MCB Microfinance

FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

CONTENTS

CONTENTS	PAGE
Report of directors	2
Secretary's certificate	3
Corporate governance report	4 to 4(q)
Statement of compliance	4(r)
Independent auditors' report to the shareholder	5 to 5(b)
Statement of profit or loss and other comprehensive income	6
Statement of financial position	7
Statement of changes in equity	8
Statement of cash flows	9
Notes to the financial statements	10 - 31

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED JUNE 30, 2019

The directors have pleasure in submitting the Annual Report of MCB Microfinance Ltd for the year ended June 30, 2019 as set out on pages 6 to 31.

The shareholder agrees that in conformity with Section 221 (4) of The Companies Act 2001 ("Act"), the Annual Report of the Company need not comply with paragraphs (a), (d) and (e) of Section 221 (1) of the Act.

This report was approved by the Board of Directors on …………………

…..……………………	……………………………
Director	Director

SECRETARY'S CERTIFICATE
FOR THE YEAR ENDED JUNE 30, 2019

I certify that, to the best of my knowledge and belief, the Company has filed with the Registrar of Companies all such returns as are required of the Company under the Companies Act 2001.

For and on behalf of
MCB Group Corporate Services Ltd
Company Secretary

Date:

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2019

	Notes	2019	2018
		Rs.	Rs.
Interest income	2(f)	**34,139,956**	28,011,749
Interest expense		**(2,713,031)**	(2,240,326)
Net interest income	5	**31,426,925**	25,771,423
Fee and commission income	6	**3,291,437**	2,463,056
Operating income		**34,718,362**	28,234,479
Net impairment loss on financial assets	7	**(9,555,172)**	(16,056,975)
Personnel expenses	8	**(20,766,608)**	(19,091,597)
Depreciation	11	**(1,968,789)**	(2,089,709)
Amortisation	12	**(360,602)**	(360,602)
Other expenses	9	**(6,849,300)**	(6,670,119)
Loss before tax		**(4,782,109)**	(16,034,523)
Income tax	10	**573,670**	2,725,360
Loss for the year		**(4,208,439)**	(13,309,163)
Other comprehensive income		**-**	-
Total comprehensive income for the year		**(4,208,439)**	(13,309,163)
Loss per share	20	**(4.48)**	(17.75)

The notes on pages 10 to 31 form an integral part of the financial statements.
Auditors' report on pages 5 to 5(b).

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2019

	Notes	2019	2018
		Rs.	Rs.
ASSETS			
Plant and equipment	11	**3,010,670**	4,078,564
Intangible assets	12	**721,201**	1,081,803
Financial assets at amortised cost	13	**245,410,919**	208,569,584
Other assets	14	**159,787**	136,185
Deferred tax assets	15	**7,861,740**	7,288,070
Cash in hand and at bank	19(b)	**52,697**	79,328
Total assets		**257,217,014**	221,233,534
LIABILITIES			
Borrowings	16	**189,257,660**	177,853,109
Other liabilities	17	**6,407,803**	4,949,503
Total liabilities		**195,665,463**	182,802,612
Shareholders' equity			
Stated capital	18	**100,000,000**	75,000,000
Revenue deficit		**(38,448,449)**	(36,569,078)
Total equity		**61,551,551**	38,430,922
Total equity and liabilities		**257,217,014**	221,233,534

The financial statements have been approved for issue by the board of directors on:

………………. ……………….

Director Director

The notes on pages 10 to 31 form an integral part of the financial statements.
Auditors' report on pages 5 to 5(b).

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2019

	Notes	Share Capital	Revenue Deficit	Total
		Rs.	Rs.	Rs.
Balance at July 1, 2018				
- as previously reported		75,000,000	(36,569,078)	38,430,922
- effect of changes in accounting policy	24	-	2,329,068	2,329,068
- as restated		75,000,000	(34,240,010)	40,759,990
Issue of shares	18	25,000,000	-	25,000,000
Loss for the year		-	(4,208,439)	(4,208,439)
Balance at June 30, 2019		**100,000,000**	**(38,448,449)**	**61,551,551**
Balance at July 1, 2017 - as restated		75,000,000	(23,259,915)	51,740,085
Loss for the year		-	(13,309,163)	(13,309,163)
Balance at June 30, 2018		**75,000,000**	**(36,569,078)**	**38,430,922**

The notes on pages 10 to 31 form an integral part of the financial statements.
Auditors' report on pages 5 to 5(b).

