Mushtaq Oosman  
CHAIRMAN



Mr. Max Tony Kim Tow Foh Sing  
NON EXECUTIVE DIRECTOR

## LA PRUDENCE LEASING FINANCE CO. LTD.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
YEAR ENDED 31 DECEMBER 2017

	2017	2016	2015
	Rs	Restated Rs	Restated Rs
Interest Income (Note 14)	104,731,848	95,459,922	85,011,693
Interest expense (Note 14)	(59,478,897)	(57,770,737)	(51,927,112)
<b>Net interest income (Note 14)</b>	<b>45,252,951</b>	<b>37,689,185</b>	<b>33,084,581</b>
Operating lease rentals	19,145,884	15,500,131	6,164,930
Fee and commission income	5,495,293	4,171,731	3,279,460
Other income (Note 15)	526,141	545,511	317,216
Net foreign exchange gain	274,027	2,864,091	4,292,620
<b>Operating income</b>	<b>70,694,296</b>	<b>60,770,649</b>	<b>47,138,807</b>
Loss incurred on repossessed finance lease	923,580	7,198,263	-
Net impairment loss on financial assets (Note 4 (c))	10,300,726	2,845,928	(4,651,718)
Personnel expenses (Note 16)	22,697,076	16,252,596	17,709,425
Operating lease expenses	1,467,670	1,234,663	1,177,447
Depreciation of property, plant and equipment (Note 6)	14,799,136	14,467,687	4,912,573
Amortisation of intangible assets (Note 5)	213,239	246,678	69,982
Other expenses (Note 17)	9,361,095	7,505,882	10,438,840
	<b>59,762,522</b>	<b>49,751,697</b>	<b>29,656,549</b>
<b>Profit before tax</b>	<b>10,931,774</b>	<b>11,018,952</b>	<b>17,482,258</b>
Income tax expense (Note 11)	(2,206,600)	(1,599,575)	(3,579,066)
<b>Profit and total comprehensive income for the year, net of tax</b>	<b>8,725,174</b>	<b>9,419,377</b>	<b>13,903,192</b>
<b>Earnings per share (Note 18)</b>	<b>0.44</b>	<b>0.47</b>	<b>0.70</b>
<b>Basic and diluted earnings per share</b>			

## LA PRUDENCE LEASING FINANCE CO. LTD.

STATEMENT OF CHANGES IN EQUITY  
YEAR ENDED 31 DECEMBER 2017

	Share capital	Statutory reserve	General Banking reserve	Retained earnings	Total equity
	Rs	Rs	Rs	Rs	Rs
<b>Balance at 1 January 2015 - As previously reported</b>	200,000,000	13,415,171	-	12,739,853	226,155,024
<b>Restatement</b>	-	131,952	-	747,731	879,683
<b>Balance at 1 January 2015 - As restated</b>	200,000,000	13,547,123	-	13,487,584	227,034,707
<b>Comprehensive income</b>					
Profit and total comprehensive income for the year, net of tax - As previously reported	-	-	-	17,827,620	17,827,620
<b>Restatement</b>	-	-	-	(3,924,428)	(3,924,428)
<b>Total comprehensive income for the year, net of tax - As restated</b>	-	-	-	13,903,192	13,903,192
<b>Transactions with owners</b>					
Transfer to statutory reserve - As previously reported	-	2,674,143	-	(2,674,143)	-
<b>Restatement</b>	-	(588,664)	-	588,664	-
<b>Transfer to statutory reserve - As restated</b>	-	2,085,479	-	(2,085,479)	-
Movement in general provision - As previously reported	-	-	4,230,833	(4,230,833)	-
<b>Restatement</b>	-	-	(4,230,833)	4,230,833	-
<b>Movement in general provision - As restated</b>	-	-	-	-	-
<b>Balance at 31 December 2015 - As previously reported</b>	200,000,000	16,089,314	4,230,833	23,662,497	243,982,644
<b>Restatement</b>	-	(456,712)	(4,230,833)	1,642,800	(3,044,745)
<b>Balance at 31 December 2015 - As restated</b>	200,000,000	15,632,602	-	25,305,297	240,937,899
<b>Comprehensive income</b>					
Profit and total comprehensive income for the year, net of tax - As previously reported	-	-	-	8,771,703	8,771,703
<b>Restatement</b>	-	-	-	647,674	647,674
<b>Total comprehensive income for the year, net of tax - As restated</b>	-	-	-	9,419,377	9,419,377
<b>Transactions with owners</b>					
Dividend declared (Note 19)	-	-	-	(12,000,000)	(12,000,000)
Transfer to statutory reserve - As previously reported	-	1,315,756	-	(1,315,756)	-
<b>Restatement</b>	-	97,151	-	(97,151)	-
<b>Transfer to statutory reserve - As restated</b>	-	1,412,907	-	(1,412,907)	-
Movement in general reserve - As previously reported	-	-	(847,965)	847,965	-
<b>Restatement</b>	-	-	847,965	(847,965)	-
<b>Movement in general reserve - As restated</b>	-	-	-	-	-
<b>Balance at 31 December 2016 - As previously reported</b>	200,000,000	17,405,070	3,382,868	19,966,409	240,754,347
<b>Restatement</b>	-	(359,561)	(3,382,868)	1,345,358	(2,397,071)
<b>Balance at 31 December 2016 - As restated</b>	200,000,000	17,045,509	-	21,311,767	238,357,276
<b>Comprehensive income</b>					
Profit and total comprehensive income for the year, net of tax	-	-	-	8,725,174	8,725,174
<b>Total comprehensive income for the year, net of tax</b>	-	-	-	8,725,174	8,725,174
<b>Transactions with owners</b>					
Dividend declared (Note 19)	-	-	-	-	-
Transfer to statutory reserve	-	1,308,776	-	(1,308,776)	-
Movement in general reserve	-	-	-	-	-
<b>Balance at 31 December 2017</b>	<b>200,000,000</b>	<b>18,354,285</b>	<b>-</b>	<b>28,728,165</b>	<b>247,082,450</b>

**Statutory reserve**

The Banking Act 2004 requires the Company to maintain a statutory reserve, wherein 15% of its profit for the year is required to be transferred from retained earnings, until such time that the statutory reserve will equal the Company's share capital.

**General banking reserve**

The general banking reserve relates to amount set aside for future losses and other unforeseen risks on the finance lease portfolio. The notes set out on pages 42 to 83 are an integral part of these financial statements.



## LA PRUDENCE LEASING FINANCE CO. LTD.

STATEMENT OF CASH FLOWS  
YEAR ENDED 31 DECEMBER 2017

	2017	2016	2015
	Rs	Restated Rs	Restated Rs
<b>Cash flows from operating activities</b>			
Profit before income tax	10,931,773	11,018,952	17,482,258
Adjustments for items not involving movement of cash:			
Loss incurred on repossessed finance lease	923,580	7,198,263	-
Net impairment loss on Financial assets (Note 4(c))	10,300,726	2,845,928	(4,651,718)
Depreciation of property, plant and equipment (Note 6)	14,799,136	14,467,687	4,912,573
Amortisation of intangible assets (Note 5)	213,239	246,678	69,982
Profit on disposal of property, plant and equipment (Note 15)	(385,814)	(405,561)	(338,653)
Interest income – cash and cash equivalents (Note 14)	(1,279,606)	(1,361,853)	(2,104,288)
Interest income – fixed deposits (Note 14)	(4,155,974)	(2,037,869)	(4,009,875)
Unrealised foreign exchange gain on leases and borrowed funds	(274,027)	(2,320,761)	(2,895,315)
Interest expense (Note 14)	57,934,632	54,123,083	(51,980,888)
Interest income on finance leases (Note 14)	(99,296,268)	(92,060,200)	(78,897,530)
	(10,288,603)	(8,285,653)	(121,533,772)
<b>Changes in operating assets and liabilities</b>			
Finance leases granted	(601,364,990)	(517,803,063)	(470,325,170)
Repayments of finance leases	433,525,779	432,537,562	332,249,475
Interest income on finance leases	99,115,845	92,060,200	78,897,530
Other assets	6,439,669	(11,541,987)	(5,152,842)
Other liabilities	45,995,535	(16,110,425)	(31,386,607)
<b>Net cash generated used in operations</b>	(26,576,765)	(29,143,366)	(217,251,386)
Income tax paid (Note 11)	(1,082,686)	(1,249,254)	(1,684,245)
<b>Net cash used in operating activities</b>	(27,659,451)	(30,392,620)	(218,935,631)
<b>Cash flows from investing activities</b>			
Acquisition of intangible assets (Note 5)	(56,000)	(146,532)	(538,576)
Acquisition of property, plant and equipment (Note 6)	(71,929,464)	(36,555,130)	(46,961,255)
Interest received on cash and cash equivalents	4,034,218	1,164,894	6,114,163
Investment in other financial assets (Note 20)	(29,977,600)	27,965,117	21,130,125
Disposal proceeds from property, plant and equipment	8,261,949	3,162,131	2,759,856
<b>Net cash used in investing activities</b>	(89,666,897)	(4,409,520)	(17,495,687)
<b>Cash flows from financing activities</b>			
Deposits repaid	(221,083,516)	(128,281,200)	(258,036,334)
Deposits received	352,148,442	454,067,981	437,463,114
Loans received	20,000,000	-	50,000,000
Loans repaid	(42,828,549)	(47,339,069)	(52,182,929)
Interest paid	(24,128,698)	(58,279,386)	85,828,043
Dividends paid (Note 19)	-	(12,000,000)	-
<b>Net cash generated from financing activities</b>	84,107,679	208,168,326	263,071,894
<b>Net change in cash and cash equivalents</b>	(33,218,669)	173,366,186	26,640,576
Cash and cash equivalents at beginning of year	270,406,419	97,583,562	71,206,326
Effect of exchange rate changes on cash and cash equivalents	(581,992)	(543,329)	(263,340)
<b>Cash and cash equivalents at end of year (Note 20a)</b>	<b>236,605,758</b>	<b>270,406,419</b>	<b>97,583,562</b>

The notes set out on pages 42 to 83 are an integral part of these financial statements.

## LA PRUDENCE LEASING FINANCE CO. LTD.

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017

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**LA PRUDENCE LEASING FINANCE CO. LTD.****NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017 (CONTINUED)****1. GENERAL INFORMATION**

La Prudence Leasing Finance Co. Ltd. (the "Company") is a non-bank deposit taking institution that provides assets finance through finance leases and operating leases. The Company is a limited liability company and is incorporated and domiciled in Mauritius. The address of the registered office and principal place of business is United Docks Business Park, Kwan Tee Street, Caudan, Port-Louis.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**A Basis of preparation**

The financial statements have been prepared on a historical cost basis, except where otherwise stated. The financial statements are presented in Mauritian Rupees rounded to the nearest rupee, except where otherwise stated. The financial statements comply with the Companies Act 2001 and have been prepared in accordance with International Financial Reporting Standards (IFRS).

The Board of Directors has made an assessment of the Company's ability to continue as a going concern and is satisfied that it has the resources to continue business for the foreseeable future. Furthermore, the Board of Directors is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

**(a) Critical accounting judgements and estimates.**

The Company makes judgements, estimates and assumptions affecting the reported amounts of revenues, expenses, assets and liabilities. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

**Judgements**

In preparing the financial statements, the directors had to consider whether the significant risks and rewards of ownership are transferred to the lessees in determining whether the leases should be classified as finance or operating lease. The Board of directors makes use of the guidance as set out in IAS17 leases to classify leases between finance and operating leases.

**Estimates and assumptions**

- Impairment losses on leases**

The Company reviews its lease portfolio to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in profit or loss, the Company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of leases before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of lessees, or national or local economic conditions that correlate with defaults on assets in the portfolio. The Board of Directors uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experienced. To determine the amount of impairment losses on impaired leases, the Board of Directors takes into account the recoverable amount of collaterals for impaired leases as determined by professional valuers.

Non-performing leases relate to leases that have instalments due for more than 3 months and that have been considered in the specific provision for impairment losses on finance leases.

The Board of Directors estimates that a 0.1% change in lease loss rate will lead to a change in impairment of **Rs 1,291,283** (2016 – Rs 1,184,781; 2015 – Rs 1,094,439). Management believes that a 0.1% shift in loss rate is adequate to determine the sensitivity of impairment as a result of a change in loss rate.

- Deferred income tax asset**

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

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

The directors have recognised deferred income tax assets of **Rs 2,757,267** as at 31 December 2017 (2016: (Restated) Rs 3,382,952 and 2015: (Restated) Rs 3,929,218) as the Company is generating taxable profits and is expected to continue generating taxable profits in the foreseeable future based on budgets and forecasts.