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019	2018
		Rs.	Rs.
Cash flow from operating activities			
Loss before tax		**(4,782,109)**	(16,034,523)
Adjustments for:			
Depreciation on plant and equipment		**1,968,789**	2,089,709
Amortisation of intangible assets		**360,602**	360,602
Write off on scrap assets		**10,731**	16,806
Interest income		**(34,139,956)**	(28,011,749)
Interest expense		**2,713,031**	2,240,326
Provision for gratuity		**185,691**	612,812
Charge for credit impairment		**9,303,416**	15,772,959
Changes in working capital:			
- loans to customers		**(43,577,512)**	(43,032,876)
- other assets		**(23,602)**	108,562
- other liabilities		**541,067**	903,626
- deferred income		**277,764**	269,013
Interest paid		**(2,717,416)**	(2,343,788)
Interest received		**33,901,785**	27,774,067
Net cash used in operating activities		**(35,977,719)**	(39,274,454)
Cash flows from investing activity			
Purchase of plant and equipment		**(457,848)**	(78,033)
Net cash used in investing activity		**(457,848)**	(78,033)
Cash flows from financing activities			
Issue of shares		**25,000,000**	-
Loan from holding company		**25,000,000**	50,000,000
Proceeds from borrowings		**942,300,000**	766,521,000
Payments on borrowings		**(955,800,000)**	(782,556,000)
Net cash generated from financing activities		**36,500,000**	33,965,000
Net increase/(decrease) in cash and cash equivalents		**64,433**	(5,387,487)
Movement in cash and cash equivalents			
At July 1,		**(228,892)**	5,158,595
Increase/(decrease)		**64,433**	(5,387,487)
At June 30,	19(b)	**(164,459)**	(228,892)

The notes on pages 10 to 31 form an integral part of the financial statements.
Auditors' report on pages 5 to 5(b).

1. GENERAL INFORMATION

MCB Microfinance Ltd is a private company limited by shares domiciled and incorporated in Mauritius on January 20, 2016.

The activities of the Company consist mainly in providing microfinance services.

The address of its registered office is Sir William Newton Street, MCB Centre, Port Louis.

These financial statements will be submitted for consideration and approval at the forthcoming Annual Meeting of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statement of MCB Microfinance Ltd comply with the Companies Act 2001 and have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements is prepared under the historical cost convention except for financial assets and liabilities which are stated at fair value.

Standards, Amendments to published Standards and Interpretations effective in the reporting period

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 Financial Instruments from January 1, 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Note 2(d) and 2(e). The Company has elected to apply the exemption in IFRS 9 paragraph 7.2.15 not to restate prior periods in the year of initial application of the standard. The Company has chosen to adopt the general approach credit loss model for loans to customers in accordance with IFRS 9 paragraph 5.5.15.

IFRS 15 Revenue from Contracts with Customers is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The Company has adopted IFRS 15 Revenue from Contracts with Customers from July 1, 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Note 2(f) and 2(g). In accordance with the transition provisions in IFRS 15, the Company has not restated comparatives for previous financial year, year ended June 30, 2018.

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)
The amendments clarify the measurement basis for cash-settled share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. The amendment has no impact on the Company’s financial statements.

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)
The amendment provides two different solutions for insurance companies: a temporary exemption from IFRS 9 for entities that meet specific requirements (applied at the reporting entity level), and the ‘overlay approach’. Both approaches are optional. The amendment has no impact on the Company’s financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

Standards, Amendments to published Standards and Interpretations effective in the reporting period (cont'd)

Annual Improvements to IFRSs 2014-2016 Cycle

- IFRS 1 - deleted short-term exemptions covering transition provisions of IFRS 7, IAS 19 and IFRS 10 which are no longer relevant.
- IAS 28 - clarifies that the election by venture capital organisations, mutual funds, unit trusts and similar entities to measure investments in associates or joint ventures at fair value through profit or loss should be made separately for each associate or joint venture at initial recognition. The amendment has no impact on the Company's financial statements.

IFRIC 22 Foreign Currency Transactions and Advance Consideration. The interpretation clarifies how to determine the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts. The amendment has no impact on the Company's financial statements.

Transfers of Investment Property (Amendments to IAS 40). The amendments clarify that transfers to, or from, investment property can only be made if there has been a change in use that is supported by evidence. A change in use occurs when the property meets, or ceases to meet, the definition of investment property. A change in intention alone is not sufficient to support a transfer. The amendment has no impact on the Company's financial statements.