**LA PRUDENCE LEASING FINANCE CO. LTD.****NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017 (CONTINUED)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****B Changes in accounting policy and disclosures****(a) New and amended standards and interpretations**

The Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2017. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments have been applied for the first time in 2017, they did not have a material impact on the annual financial statements of the Company. The nature and the impact of each new standard or amendment applicable to the Company is described below:

**Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation**

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively and do not have any impact on the Company, given that it has not used a revenue-based method to depreciate its non-current assets.

**Amendments to IAS 1 Disclosure Initiative**

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1;
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated;
- That entities have flexibility as to the order in which they present the notes to financial statements; and
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of comprehensive income.

These amendments do not have any impact on the Company's financial statement.

**IAS 7 Disclosure Initiative – Amendments to IAS 7**

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. The Application of the amendments will have no impact on Company's Financial Statement.

**IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12**

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in the opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. These amendments will not have any impact on the Company's financial statement.

**(b) Accounting standards and interpretations issued but not yet effective**

Standards and interpretations issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

**LA PRUDENCE LEASING FINANCE CO. LTD.****NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017 (CONTINUED)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****B Changes in accounting policy and disclosures (CONTINUED)****(b) Accounting standards and interpretations issued but not yet effective (CONTINUED)**

	Effective for accounting period beginning on or after
IFRS 9 Financial Instruments – Classification and measurement of financial assets, Accounting for financial liabilities and derecognition	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019

**Estimated impact of the adoption of IFRS 9 and IFRS 15**

The Company is required to adopt IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers from 1 January 2018. The Company has assessed the estimated impact that the initial application of IFRS 9 (see (2)) and IFRS 15 (see (3)) will have on its financial statements. The estimated impact of the adoption of these standards on the Company's equity as at 1 January 2018 is based on assessments undertaken to date and is summarised below. The actual impacts of adopting the standards at 1 January 2018 may change because:

- The Company has not finalised the testing and assessment of controls over its new IT systems; and
- The new accounting policies are subject to change until the Company presents its first financial statements that include the date of initial application.

**Estimated impact of adoption of IFRS 9 and IFRS 15**

	As reported at 31 December 2017	Estimated adjustments due to adoption of IFRS 9	Estimated adjustments due to adoption of IFRS 15	Estimated adjusted opening balance at 01 January 2018
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Retained earnings	28,728	(6,053)	-	22,675

The total estimated adjustment (net of tax) to the opening balance of the Company's equity at 1 January 2018 is Rs. 6.05m. The principal components of the estimated adjustment are as follows.

–A decrease of Rs. 6.05m in retained earnings, due to earlier recognition of provision of credit losses (see 2 (iii) below).

**IFRS 9 Financial Instruments**

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for the financial instruments project: classification and measurement; impairment; and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

IFRS 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

**i. Classification – Financial assets**

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income and fair value through profit and loss. The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Based on the recruitment of an external consultant to implement IFRS 9, the findings for the classification of the Company's financial assets are as follows:

Financial instrument	Solely Principal Plus Interest	Business model	Classification
Cash and cash equivalents	Yes	Hold to collect	At amortised cost
Fixed deposits	Yes	Hold to collect	At amortised cost
Finance leases to customers	Yes	Hold to collect	At amortised cost
Other assets (excluding nonfinancial assets)	Yes	Hold to collect	At amortised cost

All financial assets consisting of debt instruments shall be classified as 'hold to collect'. Hence, there shall be no financial assets that will be classified as 'hold to collect and sell'.

**LA PRUDENCE LEASING FINANCE CO. LTD.****NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017 (CONTINUED)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(b) STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)****2. IFRS 9 Financial Instruments (Continued)****ii. Classification – Financial liabilities**

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

Based on the recruitment of an external consultant to implement IFRS 9, the findings for the classification of the Company's financial liabilities are as follows:

Financial Statement Line Item	Classification under IAS 39	Classification under IFRS 9
Deposits from customers	Amortised cost	Amortised cost
Other borrowed funds	Amortised cost	Amortised cost
Other liabilities (excluding non-financial liabilities)	Amortised cost	Amortised cost

All of the financial liabilities shall be classified and measured at amortised cost.

**iii. Impairment – Financial assets**

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI and to contract assets. Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company has chosen to apply the 1-month ECLs and the Lifetime ECLs for trade receivables and contract assets with a significant financing component.

The Company believes that impairment losses are likely to increase and become more volatile for assets in the scope of the IFRS 9 impairment model. The Company has estimated that application of IFRS 9's impairment requirements at 1 January 2018 results in additional impairment losses as follows.

Estimated additional impairment recognised at 01  
January 2018

	Rs. 000
Finance leases to customers	6,053
Additional trade receivables recognised on adoption of IFRS 15	-
<b>Gross additional impairment losses</b>	<b>6,053</b>

Estimated adjustment to equity at 01 January 2018

	Rs. 000
Decrease in Retained Earnings	(6,053)
Increase in reserves	-
<b>Decrease in equity</b>	<b>(6,053)</b>

**iv. Hedge accounting**

The Company does not apply hedge accounting.

**v. Disclosures**

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and ECLs. The Company's assessment included an analysis to identify data gaps against current processes and the Company is in the process of implementing the system and controls changes that it believes will be necessary to capture the required data.

**vi. Transition**

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

–The Company will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will generally be recognised in retained earnings and reserves as at 1 January 2018.

–The new hedge accounting requirements should generally be applied prospectively.

**LA PRUDENCE LEASING FINANCE CO. LTD.****NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017 (CONTINUED)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****B Changes in accounting policy and disclosures (CONTINUED)****(b) Accounting standards and interpretations Issued but not yet effective (CONTINUED)****IFRS 15 Revenue from Contracts with Customers**

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

The Company assessed the potential effect of the new standard on the required effective date using the full retrospective method. The company will not be affected by IFRS 15 as it will recognise revenue under IAS 17 Leases.

**IFRS 16 Leases**

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

In 2017, the Company assessed the potential effect of IFRS 16 on its financial statements. The company will not be affected by IFRS 16.

**C Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

**D Foreign currency translation****(a) Functional and presentation currency**

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Mauritian rupees, which is the Company's functional currency.

**(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

**E Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

**LA PRUDENCE LEASING FINANCE CO. LTD.****NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017 (CONTINUED)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****F Financial assets****(i) Classification and Measurement**

The Company classifies its financial assets, consisting mainly of cash and cash equivalents, fixed deposits, corporate bonds and other assets as loans and receivables. The Company does not have any financial assets classified in the other IAS 39 categories of financial assets.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than: (a) those that the Company intends to sell immediately or in the short term, which are classified as held for trading, and those that the Company upon initial recognition designates as at fair value through profit or loss; (b) those that the Company upon initial recognition designates as available-for-sale and; (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration. This classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at the end of every reporting period.

Loans and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including any transaction costs – and measured subsequently at amortised cost using the effective interest method.

The Company does not hold any held to maturity investment.

**(ii) Recognition and derecognition**

Regular purchases or sales of financial assets are recognised on the trade date on which the Company commits to purchase or sell the asset. They are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risk and rewards of ownership.

**G Leases**

Leases are divided into finance leases and operating leases.

**(a) The Company is the lessee****(i) Operating lease**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments, including pre-payments, made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

The total payments made under operating leases are charged to 'operating lease expenses' on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

**(b) The Company is the lessor****(i) Operating lease**

Assets subject to operating leases are presented in the statement of financial position according to the nature of the asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

**(ii) Finance lease****Recognition and initial measurement**

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

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



**LA PRUDENCE LEASING FINANCE CO. LTD.****NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017 (CONTINUED)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****G Leases (continued)****(ii) Finance lease (Continued)***Subsequent measurement*

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

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

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

**(c) Fees paid in connection with arranging leases**

The Company makes payments to agents for services in connection with negotiating lease contracts with the Company's lessees. For operating leases, the letting fees are capitalised within the carrying amount of the related asset, and depreciated over the life of the lease.

**H Impairment of financial assets (carried at amortised cost)**

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or the obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- Significant cash flow or financial difficulties experienced by the borrower (for example, equity ratio, net income percentage of sales);
- Breach of lease agreements or conditions;
- The lender for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- Initiation of bankruptcy proceedings by the borrower;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral; and
- Observable data indicating that there is a reasonable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - Adverse change in the payment status of borrowers in the portfolio; and
  - Natural or local economic conditions that correlate with defaults in the assets of that portfolio.

**LA PRUDENCE LEASING FINANCE CO. LTD.****NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017 (CONTINUED)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****H Impairment of financial assets (carried at amortised cost) (Continued)**

The estimated period between a loss occurring and its identification is determined by local management for each identified portfolio. In general, the periods used vary between three months and 12 months; in exceptional cases, longer periods are warranted.

*Finance leases to customers*

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

An allowance for impairment is established if there is objective evidence that the Company will not be able to collect the amount due according to the original contractual terms of the lease. The amount of impairment loss on loans and receivables, comprising mainly of financial leases to customers carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. If a finance lease or held-to-maturity investment has a variable interest rate, the discount rates for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical experience, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining or selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (that is, on the basis of the Company's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Company and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

When a lease is uncollectible, it is written off against the related provision for lease impairment. Such leases are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loans impairment in the statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of comprehensive income in impairment charge for credit losses.

**LA PRUDENCE LEASING FINANCE CO. LTD.****NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017 (CONTINUED)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****I Intangible assets**

Costs associated with maintaining computer software programmes are recognised as an expense when incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

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

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are amortised over their useful lives, which does not exceed 5 years.

**J Property, plant and equipment**

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

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

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

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

**K Financial liabilities – Other liabilities measured at amortised cost**

Financial liabilities carried at amortised cost consist mainly of deposits from customers, other borrowed funds and other liabilities. These financial liabilities are recognised initially at fair value, net of transaction costs incurred. They are subsequently stated at amortised cost; using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in "interest expense" in profit or loss.

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

**LA PRUDENCE LEASING FINANCE CO. LTD.****NOTES TO THE FINANCIAL STATEMENTS -31 DECEMBER 2017 (CONTINUED)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****L Current and deferred income tax**

The income tax expense for the year comprises current income tax, deferred income tax and Corporate Social Responsibility ('CSR') tax.

*Current income tax*

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

*Deferred income tax*

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred income tax is provided on temporary differences arising on amortisation of intangible assets, depreciation of property, plant and equipment and provision for credit losses, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

*Corporate Social Responsibility*

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

The CSR charge for the current period is measured at the amount expected to be paid to the Mauritian Tax Authorities. The CSR rate and laws used to compute the amount are those charged or substantively enacted by the end of the reporting period.

*Value Added Tax*

Revenues, expenses and assets are recognized net of amount of value added tax except:

- Where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of the receivables or payables in the statement of financial position.

**M Employee benefits****(1) Pension obligations**

The Company provides retirement benefits for its employees through a defined contribution plan which is funded by contributions from the Company. Under the defined contribution plan, the Company has no legal or constructive obligation to contribute further to what has been contributed into the fund as defined in the rules of the scheme. Pension contributions are charged to the statement of comprehensive income in the year to which they relate. The Company has an obligation under the current labour laws to pay a severance allowance on retirement of its employees and is allowed to deduct from this severance allowance up to five times the amount of any annual pension granted at retirement age from the said fund.

The present value of the severance allowance payable under the Employment Rights Act 2008 is calculated annually by Independent actuaries using the projected unit credit method. The present value of the severance allowance is determined by the estimated future cash outflows using a discount rate by reference to current interest rates and the yield on bonds and treasury bills and recent corporate debenture issues.

**LA PRUDENCE LEASING FINANCE CO. LTD.****NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017 (CONTINUED)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****M Employee benefits (continued)**

Where the present value of the severance allowance payable on retirement is greater than five years of pension payable under the pension plan, the additional severance allowance payable is recognised as a liability and disclosed as unfunded obligations under retirement benefits obligations.

**(2) Termination benefits**

Termination benefits become payable whenever an employee's employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

**N Provisions**

Provisions for restructuring costs and legal claims are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

**O Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The company recognises trade payables as a financial liability.

**P Share capital**

Ordinary shares are classified as equity.

**Q Revenue recognition**

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

Operating lease income is recognised over the term of the lease using the straight line method. Other income is generally recognised on an accrual basis when the service has been provided.

**R Dividend distribution**

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholder.

**S Interest income and expense**

Interest income is recognised using the effective interest method, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Company.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses.

**LA PRUDENCE LEASING FINANCE CO. LTD.****NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017 (CONTINUED)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****5 Interest Income and expense (Continued)**

The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

**T Fee and commission Income**

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Lease commitment fees for leases that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the lease. Lease syndication fees are recognised as revenue when the syndication has been completed and the Company has retained no part of the lease package for itself or has retained a part at the same effective interest rate as the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities, or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionate basis. Performance-linked fees or fee components are recognised when the performance criteria are fulfilled.

**U Impairment of non-financial assets**

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

**V Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowing costs are recognised in the statement of comprehensive income in the period in which they occur.

**W Measurement of Fair Value**

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

**3 FINANCIAL RISK MANAGEMENT**

By its nature, the Company's activities are principally related to the use of financial instruments. The Company accepts deposits from customers at fixed and variable rates and for various periods and seeks to earn above average interest margins by investing these funds in fixed and variable rate finance and operating leases. The Company seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates whilst maintaining sufficient liquidity to meet all claims that might fall due.

The Company also seeks to raise its interest margins by obtaining above average margins, net of provisions, through lending to customers operating in different economic sectors and with a range of acceptable credit standing. Such exposures involve only finance leases on the statement of financial position as the Company does not offer off-statement of financial position facilities such as guarantees and other commitments.

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017 (CONTINUED)

**3 FINANCIAL RISK MANAGEMENT (Continued)**

The Company's activities therefore expose it to a variety of financial risks which are as follows; credit risk, market risk (including other price risk, currency risk and interest rate risk) and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

**3.1 Credit risk**

The Company takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Company by failing to discharge an obligation. Credit risk is the most important risk for the Company's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in leasing activities. Exposures to credit risk for leases receivable is managed through analysis of the ability of the borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate. Exposure to credit risk is also managed by obtaining collateral guarantees.

Credit risk is the single largest risk for the Company's business; the directors therefore carefully manage the exposure to credit risk. The credit risk management and control are centralised in a credit risk management team, which reports to the Board of Directors.

**3.1.1 Credit risk measurement**

The estimation of credit exposure is complex as the value of a product varies with changes in market variables, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties.

The credit risk assessment procedures are as follows:

**3.1.2 Credit risk mitigation, collateral and other credit enhancements**

The Company uses a wide variety of techniques to reduce credit risk on its lending. The most fundamental of these is performing an assessment of the ability of a borrower to service the proposed level of borrowing without distress. It is the Company's policy to establish that leases are within the customer's capacity to repay, rather than to rely excessively on security and as a result, depending on the customer's standing and the type of product, facilities may be unsecured.

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

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

Security structures and legal covenants are subject to regular review, at least annually, to ensure that they remain fit for purpose and remain consistent with accepted local market practice. The Company actively manages its credit exposures. When weaknesses in exposures are detected – either in individual exposures or in groups of exposures – the Company takes action to mitigate the risks. Such actions may include reducing the amounts outstanding or limiting additional facilities through discussion with the customers, clients or counterparties, if appropriate.

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

The following table presents the maximum exposure as at 31 December 2017, 2016 and 2015 to credit risk on financial instruments in the statement of financial position, before taking account of any collateral held or other credit enhancements after allowance for impairment and netting where appropriate.

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

	Maximum exposure		
	2017	2016	2015
		Restated	Restated
	Rs'000	Rs'000	Rs'000
Cash and cash equivalents	236,606	270,406	97,584
Other financial assets	60,134	28,529	54,456
Finance leases :			
Individuals	529,170	394,553	338,355
Corporate entities	757,610	755,496	724,197
Other assets	2,874	15,355	5,770
	<b>1,586,394</b>	<b>1,464,339</b>	<b>1,220,362</b>

For financial assets recognized in the statement of financial position, the exposure to credit risk equals their carrying amount. The company is the sole owner of lease assets until the lessees settles the lease contract. Each lease contract has a fixed charge on the assets financed which equals their carrying value. Other assets exclude prepayments and VAT receivable amounting to 2017: Rs 12,019,663 (2016: Rs 7,163,828; 2015: Rs 5,375,091).

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017 (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1.4 Credit risk concentrations by sector:

	Agriculture and fishing	Manufacturing and service	Tourism	Transport	Construction and civil engineering	Financial and Business Services	Traders & Commerce	Personal	Professional	Media Entertainment and Recreational activities	Freight Logistics and Warehousing	Other	Infrastructure	Education	Manufacturing and Distribution	ICT Services	Service Sector	Health Development Capital Market	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	
Cash and cash equivalents	-	-	-	-	-	296,606	-	-	-	-	-	-	-	-	-	-	-	-	Rs'000
Other financial assets	-	-	-	-	-	60,134	-	-	-	-	-	-	-	-	-	-	-	-	236,505
Finance leases to customers	68,156	368,412	72,250	88,792	88,065	137,635	322,764	13,079	197,534	41,695	4,812	-	56,118	26,784	3,387	3,788	12,338	34,340	1,246,780
Other assets	-	-	-	-	-	-	-	-	-	-	-	4,228	-	-	-	-	-	-	4,228
As at 31 December 2017	68,156	368,412	72,250	88,792	88,065	444,375	272,764	13,079	197,534	41,695	4,812	4,228	56,118	26,784	3,387	3,788	12,338	34,340	1,537,798
Cash and cash equivalents	-	-	-	-	-	270,406	-	-	-	-	-	-	-	-	-	-	-	-	270,406
Other Financial Assets	-	-	-	-	-	28,529	-	-	-	-	-	-	-	-	-	-	-	-	28,529
Finance leases to customers - As Previously Reported	47,941	169,355	76,067	66,569	101,946	95,042	246,356	11,160	190,780	41,331	4,558	-	56,215	21,374	2,655	-	-	18,067	1,154,016
Restatement	(159)	(610)	(241)	(722)	(387)	(486)	(829)	(44)	(658)	(322)	(45)	-	(191)	(72)	(9)	-	-	(60)	(3,969)
Finance leases to customers - As Recasted	47,782	168,745	75,826	65,847	101,559	94,556	245,527	11,116	190,122	41,009	4,513	-	56,022	21,302	2,646	-	-	17,967	1,150,046
Other assets	-	-	-	-	-	-	-	-	-	-	-	3,287	-	-	-	-	-	-	3,287
As at 31 December 2016 - As Recasted	47,782	168,745	75,826	65,847	101,559	94,556	245,527	11,116	190,122	41,009	4,513	3,287	56,022	21,302	2,646	-	-	17,967	1,153,333
Cash and cash equivalents	-	-	-	-	-	97,584	-	-	-	-	-	-	-	-	-	-	-	-	97,584
Other Financial Assets	-	-	-	-	-	54,456	-	-	-	-	-	-	-	-	-	-	-	-	54,456
Finance leases to customers - As Previously Reported	52,035	197,336	41,322	61,526	120,138	77,942	205,972	286	171,002	35,036	3,032	-	60,727	21,861	235	-	-	17,193	1,065,789
Restatement	(224)	(670)	(377)	(222)	(482)	(302)	(813)	(4)	(711)	(448)	(31)	-	(246)	(95)	(31)	-	-	(76)	(4,331)
Finance leases to customers - As Recasted	51,811	196,666	40,945	61,304	119,656	77,640	205,159	282	170,291	34,588	3,001	-	60,481	21,766	204	-	-	17,117	1,061,458
Other assets	-	-	-	-	-	-	-	-	-	-	-	5,770	-	-	-	-	-	-	5,770
As at 31 December 2015 - As Recasted	51,811	196,666	40,945	61,304	119,656	77,640	205,159	282	170,291	34,588	3,001	5,770	60,481	21,766	204	-	-	17,117	1,067,228



## LA PRUDENCE LEASING FINANCE CO. LTD.

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017 (CONTINUED)

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

## 3.1.5 Finance leases

For the purposes of the Company's disclosures regarding credit quality, its finance leases have been analysed as follows:

	2017	2016	2015
	Rs'000	Restated Rs'000	Restated Rs'000
Finance leases to customers:			
Neither past due nor impaired	731,059	867,472	636,709
Past due but not impaired	518,784	244,000	343,821
Impaired	81,970	73,309	113,908
<b>Gross</b>	<b>1,331,813</b>	<b>1,184,781</b>	<b>1,094,438</b>
Less: provision for impairment	(45,033)	(34,732)	(31,887)
<b>Net</b>	<b>1,286,780</b>	<b>1,150,049</b>	<b>1,062,551</b>

The total impairment provision for lease exposures is Rs 45,033,499 (2016 - Rs 34,732,773 and 2015 - Rs 31,886,845) of which Rs 32,126,300 (2016- Rs 23,618,054 and 2015 - Rs 22,081,542) relates to the individually impaired leases and the remaining amount of Rs 12,907,198 (2016 - Rs 11,114,719 and 2015 - Rs 9,805,303) represents the portfolio provision.

## 3.1.6 Finance leases neither past due nor impaired

	2017	2016	2015
	Rs'000	Rs'000	Rs'000
Finance leases to customers:			
- Individuals	378,198	306,887	235,640
- Corporates	352,861	560,585	401,069
<b>Total</b>	<b>731,059</b>	<b>867,472</b>	<b>636,709</b>

The company does have a recurrent credit rating system but all leases are credit rated at their inception based on the credit worthiness of the lease applicants.

## 3.1.7 Finance leases past due but not impaired

	2017	2016	2015
	Rs'000	Rs'000	Rs'000
Finance leases to customers:			
- Individuals			
- Past due up to 30 days	106,000	62,406	36,588
- Past due 30-60 days	22,232	17,498	27,919
- Past due 60-90 days	9,383	12,025	7,232
- Past due more than 90 days	-	-	-
	<b>137,615</b>	<b>91,929</b>	<b>71,739</b>
- Corporates			
- Past due up to 30 days	323,397	97,503	209,685
- Past due 30-60 days	49,519	28,650	51,427
- Past due 60-90 days	8,253	25,918	10,970
- Past due more than 90 days	-	-	-
	<b>381,169</b>	<b>152,071</b>	<b>272,082</b>
<b>Total finance leases past due not impaired</b>	<b>518,784</b>	<b>244,000</b>	<b>343,821</b>

**LA PRUDENCE LEASING FINANCE CO. LTD.****NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017 (CONTINUED)****3 FINANCIAL RISK MANAGEMENT (CONTINUED)****3.1.8 Finance leases individually impaired**

	2017 Rs'000	2016 Rs'000	2015 Rs'000
Finance leases to customers:			
- Individuals			
- Gross amount	23,579	21,168	31,903
- Specific provision	4,894	2,099	8,317
- Corporates			
- Gross amount	58,391	52,141	82,005
- Specific provision	27,232	21,519	13,765
- Total			
- Gross amount	81,970	73,309	113,908
- Specific provision	32,126	23,618	22,082

**3.1.9 Finance leases renegotiated**

	2017 Rs'000	2016 Rs'000	2015 Rs'000
Finance leases to customers:			
- Individuals	-	2,942	-
- Corporates			
- Not impaired after restructuring would otherwise have been impaired	-	26,719	5,417
<b>Total</b>	<b>-</b>	<b>29,661</b>	<b>5,417</b>

**3.1.10 Finance leases repossessed collateral**

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

	2017 Rs'000	2016 Rs'000	2015 Rs'000
Vehicles	5,247	6,578	8,717
Equipment	6,469	-	7,147
	<b>11,716</b>	<b>6,578</b>	<b>15,864</b>

These repossessed collaterals are sold to third parties to recover the investment in the leases. At year end, all repossessed assets were already sold.

For the financial year ended 31 December 2017, total vehicles and equipment repossessed amounted to Rs 11,716,100 (2016: Rs 6,577,884; 2015: Rs 15,864,000)

**3.2 Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises the following types of risk: Other price risk, currency risk and interest rate risk.

**3.2.1 Other price risk**

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Company is not exposed to other price risk, as it does not hold any financial assets or financial liabilities carried at fair value.

## LA PRUDENCE LEASING FINANCE CO. LTD.

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017 (CONTINUED)

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

## 3.2 Market risk (continued)

## 3.2.2 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to foreign currency risk as it does hold financial assets or financial liabilities that are denominated in foreign currency.