Standards, Amendments to published Standards and Interpretations issued but not yet effective

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after January 1, 2019 or later periods, but which the Company has not early adopted.

At the reporting date of these financial statements, the following were in issue but not yet effective:

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
IFRS 16 Leases
IFRS 17 Insurance Contracts
IFRIC 23 Uncertainty over Income Tax Treatments
Prepayment Features with negative compensation (Amendments to IFRS 9)
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
Annual Improvements to IFRSs 2015-2017 Cycle
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)
Definition of a Business (Amendments to IFRS 3)
Definition of Material (Amendments to IAS 1 and IAS 8)

Where relevant, the Company is still evaluating the effect of these Standards, Amendments to published Standards and Interpretations issued but not yet effective, on the presentation of its financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

IFRS 16 Leases - effective July 01, 2019

Adoption of IFRS 16 will result in the Company recognising right-of-use assets and lease liabilities for all contracts that are, or contain, a lease. For leases currently classified as operating leases, under current accounting requirements the Company does not recognise related assets or liabilities, and instead spreads the lease payments on a straight-line basis over the lease term, disclosing in its annual financial statements the total commitment. The Company is assessing the impact of this new standard and will adopt the standard when it becomes effective.

The preparation of financial statement in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statement, are disclosed in Note 4.

(b) Plant and equipment

All plant and equipment is initially recorded at cost and 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 assets' 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.

Work in progress for production, rental or administrative purposes or for purposes not yet determined are carried at cost less any recognised impairment loss. Cost includes professional fees and for qualifying assets, borrowing costs capitalised. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is calculated on the straight line method to write off the cost of the assets to their residual values over their estimated useful lives as follows:

	Per annum
Leasehold improvements	33.33% - 46%
Office equipment	10-20%
Furniture & fixtures	10%
Computer hardware	20%
Generator and other utility installation	10%

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

Gains and losses on disposal of plant and equipment are determined by comparing proceeds with carrying amount and are included in the statement of profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Intangible assets

Computer software

Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software and are amortised over their estimated useful lives as follows:

	Per annum
Computer Software	20%

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

(d) Financial assets at amortised cost

These assets arise principally from the provision of services to customers, but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for the financial assets are recognised based on the forward looking expected credit loss model.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Company's financial assets measured at amortised cost includes cash and cash equivalents on the statement of financial position.

Bank overdrafts are shown with borrowings in liabilities on the statement of financial position.

The Company classifies its financial liabilities as follows:

- bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.
- Other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Impairment losses on financial assets

Prior to adoption of IFRS 9
Specific allowances are made on a collective basis based on Company policy as follows:

1-30 days overdue	8%
31-60 days overdue	13%
61-90 days overdue	19%
more than 90 days overdue	100%

A portfolio allowance for credit losses of 1% is made on all unimpaired loans. The changes in portfolio allowances are charged/credited to the statement of profit or loss at the end of each period.

On adoption of IFRS 9

The adoption of IFRS 9 has fundamentally changed the Company's loan loss impairment method by replacing IAS 39’s incurred loss approach with a forward-looking ECL approach.
From January 1, 2018 the Company has been recording allowance for expected credit losses for all of its financial assets.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months’ expected credit loss (12mECL).

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of the financial instruments.

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition.

It considers available reasonable and supportive forwarding-looking information. Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

A significant increase in credit risk is presumed if a debtor is more than 1-89 days past due in making a contractual payment.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Company. The Company categorises a loan for write off when a debtor fails to make contractual payments greater than 90 days past due. Where loans have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

2. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(e) **Impairment losses on financial assets (cont'd)**

The calculation of ECLs

PD - The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period.

LGD - Loss given default is defined as the likely loss intensity in case of a counterparty default. It provides an estimation of the exposure that cannot be recovered in a default event and therefore captures the severity of a loss. Conceptually, LGD estimates are independent of a customer’s probability of default. The LGD models ensure that the main drivers for losses (i.e., different levels and quality of collateralization and customer or product types or seniority of facility) are reflected in specific LGD factors.

EAD - The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

The mechanics of the ECL method are summarised below:

Stage 1: The 12-month ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12-month ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD, and discounted by an approximation to the original EIR.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. These expected default probabilities are applied to a forecast EAD and multiplied by the expected LGD.