Concentrations of financial assets and financial liabilities:

At 31 December 2017

		EURO	Denominated in		Total
			USD	MUR	
Assets	Rs	23,992,062	13,186,318	1,549,215,049	1,586,393,429
Liabilities	Rs	8,583,646	1,479,308	1,465,114,711	1,475,177,665
Net position	Rs	15,408,416	11,707,010	84,100,338	111,215,764

At 31 December 2016

		EURO	Denominated in		Total
			USD	MUR	
Assets	Rs	31,400,542	17,727,234	1,415,211,432	1,464,339,208
Liabilities	Rs	12,136,322	2,852,169	1,292,845,433	1,307,833,924
Net position (As Restated)	Rs	19,264,220	14,875,065	122,365,999	156,505,284

At 31 December 2015

		EURO	Denominated in		Total
			USD	MUR	
Assets	Rs	67,397,730	30,282,145	1,122,682,067	1,220,361,942
Liabilities	Rs	16,362,297	2,589,452	1,024,449,439	1,043,401,188
Net position (As Restated)	Rs	51,035,433	27,692,693	98,232,628	176,960,754

The Company is exposed to foreign exchange risk arising from cash and cash equivalents and financial assets and liabilities held in foreign currency. As at 31 December 2017, if the Mauritian Rupee had weakened/strengthened by 8.50% against the EURO and USD, the Company's profit before tax would have been Rs 1,309,715 (2016: Rs 1,637,459; 2015: Rs 4,338,012) lower/higher and Rs 995,095 (2016: Rs 1,264,381; 2015: Rs 2,353,879) lower/higher respectively.

## LA PRUDENCE LEASING FINANCE CO. LTD.

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017 (CONTINUED)

## 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

## 3.2.3 Interest rate risk

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

The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise.

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The principal source of funding of the Company is from fixed deposits, whereby the majority of same bears fixed interest rate. On the other hand, the majority of leases granted by the Company are also at fixed rate hence ensuring a constant differential. Very few contracts are on variable terms. Therefore the Company is not significantly exposed to interest rate risk. Moreover any adverse fluctuation in the market interest rate will have an impact on the interest rate on future fixed deposits and leases.

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

	Up to 1	1 – 3	4 – 6	7 – 12	1 – 5	Over	Non-interest	
	month	months	months	months	years	5 years	bearing	Total
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
<b>At 31 December 2017</b>								
Cash and cash equivalents	236,605,758							236,605,758
Other financial assets					60,133,893			60,133,893
Finance leases to customers	33,770,603	65,223,439	92,365,445	177,989,953	860,406,941	57,023,607		1,286,779,988
Other assets							2,873,789	2,873,789
<b>Total financial assets</b>	<b>270,376,361</b>	<b>65,223,439</b>	<b>92,365,445</b>	<b>177,989,953</b>	<b>920,540,834</b>	<b>57,023,607</b>	<b>2,873,789</b>	<b>1,586,393,428</b>
<b>Liabilities</b>								
Deposits	30,672,588	36,665,248	149,218,926	205,636,357	886,408,154	28,100,000		1,336,701,273
Other borrowed funds	1,564,007	23,138,207	4,738,697	6,586,029	6,964,584			42,991,524
Other liabilities							95,913,943	95,913,943
<b>Total financial liabilities</b>	<b>32,236,595</b>	<b>59,803,455</b>	<b>153,957,623</b>	<b>212,222,386</b>	<b>893,372,738</b>	<b>28,100,000</b>	<b>95,913,943</b>	<b>1,475,606,740</b>
<b>On balance sheet interest sensitivity gap Rs</b>	<b>238,139,766</b>	<b>5,419,984</b>	<b>(61,592,178)</b>	<b>(34,232,433)</b>	<b>27,168,096</b>	<b>28,923,607</b>	<b>(93,040,154)</b>	<b>110,786,688</b>

LA PRUDENCE LEASING FINANCE CO. LTD.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017 (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)  
3.2.3 interest rate risk (Continued)

At 31 December 2016	Up to 1 month	1 – 3 Months	4 – 6 months	7 – 12 months	1 – 5 years	Over 5 years	Non-interest bearing	Total
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Cash and cash equivalents	270,406,419	-	-	-	-	-	-	270,406,419
Other financial assets	-	-	-	-	28,529,177	-	-	28,529,177
Finance leases to customers	36,553,427	57,169,020	84,727,231	161,615,588	760,338,053	49,645,179	-	1,150,048,498
Other assets	-	-	-	-	-	-	15,355,114	15,355,114
Total financial assets	306,959,846	57,169,020	84,727,231	161,615,588	788,867,230	49,645,179	15,355,114	1,464,339,209
Liabilities								
Deposits	30,026,633	10,350,000	101,375,381	161,183,508	714,775,507	175,000,000	-	1,192,711,029
Other borrowed funds	1,558,495	7,300,212	8,708,560	16,086,413	31,979,880	-	-	65,633,560
Other liabilities	-	-	-	-	-	-	49,489,333	49,489,333
Total financial liabilities	31,585,128	17,650,212	110,083,941	177,269,921	746,755,387	175,000,000	49,489,333	1,307,833,972
On balance sheet interest sensitivity gap Rs (As Restated)	275,374,718	39,518,808	(25,356,710)	(15,654,333)	42,111,843	(125,354,821)	(34,134,219)	156,505,286

## LA PRUDENCE LEASING FINANCE CO. LTD.

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017 (CONTINUED)

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

## 3.2.3 Interest rate risk (Continued)

	Up to 1 month Rs	1 – 3 months Rs	4 – 6 months Rs	7 – 12 months Rs	1 – 5 years Rs	Over 5 years Rs	Non-interest bearing Rs	Total Rs
<b>At 31 December 2015</b>								
Cash and cash equivalents	97,583,562	-	-	-	-	-	-	97,583,562
Other financial assets	-	34,300,249	-	-	20,156,176	-	-	54,456,425
Finance leases to customers	54,179,266	49,957,893	74,781,097	145,667,862	723,808,171	14,157,793	-	1,062,552,082
Other assets							5,769,873	5,769,873
<b>Total financial assets</b>	<b>151,762,828</b>	<b>84,258,142</b>	<b>74,781,097</b>	<b>145,667,862</b>	<b>743,964,347</b>	<b>14,157,793</b>	<b>5,769,873</b>	<b>1,220,361,942</b>
<b>Liabilities</b>								
Deposits	35,904,393	13,250,000	139,093,264	150,634,271	400,199,769	125,000,000	-	864,081,697
Other borrowed funds	-	294,305	4,448,101	50,346,387	58,630,940	-	-	113,719,733
Other liabilities	-	-	-	-	-	-	65,599,758	65,599,758
<b>Total financial liabilities</b>	<b>35,904,393</b>	<b>13,544,305</b>	<b>143,541,365</b>	<b>200,980,658</b>	<b>458,830,709</b>	<b>125,000,000</b>	<b>65,599,758</b>	<b>1,043,401,188</b>
<b>On balance sheet interest sensitivity gap Rs (As Restated)</b>	<b>115,858,435</b>	<b>70,713,837</b>	<b>(68,760,268)</b>	<b>(55,312,796)</b>	<b>285,133,638</b>	<b>(110,842,207)</b>	<b>(59,829,885)</b>	<b>176,960,754</b>

**LA PRUDENCE LEASING FINANCE CO. LTD.****NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017 (CONTINUED)****3 FINANCIAL RISK MANAGEMENT (CONTINUED)****3.2.3 Interest rate risk (Continued)**

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

	2017	2017	2016	2016	2015	2015
	%	%	%	%	%	%
	Min	Max	Min	Max	Min	Max
<b>Assets</b>						
Cash and cash equivalents	0.75	2.45	0.75	2.45	1.00	3.00
Other Financial Assets	2.45	8.75	2.45	8.75	7.80	8.75
Leases	2.75	11.50	2.75	11.50	7.50	9.75
<b>Liabilities</b>						
Shareholder's loan	-	-	-	-	-	-
Bank and SIC Loans	0.75	5.00	0.75	5.10	0.75	5.00
Deposits	1.35	8.50	1.35	8.50	1.35	8.50

The company is exposed to interest rate risk arising from financial assets and financial liabilities. As at 31 December 2017, if the interest rate had increased/decreased by 0.50%, the Company's profit before tax would have been Rs 1,019,134 (2016: Rs 953,198; 2015: Rs 1,183,953) lower/higher.

**3.3 Liquidity risk**

Liquidity risk is the risk that the Company is unable to meet its payment obligations when they fall due or to replace funds when they are withdrawn.

The Company has several core liquidity management strategies. The first is to project future cash flows and make plans to address normal operating requirements, as well as variable scenarios and contingencies. The second is to manage day to day funding, by controlling intraday liquidity in real time and by forecasting future cash flows to ensure that requirements can be met. Finally, excess funds are maintained in highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flows.

The Company's funding base comprises a mixture of different funding sources, including retail and corporate customer deposits. In order to avoid reliance on a particular group of customers or market sectors, the distribution of sources and the maturity profile of deposits are actively managed.

Important factors in assuring liquidity are competitive rates and the maintenance of depositors' confidence.

Such confidence is based on a number of factors including the Company's reputation, the strength of earnings and the Company's financial position.

**3.3.1 Liquidity risk management**

The monitoring and reporting of liquidity risk involves the measurement of cash flows and projections for the next day, week and month. Additionally, in evaluating the Company's liquidity position, management takes account of undrawn lending commitments and the usage of overdraft facilities.

Sources of liquidity are regularly reviewed to maintain a wide diversification by provider and term.

To avoid reliance on a particular group of customers or market sectors, the distribution of sources and the maturity profile of deposits are also carefully managed.

**3.3.2 Contractual maturity of financial assets and liabilities**

The table below presents the cash flows payable by the Company under financial liabilities by remaining contractual maturities at the end of the reporting period.

**LA PRUDENCE LEASING FINANCE CO. LTD.****NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017 (CONTINUED)****3. FINANCIAL RISK MANAGEMENT (CONTINUED)****3.3 Liquidity risk (Continued)**

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

Liquid assets equivalent to not less than 10 per cent of deposit liabilities are maintained at all times. This is monitored continually and a weekly return of liquid assets and deposits is submitted to the Bank of Mauritius. The Company has complied with this requirement at 31 December 2017.

**3.3.3 Maturities of assets and liabilities:**

	Up to 1	1 – 3	4 – 6	7 – 12	1 – 5	Over	
	Month	months	months	months	years	5 years	Total
	Rs	Rs	Rs	Rs	Rs	Rs	Rs
<b>At 31 December 2017</b>							
<b>Liabilities</b>							
Deposits	35,951,565	46,540,585	163,743,605	229,961,155	981,924,093	28,427,432	1,486,548,435
Other borrowed funds	1,689,789	23,232,400	4,848,600	7,026,145	6,915,920	-	43,712,854
Other liabilities	95,484,868	-	-	-	-	-	95,484,868
<b>Total liabilities</b>	<b>133,126,222</b>	<b>69,772,985</b>	<b>168,592,205</b>	<b>236,987,300</b>	<b>988,840,013</b>	<b>28,427,432</b>	<b>1,625,746,157</b>
<b>At 31 December 2017</b>							
<b>Assets</b>							
Cash and cash equivalents	236,605,758	-	-	-	-	-	236,605,758
Other financial assets	-	-	-	-	60,133,893	-	60,133,893
Finance leases to customers	40,041,121	79,123,652	114,638,185	218,520,039	991,809,598	60,499,211	1,504,631,806
Other assets	2,873,789	-	-	-	-	-	2,873,789
<b>Total assets</b>	<b>279,520,667</b>	<b>79,123,652</b>	<b>114,638,185</b>	<b>218,520,039</b>	<b>1,120,524,164</b>	<b>60,499,211</b>	<b>1,888,085,077</b>
<b>Net liquidity gap</b>	<b>148,406,384</b>	<b>9,350,667</b>	<b>(53,954,019)</b>	<b>(18,467,261)</b>	<b>131,684,151</b>	<b>32,071,779</b>	<b>262,338,920</b>



## LA PRUDENCE LEASING FINANCE CO. LTD.

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017 (CONTINUED)

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

## 3.3 Liquidity risk (Continued)

## 3.3.3 Maturities of assets and liabilities (Continued):

At 31 December 2016

**Liabilities**

	Up to 1 Month	1 – 3 months	4 – 6 months	7 – 12 months	1 – 5 years	Over 5 years	Total
	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Deposits	38,695	10,366,392	111,997,412	179,161,162	842,354,478	237,940,301	1,381,858,440
Other borrowed funds	2,101,882	8,633,775	10,476,691	19,307,392	26,487,735	-	67,007,475
Other liabilities	49,489,333	-	-	-	-	-	49,489,333
<b>Total liabilities</b>	<b>51,629,910</b>	<b>19,000,167</b>	<b>122,474,103</b>	<b>198,468,554</b>	<b>868,842,213</b>	<b>237,940,301</b>	<b>1,498,355,248</b>

At 31 December 2016

**Assets**

Cash and cash equivalents	270,406,419	-	-	-	-	-	270,406,419
Other financial assets	-	-	-	-	33,935,783	-	33,935,783
Finance leases to customers	36,069,632	70,870,301	103,823,966	193,506,083	843,288,542	51,364,705	1,298,923,229
Other assets	3,293,222	-	-	-	-	-	3,293,222
<b>Total assets</b>	<b>309,769,273</b>	<b>70,870,301</b>	<b>103,823,966</b>	<b>193,506,083</b>	<b>877,224,325</b>	<b>51,364,705</b>	<b>1,606,558,653</b>
<b>Net liquidity gap (As Restated)</b>	<b>258,139,364</b>	<b>51,870,134</b>	<b>(18,650,137)</b>	<b>(4,962,471)</b>	<b>8,382,112</b>	<b>(186,575,596)</b>	<b>108,203,405</b>

**LA PRUDENCE LEASING FINANCE CO. LTD.****NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017 (CONTINUED)****3 FINANCIAL RISK MANAGEMENT (CONTINUED)****3.3 Liquidity risk (Continued)****3.3.3 Maturities of assets and liabilities (Continued):**

	Up to 1	1 – 3	4 – 6	7 – 12	1 – 5	Over	
	Month	months	months	months	years	5 years	Total
	Rs	Rs	Rs	Rs	Rs	Rs	Rs
At 31 December 2015							
<b>Liabilities</b>							
Deposits	42,072,079	14,643,537	157,174,072	150,545,291	467,413,543	195,759,452	1,027,607,974
Other borrowed funds	-	296,447	4,503,376	50,049,982	57,419,733	-	112,269,538
Other liabilities	65,599,757	-	-	-	-	-	65,599,757
<b>Total liabilities</b>	<b>107,671,836</b>	<b>14,939,984</b>	<b>161,677,448</b>	<b>200,595,273</b>	<b>524,833,276</b>	<b>195,759,452</b>	<b>1,205,477,269</b>
At 31 December 2015							
<b>Assets</b>							
Cash and cash equivalents	97,583,562	-	-	-	-	-	97,583,562
Other financial assets	-	28,272,047	-	-	26,184,378	-	54,456,425
Finance leases to customers	54,346,088	50,304,869	75,331,307	146,667,507	733,012,269	14,259,643	1,073,921,683
Other assets	5,769,873	-	-	-	-	-	5,769,873
<b>Total assets</b>	<b>157,699,523</b>	<b>78,576,916</b>	<b>75,331,307</b>	<b>146,667,507</b>	<b>759,196,647</b>	<b>14,259,643</b>	<b>1,231,731,543</b>
<b>Net liquidity gap (As Restated)</b>	<b>50,027,687</b>	<b>63,636,932</b>	<b>(86,346,141)</b>	<b>(53,927,766)</b>	<b>234,363,371</b>	<b>(181,499,809)</b>	<b>26,254,274</b>

## LA PRUDENCE LEASING FINANCE CO. LTD.

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017 (CONTINUED)

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

## 3.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholder and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust capital structure, the Company may adjust the amount of dividends paid to the shareholder, return capital to the shareholder, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

The gearing ratio at 31 December 2017, 2016 and 2015 were as follows:

	2017	2016	2015
	Rs	Restated Rs	Restated Rs
Total deposits and borrowed funds	1,379,692,796	1,258,344,591	977,801,430
Less: cash and cash equivalents	(236,605,758)	(270,406,419)	(97,583,562)
Net debt	1,143,087,038	987,938,172	880,217,868
Total equity	247,082,451	238,357,276	240,937,899
Total capital	1,390,169,489	1,226,295,448	1,121,155,767
Gearing ratio	82%	81%	79%

## 3.5 Fair values of financial assets and liabilities

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

	2017 Carrying value	2017 Fair value	2016 Carrying value	2016 Fair value	2015 Carrying value	2015 Fair value
	Rs'000	Rs'000	Restated Rs'000	Restated Rs'000	Restated Rs'000	Restated Rs'000
<b>Financial assets</b>						
Cash and cash equivalents	236,606	236,606	270,406	270,406	97,584	97,584
Other financial assets	60,134	61,472	28,529	33,936	54,456	62,508
Finance leases	1,286,780	1,305,817	1,150,048	1,298,923	1,062,552	1,066,783
Other assets	2,874	2,874	15,355	15,355	5,770	5,770
<b>Financial liabilities</b>						
Deposits from customers	1,336,701	1,373,712	1,192,711	1,381,858	864,082	1,027,608
Other borrowed funds	42,992	43,065	65,634	67,007	113,720	112,270
Other liabilities	95,485	95,485	49,489	49,489	65,600	65,600

- (i) Cash and cash equivalents (excluding bank overdraft)  
Cash and cash equivalents comprise of balances with and placements in Mauritius.
- (ii) Finance leases to customers  
Finance leases to customers are net of impairment losses. The estimated fair values of finance 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. As a result, finance leases to customers fall under level 2 of the Fair Value Hierarchy.
- (iii) Deposits from customers and other borrowed funds  
The estimated fair value of fixed interest bearing deposits not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity. As a result, deposits from customers and other borrowed funds fall under level 2 of the Fair Value Hierarchy.
- (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.

**LA PRUDENCE LEASING FINANCE CO. LTD.****NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017 (CONTINUED)****3 FINANCIAL RISK MANAGEMENT (CONTINUED)****3.5 Fair values of financial assets and liabilities (Continued)**

The below table sets out the comparison, by class, of the carrying value and fair value of the Company's financial instruments that are not carried at fair value in the financial statements. The table does not include the fair values of non-financial assets and non-financial liabilities.

	Carrying value		Fair value		
	Rs'000	Level 1 Rs'000	Level 2 Rs'000	Level 3 Rs'000	Total Rs'000
<b>31 December 2017</b>					
<b>Financial assets</b>					
Cash and cash equivalents	236,606	-	236,606	-	236,606
Other financial assets	60,134	-	61,472	-	61,472
Finance leases	1,286,780	-	1,305,817	-	1,305,817
Other assets	2,874	-	2,874	-	2,874
<b>Financial liabilities</b>					
Deposits from customers	1,336,701	-	1,373,712	-	1,373,712
Other borrowed funds	42,992	-	43,065	-	43,065
Other liabilities	95,485	-	95,485	-	95,485
<b>31 December 2016</b>					
<b>Financial assets</b>					
Cash and cash equivalents	270,406	-	270,406	-	270,406
Other Financial Assets	28,529	-	33,936	-	33,936
Finance leases	1,150,048	-	1,298,923	-	1,298,923
Other assets	15,355	-	15,355	-	15,355
<b>Financial liabilities</b>					
Deposits from customers	1,192,711	-	1,381,858	-	1,381,858
Other borrowed funds	65,634	-	67,007	-	67,007
Other liabilities	49,489	-	49,489	-	49,489
<b>31 December 2015</b>					
<b>Financial assets</b>					
Cash and cash equivalents	97,584	-	97,584	-	97,584
Other Financial Assets	54,456	-	62,508	-	62,508
Finance leases	1,062,552	-	1,066,783	-	1,066,783
Other assets	5,770	-	5,770	-	5,770
<b>Financial liabilities</b>					
Deposits from customers	864,082	-	1,027,608	-	1,027,608
Other borrowed funds	113,720	-	112,270	-	112,270
Other liabilities	65,600	-	65,600	-	65,600

## LA PRUDENCE LEASING FINANCE CO. LTD.

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017 (CONTINUED)

## 25 PRIOR YEAR ADJUSTMENT (Continued)

	31 Dec 16 Rs	31 Dec 15 Rs
<b>Effect on statutory reserve</b>		
As previously stated	17,405,070	16,089,314
Effect of restatement of profit or loss	(493,996)	(526,721)
As restated	16,911,074	15,562,593
<b>Effect on Retained earnings:</b>		
Transfer from general reserve	3,382,868	4,230,833
Portfolio provision charge	(3,967,844)	(4,230,693)
Deferred tax assets	674,534	719,218
Transfer from statutory reserve	493,996	526,721
Increase	583,554	1,246,079
<b>Summary</b>		
Effect on allowance for credit impairment (Statement of profit or loss)	(262,850)	4,230,693
Effect on Profit before tax	262,850	(4,230,693)
Effect on allowance for credit impairment (Statement of financial position) – Finance Lease to customers	3,967,844	4,230,693
Effect on deferred tax assets	674,534	719,218
Effect on General banking reserve	(3,382,868)	(4,230,833)
Effect on statutory reserve	(493,996)	(526,721)
Effect on Retained earnings	583,554	1,246,079

**b. Deposit from Customers**

In prior years, the Company has not measured its "deposits from customers" at amortised cost using the effective interest method. Due to the amount involved, the Company has aligned the measurement method on deposits from customers with its accounting policy and with IAS 39. As such the Company has calculated the carrying amount of its deposits from customers using the amortised cost method. Accordingly, the financial statements have been restated. The effect on the comparative information is disclosed below:

	31 Dec 16 Rs	31 Dec 15 Rs	01 Jan 15 Rs
<b>Statement of profit or loss</b>			
<b>Effect on Interest expense</b>			
Interest expense	(429,509)	412,953	
(Decrease)/increase	(429,509)	412,953	
<b>Effect on profit before tax</b>			
Interest expense	429,509	(412,953)	
Increase/(decrease)	429,509	(412,953)	
<b>Statement of financial position</b>			
<b>Effect on deposits from customers</b>			
As previously stated	1,193,607,268	864,548,426	
Decrease in deposits from customers	(896,239)	(466,729)	
As restated	1,192,711,029	864,081,697	
<b>Effect on transfer to statutory reserve</b>			
As previously stated	17,405,070	16,089,314	13,415,171
Effect of restatement of profit or loss	134,435	70,009	131,952
As restated	17,539,505	16,159,323	13,547,123
<b>Effect on Retained Earnings</b>			
Interest expense	896,239	466,729	879,683
Transfer (to)/from statutory reserve	(134,435)	(70,009)	(131,952)
Increase	761,804	396,720	747,731

## LA PRUDENCE LEASING FINANCE CO. LTD.

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017 (CONTINUED)

## 4 FINANCE LEASES TO CUSTOMERS

## (a) Finance leases

	2017	2016	2015
	Rs	Restated Rs	Restated Rs
Finance leases – gross receivables	1,504,631,807	1,336,607,963	1,215,814,784
Unearned finance income	(226,581,135)	(201,427,458)	(178,027,758)
	1,278,050,672	1,135,180,505	1,037,787,026
Instalments due	53,762,815	49,600,766	56,651,901
	1,331,813,487	1,184,781,271	1,094,438,927
Provision for credit impairment (Note 4(c))	(45,033,499)	(34,732,773)	(31,886,845)
<b>Net investment in finance leases</b>	<b>Rs 1,286,779,988</b>	<b>1,150,048,498</b>	<b>1,062,552,082</b>
<b>Gross receivables from finance leases:</b>			
Within 3 months	119,164,773	108,161,204	95,478,159
Over 3 months up to 6 months	114,638,185	105,054,151	93,555,823
Over 6 months up to 12 months	218,520,039	196,029,452	178,633,785
Over 1 year up to 5 years	991,809,599	874,139,241	833,580,121
Over 5 years	60,499,211	53,223,915	14,566,896
	1,504,631,807	1,336,607,963	1,215,814,784
Unearned future finance income on finance leases	(226,581,135)	(201,427,458)	(178,027,758)
	1,278,050,672	1,135,180,505	1,037,787,026
Instalments due	53,762,815	49,600,766	56,651,901
Provision for credit impairment (Note 4(c))	(45,033,499)	(34,732,773)	(31,886,845)
<b>Net investment in finance leases</b>	<b>Rs 1,286,779,988</b>	<b>1,150,048,498</b>	<b>1,062,552,082</b>
<b>The net investment in finance leases by maturity period may be analysed as follows:</b>			
Within 3 months	93,494,041	85,237,731	75,141,410
Over 3 months up to 6 months	90,865,445	83,870,939	74,781,097
Over 6 months up to 12 months	176,489,953	158,742,190	145,667,862
Over 1 year up to 5 years	860,177,624	757,108,864	728,038,864
Over 5 years	57,023,609	50,220,781	14,157,793
	1,278,050,672	1,135,180,505	1,037,787,026
Instalments due	53,762,815	49,600,766	56,651,901
Provision for credit impairment (Note 4(c))	(45,033,499)	(34,732,773)	(31,886,845)
<b>Net investment in finance leases</b>	<b>Rs 1,286,779,988</b>	<b>1,150,048,498</b>	<b>1,062,552,082</b>
<b>Current</b>	<b>369,578,755</b>	<b>342,718,852</b>	<b>320,355,425</b>
<b>Non-current</b>	<b>917,201,233</b>	<b>807,329,645</b>	<b>742,196,657</b>
	1,286,779,988	1,150,048,497	1,062,552,082
<b>Gross receivables from finance leases:</b>			
Individual	631,607,465	494,958,461	393,548,060
Corporate	873,024,342	841,649,502	822,266,724
	1,504,631,807	1,336,607,963	1,215,814,784
<b>Net investment in finance leases</b>			
Individual	529,169,531	394,552,840	338,354,724
Corporate	757,610,457	755,495,658	724,197,358
	1,286,779,988	1,150,048,498	1,062,552,082

For all finance leases, the Company retains ownership of the leased assets. Assets (vehicles and equipment) are leased to customers for periods ranging from 12 to 84 months. The average lease term is 60 months and the majority of these leases are at fixed interest rates.