Stage 3: For loans considered credit-impaired, the Company recognises the lifetime expected credit losses for these loans. The ECL set at 100%.

Overview of ECL principles

A summary of the assumptions underpinning the Company's expected credit loss model is as follows:

Company internal category	**Company definition of category**	**Basis for recognition of expected credit loss provision**
Performing	Customers having zero days past due	12 month expected credit losses

2. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(e) **Impairment losses on financial assets (cont'd)**

Overview of ECL principles (cont'd)

Company internal category	**Company definition of category**	**Basis for recognition of expected credit loss provision**
Under-Performing	Loans for which there is a significant increase in credit risk presumed if principal and/or interest repayments are 1-89 days past due	Lifetime expected losses
Default	Principal and/or interest repayments are 90+ days past due and there is no reasonable expectation of recovery	Lifetime expected losses

Microfinancing loans are provided to micro-business to assist them in the day-to-day running or in the expansion of their business, as part of the Company's ongoing support for local entrepreneurs. The Company does not require the micro-business customers to pledge collateral as security agains the loan.

Over the term of the loans, the Company accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Company considers the historical loss rates for each category of customers and adjusts for forward looking macroeconomic data. The Company provides for credit losses against loans financial assets at amortised cost as follows:

Company internal	**Expected**	**Basis for**
Performing	1%	12 months
Under-Performing	4%	Lifetime
Default	100%	Assets written

(f) **Interest income and expense**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

For all financial instruments measured at amortised cost, interest income and interest expenses are recognised in a time-proportion basis using the effective interest method. This method uses the effective interest rate (EIR) that exactly discounts the estimated future cash receipts or payments over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The carrying amount of the financial asset or financial liability is adjusted if the Company revise their estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

2. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(f) **Interest income and expense**

When a financial asset becomes credit-impaired and is considered as 'Stage 3', the Company calculates interest income by applying the effective interest rate to the outstanding amount of the financial asset. For all credit impaired assets, the interest income is reversed and charged against the outstanding amount of the financial asset. If the financial assets recovers and is no longer credit-impaired, the Company reverts to calculating interest income on a gross basis.

(g) **Fees and commissions**

Fees and commissions are generally recognised when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with the related direct costs) and recognised as an adjustment to the effective interest rate on the loan.

(h) **Stated capital**

Ordinary shares
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as deduction, net of tax, from proceeds.

(i) **Current and deferred income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current tax
The current income tax charged is based on taxable income for the period calculated on the basis of tax laws enacted or substantively enacted by the end of the reporting period.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Gratuity on retirement

For employees who are not covered under the pension scheme, the net present value of gratuity on retirement payable under the Employment Rights Act 2008 is calculated. The obligations arising under this item are not funded.

The Employment Rights Act stipulates that the Gratuity paid on Retirement should be based on the remuneration (which is inclusive of payment for extra work, productivity bonus, attendance bonus, commission in return for services and any other regular payment) of the employee. The amount due per year of service is 15 days remuneration based on a month of 26 days (15/26).

(k) Borrowings

Borrowings are recognised initially at fair value being their issue proceeds net of transaction cost incurred. Borrowings are subsequently stated 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.

(l) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

3. FINANCIAL RISK MANAGEMENT

3.1 Financial Risk Factors

The Company's activities expose it to a variety of financial risks: credit 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. A description of the significant risk factors is given below together with the risk management policies applicable.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company’s microfinance loans to customers.

The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Company's management based on the current environment.

The Company has no significant concentration of credit risks with exposure spread over a large number of counterparties and customers. The Company has policies to limit the amount of credit exposure to any one financial position. The Company has policies in place to ensure that loans are granted to customers with appropriate credit history.

Credit Quality of Loans	**2019**	2018
	Rs.	Rs.
Neither past due nor impaired	**214,333,981**	183,088,337
Impaired	**61,548,378**	49,542,370
Gross	**275,882,359**	232,630,707
Less allowances for credit impairment	**(30,471,440)**	(24,061,123)
Net	**245,410,919**	208,569,584

The Company has policies to provide allowances for credit impairment on all microfinance loans up to full provisioning after three months.

The Company provides microfinance loans which are not secured by any collaterals.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering of cash or another financial asset. Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding and the ability to close out market positions. The Company aimed at maintaining flexibility in funding by keeping committed credit lines available.

3. **FINANCIAL RISK MANAGEMENT (CONT'D)**

3.1 **Financial Risk Factors (cont'd)**

(b) **Liquidity risk (cont'd)**

Maturities of assets and liabilities

At June 30, 2019	**Up to 1 year**	**1- 3 years**	**Over 3 years**	**Non-Maturity Items**	**Total**
Financial assets	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Loans to customers	145,380,986	130,501,373	-	-	275,882,359
Cash in hand and at bank	-	-	-	52,697	52,697
	145,380,986	130,501,373	-	52,697	275,935,056
Less allowances for credit impairment					(30,471,440)
Total					**245,463,616**
Financial liabilities					
Borrowings	189,257,660	-	-	-	189,257,660
	189,257,660	-	-	-	189,257,660
Total					**189,257,660**
Net liquidity gap	(43,876,674)	130,501,373	-	52,697	86,677,396
Less allowances for credit impairment					(30,471,440)
					56,205,956

At June 30, 2018	Up to 1 year	1- 3 years	Over 3 years	Non-Maturity Items	Total
Financial assets	Rs.	Rs.	Rs.	Rs.	Rs.
Loans to customers	102,980,977	129,649,730	-	-	232,630,707
Cash in hand and at bank	-	-	-	79,328	79,328
	102,980,977	129,649,730	-	79,328	232,710,035
Less allowances for credit impairment					(24,061,123)
Total					**208,648,912**
Financial liabilities					
Borrowings	177,853,109	-	-	-	177,853,109
	177,853,109	-	-	-	177,853,109
Total					**177,853,109**
Net liquidity gap	(74,872,132)	129,649,730	-	79,328	54,856,926
Less allowances for credit impairment					(24,061,123)
					30,795,803

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.2 Fair values of financial assets and liabilities

The carrying amounts of bank balances, other receivables, other payables approximate their fair values. The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

3.3 Capital risk management

The Company's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing services commensurately with the level of risk.
- to maintain at all times a minimum paid up and unimpaired stated capital and shareholder's funds at the higher of Rs. 10m or 5% of its total liabilities.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Expected credit losses on financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Elements ECL models that are considered accounting judgements and estimates include mainly:

(a) the development of ECL models, including the various formulas and the choice of inputs which normally include determination of associations between macroeconomics scenarios and, economic inputs, such as gross domestic products rate and collateral values, and the effect on the probability of default (PDs), Exposure At Default (EADs) and Loss Given Default (LGD).

(b) selection of forward-looking macroeconomic scenarios and their probablity weightings, to derive the economic inputs into the ECL models.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(b) Asset lives and residual values

Plant and equipment are depreciated over their useful lives taking into account residual values, where appropriate. The estimate lives of the assets and residual values are assessed annually and may vary depending on a number of factors (maintenance, future market conditions, projected disposal values amongst other things). The directors make estimates based on historical experience and use best judgement to assess the useful lives of the assets and to forecast expected residual values of the assets at the end of their expected useful lives.

(c) Depreciation policies

Property, plant and equipment are depreciated to their residual values over their estimated useful lives. The residual value of an asset is the estimated net amount that the Company would currently obtain from disposal of the asset, if the asset were already of the age and in condition expected at the end of its useful life.

(d) Deferred tax assets arising from tax losses

The Company has deferred tax assets of Rs 2.4m (2018: Rs 3.2m), arising mainly from tax losses. The Company has made estimates of its future taxable income and believes that the tax losses will be fully utilised within the relevant period during which such tax losses may be carried forward.

5. NET INTEREST INCOME

	2019	2018
	Rs.	Rs.
Interest income		
Loan to customers	**34,139,956**	28,011,749
Interest expense		
Money market line	**2,640,940**	2,148,907
Bank overdraft	**72,091**	91,419
	2,713,031	2,240,326
Net interest income	**31,426,925**	25,771,423

6. FEE AND COMMISSION INCOME

	2019	2018
	Rs.	Rs.
Processing fees	**1,586,791**	1,158,697
Penalty fees	**634,228**	909,698
Others	**1,070,418**	394,661
	3,291,437	2,463,056

7. NET IMPAIRMENT LOSS ON FINANCIAL ASSETS

	2019	2018
	Rs.	Rs.
Allowances for credit impairment		
- Loans to customers	**9,303,416**	15,772,959
- Amount written off	**251,756**	284,016
	9,555,172	16,056,975