## LA PRUDENCE LEASING FINANCE CO. LTD.

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017 (CONTINUED)

## 4 FINANCE LEASES TO CUSTOMERS (CONTINUED)

## (b) Credit concentration of risk by industry sectors

	2017	2016	2015
	Rs'000	Restated Rs'000	Restated Rs'000
Agriculture and fishing	68,156	47,778	51,831
Manufacturing/textile	168,412	168,745	196,666
Tourism	72,250	75,826	41,145
Transport	88,792	66,347	61,404
Construction and civil engineering	88,065	101,579	119,656
Financial and business services	137,635	98,676	77,640
Traders/commerce	272,764	245,531	206,109
Personal	13,079	11,114	285
Professional	192,514	190,127	170,291
Media entertainment and recreational activities	42,995	41,799	34,888
Freeport enterprise certificate holders	4,612	4,542	3,019
Education	26,764	21,302	21,766
Infrastructure	56,269	56,022	60,481
Modernisation and Expansion	3,987	2,652	254
ICT Services	3,788	-	-
Services Sector	12,338	-	-
Health Development Certificate Holders	34,360	18,007	17,117
	<b>1,286,780</b>	<b>1,150,047</b>	<b>1,062,552</b>

## (c) Allowances for credit impairment

	2017 Specific Rs	2017 Portfolio Rs	2017 Total Rs
At 01 January 2017 - As previously reported	23,618,054	7,146,875	30,764,929
Restatement	-	3,967,844	3,967,844
At 01 January 2017 - As restated	23,618,054	11,114,719	34,732,773
Charge for the year	11,656,863	1,879,107	13,535,970
Provision released during the year	(2,264,542)	(86,628)	(2,351,170)
Provision previously recognised written off	(884,075)	-	(884,075)
<b>At 31 December 2017</b>	<b>32,126,300</b>	<b>12,907,198</b>	<b>45,033,498</b>
Provision for credit impairment for the year	<b>8,508,247</b>	<b>1,792,479</b>	<b>10,300,726</b>

	2016 Specific Rs	2016 Restated Portfolio Rs	2016 Restated Total Rs
At 01 January 2016 - As previously reported	22,081,542	5,574,610	27,656,152
Restatement	-	4,230,693	4,230,693
At 01 January 2016 - As restated	22,081,542	9,805,303	31,886,845
Charge for the year - As previously reported	17,408,983	1,611,931	19,020,914
Restatement	-	(262,849)	(262,849)
Charge for the year - As restated	17,408,983	1,349,082	18,758,065
Provision released during the year	(10,178,453)	(39,666)	(10,218,119)
Provision previously recognised written off	(5,694,018)	-	(5,694,018)
<b>At 31 December 2016 - As previously reported</b>	<b>23,618,054</b>	<b>7,146,875</b>	<b>30,764,929</b>
<b>Restatement</b>	<b>-</b>	<b>3,967,844</b>	<b>3,967,844</b>
<b>At 31 December 2016 - As restated</b>	<b>23,618,054</b>	<b>11,114,719</b>	<b>34,732,773</b>
Provision for credit impairment for the year - As previously reported	1,536,512	1,572,265	3,108,777
Restatement	-	(262,849)	(262,849)
Provision for credit impairment for the year - As restated	<b>1,536,512</b>	<b>1,309,416</b>	<b>2,845,928</b>

LA PRUDENCE LEASING FINANCE CO. LTD.

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017 (CONTINUED)

## 4 FINANCE LEASES TO CUSTOMERS (CONTINUED)

## (c) Allowances for credit impairment (Continued)

	2015 Specific	2015 Portfolio Restated	2015 Total Restated
	Rs	Rs	Rs
At 01 January 2015	21,814,546	14,724,017	36,538,563
Charge for the year - As previously Reported	10,419,074	1,922,468	12,341,542
Restatement	-	4,230,693	4,230,693
Charge for the year - As Restated	10,419,074	6,153,161	16,572,235
Provision released during the year	(10,152,078)	(11,071,875)	(21,223,953)
Provision previously recognised written off			
At 31 December 2015 - As previously Reported	22,081,542	5,574,610	27,656,152
Restatement	-	4,230,693	4,230,693
At 31 December 2015 - As Restated	22,081,542	9,805,303	31,886,845
Provision for credit impairment for the year - As previously Reported	266,996	(9,149,407)	(8,882,411)
Restatement	-	4,230,693	4,230,693
Provision for credit impairment for the year - As Restated	266,996	(4,918,714)	(4,651,718)

## (d) Allowance for Credit Exposure by Industry Sector

	Net Investment in leases	Instalments Due	Non performing leases	Specific provision	Portfolio provision	2017 Total provision	2016 Total provision Restated	2015 Total provision Restated
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Agriculture and fishing	68,006	1,356	518	518	688	1,206	998	1,055
Manufacturing/textile	166,475	15,617	32,317	12,017	1,663	13,680	9,759	3,682
Tourism	72,112	1,294	1,869	431	725	1,156	728	814
Transport	88,761	1,082	1,629	154	897	1,051	1,167	2,229
Construction and civil engineering	86,086	7,081	12,932	4,224	879	5,102	4,578	5,891
Financial and business services	135,084	10,488	11,725	6,560	1,377	7,937	4,936	4,902
Traders/commerce	272,335	7,141	8,985	3,961	2,751	6,712	5,975	3,367
ICT Services	3,687	140	450	-	38	38	-	-
Personal	12,263	942	-	-	126	126	106	3
Professional	193,459	2,853	3,831	1,861	1,936	3,798	3,990	7,235
Media, entertainment and recreational activities	42,730	699	715	-	434	434	433	343
Freeport enterprise certificate holders	4,647	11	-	-	47	47	46	30
Others	-	-	-	-	-	-	-	-
Services Sector	12,462	-	-	-	125	125	-	-
Education	26,497	537	2,891	-	270	270	213	220
Infrastructure	55,696	3,537	2,975	2,400	564	2,964	1,605	1,941
Modernisation & Expansion	3,139	888	1,133	-	40	40	11	2
Health Development	34,612	97	-	-	347	347	186	173
	1,278,051	53,763	81,970	32,126	12,907	45,033	34,733	31,887



## LA PRUDENCE LEASING FINANCE CO. LTD.

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017 (CONTINUED)

## 5 INTANGIBLE ASSETS

	2017 Rs	2016 Rs	2015 Rs
<b>Computer software:</b>			
<i>Cost:</i>			
At 01 January	3,782,790	3,636,258	3,097,682
Additions	56,000	146,532	538,576
At 31 December	3,838,790	3,782,790	3,636,258
<i>Accumulated amortisation:</i>			
At 01 January	3,223,071	2,976,393	2,905,411
Charge for the year	213,239	246,678	69,982
At 31 December	3,436,310	3,223,071	2,976,393
<i>Net book amount:</i>			
At 31 December	Rs 402,480	559,719	659,865

## 6 PROPERTY, PLANT AND EQUIPMENT

	Fixtures and Fittings	Computer Equipment	Motor Vehicle	Operating lease vehicle/ equipment	Total
<i>Cost:</i>	Rs	Rs	Rs	Rs	Rs
At 1 January 2015	1,594,756	2,290,130	1,944,904	16,056,985	21,886,775
Additions	-	189,796	46,390	46,725,069	46,961,255
Disposals	-	-	(20,849)	(3,935,811)	(3,956,660)
At 31 December 2015	1,594,756	2,479,926	1,970,445	58,846,243	64,891,370
Additions	1,236,168	241,950	-	35,077,012	36,555,130
Disposals	-	-	(1,475,000)	(6,660,723)	(8,135,723)
At 31 December 2016	2,830,924	2,721,876	495,445	87,262,532	93,310,777
Additions	1,326,712	465,831	54,032	70,082,889	71,929,464
Disposals	(132,350)	(35,851)	(46,390)	(14,743,837)	(14,958,428)
At 31 December 2017	4,025,286	3,151,856	503,087	142,601,584	150,281,813
<i>Accumulated depreciation:</i>					
At 1 January 2015	810,886	1,098,121	614,241	4,688,759	7,212,007
Charge for the year	122,363	380,138	492,611	3,917,461	4,912,573
Disposals	-	-	(15,637)	(1,519,820)	(1,535,457)
At 31 December 2015	933,249	1,478,259	1,091,215	7,086,400	10,589,123
Charge for the year	176,327	416,987	308,236	13,566,137	14,467,687
Disposals	-	-	(983,333)	(1,211,425)	(2,194,758)
At 31 December 2016	1,109,576	1,895,246	416,118	19,441,112	22,862,052
Charge for the year	299,767	436,715	69,002	13,993,652	14,799,136
Disposals	(13,234)	-	(27,062)	(7,041,997)	(7,082,293)
At 31 December 2017	1,396,109	2,331,961	458,058	26,392,767	30,578,895
<i>Net book amount:</i>					
At 31 December 2017	2,629,177	819,895	45,026	116,208,817	119,702,918
At 31 December 2016	1,721,348	826,630	79,327	67,821,420	70,448,725
At 31 December 2015	661,507	1,001,667	879,230	51,759,843	54,302,247

## LA PRUDENCE LEASING FINANCE CO. LTD.

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017 (CONTINUED)

## 7 DEFERRED INCOME TAX

Deferred income tax is calculated in full on all temporary differences under the liability method using a principal tax rate of 17% (2016 -17% and 2015- 17%).

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

	2017	2016	2015
	Rs	Restated Rs	Restated Rs
At 01 January – As previously Reported	2,708,418	3,210,000	5,620,518
Restatement	674,534	719,218	-
At 01 January - As Restated	3,382,952	3,929,218	5,620,518
Profit or loss - As previously Reported	(625,685)	(493,214)	(2,410,518)
Restatement	-	(44,684)	719,218
Profit or loss - As Restated	(625,685)	(537,898)	(1,691,300)
(Over)/Under provision of deferred tax asset (Note 11)	-	(8,368)	-
At 31 December – As previously reported	Rs 2,757,267	2,708,418	3,210,000
Restatement	-	674,534	719,218
At 31 December – As Restated	2,757,267	3,382,952	3,929,218
The balance is attributable to the following:			
Accelerated capital allowances - As Restated	(4,898,426)	(2,521,619)	(1,676,662)
Provision for credit impairment - As Restated	7,655,693	5,904,571	5,605,880
	Rs 2,757,267	3,382,952	3,929,218

Deferred tax liabilities and assets are attributable to the following:

	Accelerated capital allowances	Provisions for credit impairment	Total
<b>Deferred tax (liabilities)/assets</b>			
At 01 January 2015	(591,039)	6,211,557	5,620,518
Charge to statement of comprehensive Income – As previously reported	(1,085,623)	(1,324,895)	(2,410,518)
Restatement	-	719,218	719,218
(Charge)/ credited to statement of comprehensive income - As restated	(1,085,623)	(605,677)	(1,691,300)
At 31 December 2015 - As restated	(1,676,662)	5,605,880	3,929,218
(Charge)/credited to statement of comprehensive income – As previously reported	(844,957)	343,375	(501,582)
Restatement	-	(44,684)	(44,684)
(Charge)/ credited to statement of comprehensive income - As restated	(844,957)	298,691	(546,266)
At 31 December 2016 – As previously reported	(2,521,619)	5,230,037	2,708,418
Restatement	-	674,534	674,534
At 31 December 2016 – As restated	(2,521,619)	5,904,571	3,382,952
(Charge)/credited to statement of comprehensive income	(2,376,808)	1,751,123	(625,685)
At 31 December 2017	(4,898,427)	7,655,694	2,757,267

## 8 OTHER ASSETS

	2017	2016	2015
	Rs	Rs	Rs
Prepayments	1,353,830	1,108,658	831,752
VAT credit	12,019,663	6,223,181	4,543,339
Other receivables	1,456,797	1,876,232	3,221,836
Amount receivable from holding company (Note 21(iii))	1,416,992	1,416,991	2,548,037
Advance on lease	-	12,061,889	-
Rs	16,247,282	22,686,951	11,144,964

Other receivables as disclosed above are repayable on demand and thus are not backed by collateral and not impaired at 31 December 2017, 2016 and 2015. For terms and conditions relating to amount receivables from holding company, refer to Note 21.

## LA PRUDENCE LEASING FINANCE CO. LTD.

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017 (CONTINUED)

## 9 DEPOSITS FROM CUSTOMERS

	2017 Rs	2016 Restated Rs	2015 Restated Rs
Term deposits with remaining term to maturity:			
<i>Individual customers</i>			
Within 3 months	20,449,298	12,601,633	21,307,393
Over 3 months up to 6 months	27,902,101	13,650,380	21,543,264
Over 6 months up to 12 months	80,389,190	29,129,738	56,098,222
Over 1 year up to 6 years	245,819,315	214,571,756	108,012,658
<i>Corporate customers</i>			
Within 3 months	46,888,538	27,775,000	26,022,000
Over 3 months up to 6 months	121,316,825	87,725,000	122,050,000
Over 6 months up to 12 months	125,247,167	132,053,761	95,458,868
Over 1 year up to 6 years	668,688,838	675,203,761	413,589,292
<b>Rs</b>	<b>1,336,701,272</b>	<b>1,192,711,029</b>	<b>864,081,697</b>
Current	422,193,119	302,935,512	342,479,746
Non-current	914,508,153	889,775,517	521,601,951
<b>Total deposits</b>	<b>1,336,701,272</b>	<b>1,192,711,029</b>	<b>864,081,697</b>

Term deposits represent deposits from individuals and corporates. The maturity vary between 1 year to 7 years. Interest rate on these time deposits vary between 2.25% and 10.60%.

## 10 OTHER BORROWED FUNDS

	2017 Rs	2016 Rs	2015 Rs
Loan from Barclays Plc	20,000,000	20,833,333	-
Loan from State Investment Corporation (LEMS)	22,991,524	44,800,228	113,719,733
<b>Rs</b>	<b>42,991,524</b>	<b>65,633,561</b>	<b>113,719,733</b>
Current	36,026,940	37,944,319	30,837,812
Non-current	6,964,584	27,689,242	82,881,921
<b>Total other borrowed funds</b>	<b>42,991,524</b>	<b>65,633,561</b>	<b>113,719,733</b>

Other borrowed funds comprise of loans taken under the LEMS scheme from the state investment corporation and from the Barclays Bank Plc. The maturity vary between 4 months and 3 years. The loans from Statement Investment Corporation (LEMS) is an unsecured loan and carries an interest rate of 0.75% to 5% per annum. Barclays Bank Mauritius has a first rank floating charge of up to Rs 50 million on all the Company's assets and carries an interest rate of 3.95% per annum.

The below table provides an analysis of the Loan from Statement Investment Corporation (LEMS) by interest rate and Maturity for the year 2017.

Maturity Period / Interest Rate	0.75%	0.90%	3.50%	4.25%	5.00%	Total
2018	1,709,854	-	1,332,923	4,678,759	-	7,721,537
2019	6,873,791	1,479,307	-	5,696,642	1,220,247	15,269,988
<b>Total</b>	<b>8,583,645</b>	<b>1,479,307</b>	<b>1,332,923</b>	<b>10,375,401</b>	<b>1,220,247</b>	<b>22,991,524</b>

## LA PRUDENCE LEASING FINANCE CO. LTD.

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017 (CONTINUED)

## 11 INCOME TAX

## Tax Charge:

	2017 Rs	2016 Rs	2015 Rs
Tax on the profit for the year, as adjusted for tax purposes at 17% (2016 17% and 2015 - 17%)	1,580,915	1,053,309	1,887,766
Overprovision of deferred tax assets (Note 7)	-	8,368	-
Deferred tax movement - As Previously Reported	625,685	493,214	2,410,518
Restatement	-	44,684	(719,218)
Deferred tax movement - As Restated (Note 7)	625,685	537,898	1,691,300
	<u>2,206,600</u>	<u>1,599,575</u>	<u>3,579,066</u>
<i>(Asset)/Liability:</i>			
At 01 January	(128,758)	289,277	85,756
Charge for the year	1,580,915	831,219	1,887,766
Under provision in previous year	-	-	-
Paid during the year	(1,082,686)	(1,249,254)	(1,684,245)
At 31 December	<u>Rs 369,471</u>	<u>(128,758)</u>	<u>289,277</u>
Current	<u>369,471</u>	<u>(128,758)</u>	<u>289,277</u>

The reconciliation between the actual income tax rate of **14.66%** for the year (2016 – 10.63% and 2015 – 19.31%) and the applicable income tax rate of **17%** (2016 – 17% and 2015 – 17%) is as follows:

	2017 %	2016 %	2015 %
(As a percentage of profit before tax)			
Applicable income tax rate	17	17	17
Impact of:			
Underprovision	-	-	(0.14)
Non allowable expenses	46.74	0.46	2.45
Non taxable income	(49.08)	(6.83)	-
Actual income tax rate	<u>14.66</u>	<u>10.63</u>	<u>19.31</u>

## 12 OTHER LIABILITIES

	2017 Rs	2016 Rs	2015 Rs
Lease creditors	90,126,523	43,661,583	56,520,751
Other payables	5,358,346	5,827,750	9,049,007
	<u>Rs 95,484,869</u>	<u>49,489,333</u>	<u>65,599,757</u>
Current	<u>Rs 95,484,869</u>	<u>49,489,333</u>	<u>65,599,757</u>

Other payables are non-interest bearing and have an average term of 1-6 months. Lease creditors relate to amount due to suppliers of the leased assets and have an average terms of 1 month to 3 months.

## 13 SHARE CAPITAL

	2017 Number	2016 Number	2015 Number	2017 Rs	2016 Rs	2015 Rs
Authorised and issued:	20,000,000	20,000,000	20,000,000	Rs 200,000,000	200,000,000	200,000,000
Ordinary shares						
of Rs 10 each						

## LA PRUDENCE LEASING FINANCE CO. LTD.

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017 (CONTINUED)

## 14 NET INTEREST INCOME

	2017 Rs	2016 Rs Restated	2015 Rs Restated
<b>Interest income</b>			
Cash and cash equivalents	1,279,606	1,361,853	2,104,288
Fixed deposits	4,020,012	2,037,869	4,009,875
Treasury Securities	135,962	-	-
Leases to customers	99,296,268	92,060,200	78,897,530
	<b>104,731,848</b>	<b>95,459,922</b>	<b>85,011,693</b>
<b>Interest expense</b>			
Deposits from customers	57,934,632	54,123,083	46,075,362
Interest on loan	1,544,265	3,647,654	5,851,750
	<b>59,478,897</b>	<b>57,770,737</b>	<b>51,927,112</b>
<b>Net interest income</b>	<b>Rs 45,252,951</b>	<b>37,689,185</b>	<b>33,084,581</b>

## 15 OTHER INCOME

	2017 Rs	2016 Rs	2015 Rs
Profit on disposal of property, plant and equipment	385,814	405,561	338,653
Bad debts recovered	-	5,500	10,471
Others	140,327	134,450	(31,908)
	<b>Rs 526,141</b>	<b>545,511</b>	<b>317,216</b>

## 16 PERSONNEL EXPENSES

	2017 Rs	2016 Rs	2015 Rs
Wages and salaries	18,273,792	13,167,638	14,728,958
Social security obligations	522,916	391,605	380,591
Contributions to defined contribution scheme	1,060,604	607,165	844,695
Other personnel expenses	2,839,764	2,086,188	1,755,181
	<b>Rs 22,697,076</b>	<b>16,252,596</b>	<b>17,709,425</b>

The number of employees at the end of the year was 29 (2016 – 17 and 2015-17).

## 17 OTHER EXPENSES

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

	2017 Rs	2016 Rs	2015 Rs
Software maintenance	803,733	904,914	924,903
Advertising	1,046,566	593,827	697,819
Licenses	2,193,008	2,364,011	609,100
Rent	1,467,670	1,234,663	1,177,447
Fees paid to auditor for:			
- Audit services	1,797,792	1,089,380	380,000
- Other services	257,560	568,503	286,775
Others	1,794,765	750,584	6,362,796
<b>Other Expenses</b>	<b>9,361,094</b>	<b>7,505,882</b>	<b>10,438,840</b>

## LA PRUDENCE LEASING FINANCE CO. LTD.

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017 (CONTINUED)

## 18 EARNINGS PER SHARE

The profit per ordinary share is calculated by dividing the profit for the year by the weighted average number of ordinary shares in issue during the year.

	2017	2016 Restated	2015 Restated
Profit available to ordinary shareholder	<b>Rs 8,725,174</b>	9,419,377	13,903,192
Weighted average number of ordinary shares in issue (Number)	<b>20,000,000</b>	20,000,000	20,000,000
Earnings per share: Basic and diluted earnings per share	<b>Rs 0.44</b>	0.47	0.70

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

## 19 DIVIDENDS PROPOSED AND PAID

	2017 Rs	2016 Rs	2015 Rs
Cash dividend declared and paid on ordinary shares	-	12,000,000	-
Final dividend for 2015:- 60 cents per share	-	12,000,000	-

There were no dividends declared or paid out in 2017.

Proposed dividend on ordinary shares are subject to the approval at the Board meeting and approval by the Bank of Mauritius as required by the Banking Act 2004. They are therefore not recognised as a liability as at 31 December 2017.

## 20 CASH AND CASH EQUIVALENTS AND OTHER FINANCIAL ASSETS

## (a) Cash and cash equivalents

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

	2017 Rs	2016 Rs	2015 Rs
Balances and deposits with banks in Mauritius	236,600,758	270,401,419	97,578,562
Cash in hand	5,000	5,000	5,000
	<b>236,605,758</b>	<b>270,406,419</b>	<b>97,583,562</b>
Current	<b>236,605,758</b>	<b>270,406,419</b>	<b>97,583,562</b>

The Company earns interest at fluctuating rates varying between 0.75% to 2.45% on its current accounts, based on daily bank deposit rates.

## (b) Other financial assets

	2017 Rs	2016 Rs	2015 Rs
Fixed deposits	55,101,581	28,529,177	54,456,425
Bonds	5,032,312	-	-
	<b>60,133,893</b>	<b>28,529,177</b>	<b>54,456,425</b>
1. Fixed deposits			
	2017 Rs	2016 Rs	2015 Rs
Fixed Deposits held at bank / other financial institution	45,000,000	20,000,000	40,000,000
Accrued interest receivable	10,101,581	8,529,177	14,456,425
	<b>55,101,581</b>	<b>28,529,177</b>	<b>54,456,425</b>
Current	-	-	27,933,028
Non-current	55,101,581	28,529,177	26,523,397
	<b>55,101,581</b>	<b>28,529,177</b>	<b>54,456,425</b>

## LA PRUDENCE LEASING FINANCE CO. LTD.

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017 (CONTINUED)

## 20 CASH AND CASH EQUIVALENTS AND FIXED DEPOSITS (Continued)

2. Bonds	2017	2016	2015
	Rs	Rs	Rs
Bonds	4,977,600	-	-
Accrued interest receivable	54,712	-	-
<b>Rs</b>	<b>5,032,312</b>	<b>-</b>	<b>-</b>
Current	-	-	-
Non-current	5,032,312	-	-
<b>Rs</b>	<b>5,032,312</b>	<b>-</b>	<b>-</b>

The Company acquired Rs 4,977,600 of Government Bonds with The Barclays Bank Mauritius Ltd with a maturity term of 60 months and bearing a fixed interest payable at maturity of 3.40%.

## 21 RELATED PARTY DISCLOSURES

The Company's holding company is Prudence Holding Limited, a company incorporated in Mauritius under the Mauritian Companies Act 2001 as a public company.

The following transactions were carried out with related parties during the year:

	2017	2016	2015
	Rs	Rs	Rs
<b>i) Finance leases</b>			
<i>Leases due from key management personnel</i>			
At 01 January	481,140	599,965	722,268
Leases granted during the year	-	500,000	-
Repayments during the year	(236,566)	(51,089)	(122,303)
Key personnel resignation	-	(567,736)	-
At 31 December	<b>Rs 244,574</b>	<b>481,140</b>	<b>599,965</b>
Interest income	<b>Rs 30,506</b>	<b>15,918</b>	<b>56,701</b>
<i>Leases due from entities with common directors and shareholders</i>			
At 01 January	109,493,912	86,090,291	70,082,941
Leases granted during the year	31,322,244	50,507,466	38,890,621
Repayments during the year	(34,592,343)	(27,103,845)	(22,883,271)
At 31 December	<b>Rs 106,223,813</b>	<b>109,493,912</b>	<b>86,090,291</b>
Interest income	<b>Rs 6,626,003</b>	<b>5,918,940</b>	<b>2,669,717</b>
<b>ii) Deposits</b>			
At beginning of year	21,087,511	44,276,711	22,350,000
Received during the year	37,600,658	-	21,926,711
Refund during the year	-	(23,189,200)	-
At end of the year	<b>Rs 58,688,169</b>	<b>21,087,511</b>	<b>44,276,711</b>
Interest expense	<b>Rs 1,543,111</b>	<b>525,927</b>	<b>1,390,203</b>

**LA PRUDENCE LEASING FINANCE CO. LTD.****NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017 (CONTINUED)****21 RELATED PARTY DISCLOSURES (Continued)**

	2017 Rs	2016 Rs	2015 Rs
<b>iii) Amount due from holding company</b>			
At beginning of the year	1,416,991	2,548,037	1,450,158
Expenses incurred on behalf of holding company	-	13,500	1,097,879
Payments during the year	-	(1,144,546)	-
At end of the year (Note 8)	<b>Rs 1,416,991</b>	<b>1,416,991</b>	<b>2,548,037</b>

The amount due from holding company carries an Interest rate free (2016: nil and 2015: nil) and it is receivable at call.

	2017 Rs	2016 Rs	2015 Rs
<b>iv) Amount due from other related party</b>			
At beginning of the year	246,073	246,073	479,411
Payments during the year	(246,073)	-	(233,338)
At end of the year	<b>Rs -</b>	<b>246,073</b>	<b>246,073</b>

The amounts receivable from other related party are unsecured, interest free and are repayable within one year.

	2017 Rs	2016 Rs	2015 Rs
<b>v) Key management personnel compensation</b>			
Short-term employee benefits	3,030,967	1,760,929	3,386,608
Post-employment benefits	442,070	67,333	346,614
Total	<b>Rs 3,473,037</b>	<b>1,828,262</b>	<b>3,733,222</b>

Related parties, whether body corporates or natural persons, fall into two main groups:

- a) those that are related because of ownership interest; and
- b) those that are related otherwise, such as directors and senior officers.

Internal limits for granting credit to related parties are in line with the BOM guidelines whereby aggregate of credit exposures to related parties should not exceed 60% of our Tier 1 capital. A preferential rate of 8.5% is awarded to related parties for leasing facilities while deposits placed at our institution are remunerated at the current market rate. Approval of leasing facilities goes through the same process as other clients and mandate the authorisation of the Credit Committee. There has been no impairment on those leases and amount receivable from related parties.

**22 COMMITMENTS***Finance leases*

The Company had commitments in respect of lease contracts which had been signed at 31 December 2017 of **Rs 64,353,060** (2016 – Rs 7,065,285 and 2015 – Rs 51,470,070) but for which no monies had been disbursed.

*Operating leases*

At 31 December 2017, the Company had operating lease commitments in respect of office space rental amounting to **Rs 1,467,670** (2016 – Rs 1,234,663 and 2014 – Rs 1,177,448).

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

	2017 Rs	2016 Rs	2015 Rs
Not later than 1 year	1,467,670	1,234,663	1,230,908
Later than 1 year and not later than 5 years	-	-	-
<b>Rs</b>	<b>1,467,670</b>	<b>1,234,663</b>	<b>1,230,908</b>



## LA PRUDENCE LEASING FINANCE CO. LTD.

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017 (CONTINUED)

## 23 OPERATING LEASE RECEIVABLES

*Operating leases where the Company is the lessor*

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

	2017	2016	2015
	Rs	Rs	Rs
Within 1 year	27,692,161	21,130,202	14,559,132
Over 1 year up to 7 years	88,910,389	60,032,302	39,711,983
	<b>116,602,550</b>	<b>81,162,504</b>	<b>54,271,115</b>

There were no amounts in arrears and no impairment were made in respect of assets leased under operating leases.

Rents recognised on operating leases in the income statement were Rs 19,145,884 (2016 - Rs. 15,500,131 and 2015 – Rs 6,164,930).

The Company leases vehicles under various agreements which terminate between 2017 and 2023. The agreements do not include an extension option. The leases are at an interest rate of 8.5% (2016: 8.5%; 2015 8.5%)

## 24 FINANCIAL INSTRUMENTS BY CATEGORY

## At 31 December 2017

	Loans and receivables Rs	Total Rs
<b>Assets</b>		
Cash and cash equivalents	236,605,758	236,605,758
Fixed deposits	55,101,581	55,101,581
Bonds	5,032,312	5,032,312
Finance lease to customers	1,286,779,988	1,286,779,988
Other assets - <i>exclude prepayment &amp; VAT</i>	2,873,789	2,873,789
	<b>1,586,393,428</b>	<b>1,586,393,428</b>
<b>Liabilities</b>		
Deposits from customers	1,336,701,272	1,336,701,272
Other borrowed funds	42,991,524	42,991,524
Other liabilities	95,484,869	95,484,869
	<b>1,475,177,665</b>	<b>1,475,177,665</b>

## At 31 December 2016

	Loans and receivables Rs	Total Rs
	Restated	Restated
Cash and cash equivalents	270,406,419	270,406,419
Fixed deposits	28,529,177	28,529,177
Finance lease to customers	1,150,048,498	1,150,048,498
Other assets - <i>exclude prepayment &amp; VAT</i>	15,355,114	15,355,114
	<b>1,464,339,208</b>	<b>1,464,339,208</b>
<b>Liabilities</b>		
Deposits from customers	1,192,711,029	1,192,711,029
Other borrowed funds	65,633,561	65,633,561
Other liabilities	49,489,334	49,489,334
	<b>1,307,833,924</b>	<b>1,307,833,924</b>

**LA PRUDENCE LEASING FINANCE CO. LTD.****NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017 (CONTINUED)****24 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)****At 31 December 2015**

	Loans and receivables Rs Restated	Total Rs Restated
<b>Assets</b>		
Cash and cash equivalents	97,583,562	97,583,562
Fixed deposits	54,456,425	54,456,425
Finance lease to customers	1,062,552,082	1,062,552,082
Other assets - <i>exclude prepayment &amp; VAT</i>	5,769,873	5,769,873
	<b>1,220,361,942</b>	<b>1,220,361,942</b>
<b>Liabilities</b>		
Deposits from customers	864,081,697	864,081,697
Other borrowed funds	113,719,733	113,719,733
Other liabilities	65,599,757	65,599,757
	<b>1,043,401,187</b>	<b>1,043,401,187</b>

**25 PRIOR YEAR ADJUSTMENT**

The board of directors have identified the following adjustments which have been applied retrospectively in analogy to "IAS 8 – Accounting Policies, Changes in Accounting Estimate and Errors" in order to achieve improved disclosure.

**a. Impairment loss on financial asset**

Under the Guideline on Credit Impairment Measurement and Income Recognition of the Bank of Mauritius (the "Guideline"), banks in Mauritius are required to make a provision for credit losses of not less than 1% on their unimpaired loans and advances. In the prior years, the Company was recording its portfolio allowances for credit losses based on its historical loss rate and was making an appropriation of reserves for the shortfall in regulatory provision by transferring such amounts from retained earnings to a general banking reserve. In order to address the increased credit risk that the Company faces with the continued growth of its lease book, and because the Company does not have a history of significant write off for the past years, the board of directors reassessed the company's impairment model. This has resulted in the model being recalibrated to take into consideration current (2017) and past (2015-2016) economic conditions. The company has revised its credit loss provisions. The board believes that the recalibrated credit loss model taking into account better information best reflects the credit risk faced by the Company, and has restated the financial statements accordingly. As this revised credit loss provision is no longer materially different to the amounts required by the Bank of Mauritius, accordingly the board has reclassified the amount set aside in the general banking reserve to retained earnings with an equal amount impacting "Net impairment of financial assets" in profit or loss and "Finance Lease to customer" on the statement of financial position. The board has applied the reclassification retrospectively in line with 'IAS 8 Accounting policies, changes in accounting estimate and errors'. The Company has accordingly restated its prior years' financial statements to reflect these reclassifications. The bank has accordingly restated its prior years' financial statements to reflect these reclassifications.

	31 Dec 16 Rs	31 Dec 15 Rs
<b>Statement of Profit or Loss</b>		
<b>Effect on allowance for credit impairment</b>		
<i>(Decrease)/increase on portfolio provision</i>	(262,850)	4,230,693
<i>(Decrease)/increase</i>	(262,850)	4,230,693
<b>Effect on profit before tax</b>		
<i>Allowance for credit impairment</i>	262,850	(4,230,693)
<i>Increase/(Decrease)</i>	262,850	(4,230,693)
<b>Effect on Income tax expense</b>		
<i>Deferred tax movement on portfolio provision</i>	44,685	(719,218)
<i>(Decrease)/increase</i>	44,685	(719,218)
<b>Statement of financial position</b>		
<b>Effect on allowance for credit impairment on finance lease to customer:</b>		
<i>As previously stated</i>	30,764,929	27,656,152
<i>Credit impairment charge – portfolio impairment</i>	3,967,844	4,230,693
<i>(Decrease)/increase</i>	34,732,773	31,886,845
<b>Effect on deferred tax assets</b>		
<i>As previously stated</i>	2,708,418	3,210,000
<i>Deferred tax asset on portfolio impairment</i>	674,534	719,218
<i>As restated</i>	3,382,952	3,929,218
<b>Effect on movement on General banking reserve</b>		
<i>As previously stated</i>	3,382,868	4,230,833
<i>Reclassification of general provision to retained earnings</i>	(3,382,868)	(4,230,833)
<i>As restated</i>	-	-

## LA PRUDENCE LEASING FINANCE CO. LTD.

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017 (CONTINUED)

## 25 PRIOR YEAR ADJUSTMENT (Continued)

## Summary

	31 Dec 16	31 Dec 15	01 Jan 15
	Rs	Rs	Rs
Effect of interest expense (Statement of profit or loss)	(429,509)	412,953	-
Effect on Profit before tax	429,509	(412,953)	-
Deposits from customers (Statement of financial position)	(896,239)	(466,729)	(879,683)
Effect on statutory reserve	134,435	70,009	131,952
Effect on Retained earnings	761,804	396,720	747,731

c. Impact of prior year restatement on profit for the year, statutory reserve and retained earnings which are impacted by prior year adjustment (a) and (b)

## Statement of profit or loss

	31 Dec 16	31 Dec 15
	Rs	Rs
Effect on profit for the year		
Effect of interest expense (Statement of profit or loss)	429,509	(412,953)
Effect of allowance for credit impairment	262,850	(4,230,693)
Deferred tax movement on portfolio provision	(44,685)	719,218
	647,674	(3,924,428)

## Statement of financial position

	31 Dec 16	31 Dec 15	01 Jan 15
	Rs	Rs	Rs
Effect on transfer to statutory reserve			
As previously stated	17,405,070	16,089,314	13,415,171
Effect of restatement of profit or loss	(359,561)	(456,712)	131,952
As restated	17,045,509	16,159,323	13,547,123
Movement in statutory reserve	97,151	(588,664)	131,952

## Effect on Retained Earnings

	31 Dec 16	31 Dec 15	01 Jan 15
	Rs	Rs	Rs
As previously stated		23,662,497	12,739,853
Transfer from general reserve	3,382,868	4,230,833	
Portfolio provision charge	(3,967,844)	(4,230,693)	
Deferred tax assets	674,534	719,218	
Transfer from statutory reserve	493,996	526,721	
Increase from prior year adjustment (a)	583,554	1,246,079	
Effect of interest expense			
Interest expense	896,239	466,729	879,683
Transfer (to)/from statutory reserve	(134,435)	(70,009)	(131,952)
Increase from prior year adjustment (b)	761,804	396,720	747,731
Net increase from prior year adjustment (a) and (b)	1,345,358	1,642,800	747,731
As restated	21,311,767	25,305,297	13,487,584

## 26 IMMEDIATE AND ULTIMATE PARENT

Prudence Holding Limited, a company incorporated in Mauritius under the Mauritian Companies Act 2001 as a public company, holds 100% shareholding of La Prudence Leasing Finance Co. Ltd. and the directors consider Prudence Holding Limited as the Company's immediate ultimate holding company.

## 27 EVENTS AFTER THE REPORTING PERIOD

There are no events after the end of the reporting period which the directors consider may materially affect the financial statements for the year ended 31 December 2017.