8. PERSONNEL EXPENSES

	2019	2018
	Rs.	Rs.
Wages and salaries	**17,948,609**	16,000,189
Social security obligations	**730,121**	653,813
Contributions to pension costs	**1,309,659**	1,578,128
Other personnel expenses	**778,219**	859,467
	20,766,608	19,091,597

9. OTHER EXPENSES

	2019	2018
	Rs.	Rs.
Software licencing and other information technology cost	**165,017**	144,167
Rental and service fees	**1,493,656**	1,528,656
Professional fees	**1,747,800**	1,610,459
Advertising costs	**516,699**	433,642
Sundry and maintenance	**1,272,395**	1,196,223
Loss on sale of property and equipment	**10,731**	16,806
Other	**1,643,002**	1,740,166
	6,849,300	6,670,119

10. INCOME TAX

	2019	2018
	Rs.	Rs.
(a) Deferred tax (Note 15)	**573,670**	2,725,360
	573,670	2,725,360

10. INCOME TAX (CONT'D)

(b) The tax on the Company's loss before tax differs from the theoretical amount that would arise using the basic tax rate of the Company as follows:

	2019	2018
	Rs.	Rs.
Loss before income tax	**(4,782,109)**	(16,034,523)
Income tax at 15%	**(717,316)**	(2,405,178)
Expenses not deductible for tax purposes	**257,719**	450
Deferred tax rate differential on corporate social responsibility tax	**(114,073)**	(320,632)
	(573,670)	(2,725,360)

11. PLANT AND EQUIPMENT

2019	**Leasehold Improvement**	**Office Equipment**	**Furniture & Fixtures**	**Computer Hardware**	**Generator and other utility installation**	**Work in Progress**	**Total**
COST	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
At July 1, 2017	4,370,815	1,746,133	1,089,600	1,143,068	77,030	-	8,426,646
Additions	-	-	67,326	10,707	-	-	78,033
Disposals	(55,000)	-	-	-	-	-	(55,000)
At June 30, 2018	**4,315,815**	**1,746,133**	**1,156,926**	**1,153,775**	**77,030**	**-**	**8,449,679**
Additions	96,123	183,912	51,635	126,178	-	453,777	911,625
Disposals	-	-	-	(20,769)	-	-	(20,769)
At June 30, 2019	**4,411,938**	**1,930,045**	**1,208,561**	**1,259,184**	**77,030**	**453,777**	**9,340,535**
DEPRECIATION							
At July 1, 2017	1,661,294	284,936	119,057	245,485	8,828	-	2,319,600
Charge for the year	1,476,392	265,040	111,604	228,970	7,703	-	2,089,709
Disposal adjustment	(38,194)	-	-	-	-	-	(38,194)
At June 30, 2018	**3,099,492**	**549,976**	**230,661**	**474,455**	**16,531**	**-**	**4,371,115**
Charge for the year	1,312,446	290,052	119,184	239,404	7,703	-	1,968,789
Disposal adjustment	-	-	-	(10,039)	-	-	(10,039)
At June 30, 2019	**4,411,938**	**840,028**	**349,845**	**703,820**	**24,234**	**-**	**6,329,865**
NET BOOK VALUE							
At June 30, 2019	**-**	**1,090,017**	**858,716**	**555,364**	**52,796**	**453,777**	**3,010,670**
At June 30, 2018	1,216,323	1,196,157	926,265	679,320	60,499	-	4,078,564

12. INTANGIBLE ASSETS

	Computer Software
2019	**Rs.**
COST	
At July 1, 2017	1,800,769
Additions	-
At June 30, 2018	**1,800,769**
Additions	-
At June 30, 2019	**1,800,769**
AMORTISATION	
At July 1, 2017	**358,364**
Charge for the year	360,602
At June 30, 2018	**718,966**
Charge for the year	360,602
At June 30, 2019	**1,079,568**
NET BOOK VALUE	
At June 30, 2019	**721,201**
At June 30, 2018	1,081,803

13. FINANCIAL ASSETS AT AMORTISED COST

	2019	2018
	Rs.	Rs.
Loans to customers	**274,056,001**	231,042,520
Interest receivable	**1,826,358**	1,588,187
Gross loans	**275,882,359**	232,630,707
Less allowance for impairment (Note 13(b))	**(30,471,440)**	(24,061,123)
	245,410,919	208,569,584

(a) Remaining term of maturity:

	2019	2018
	Rs.	Rs.
Up to 3 months	**47,871,127**	34,309,208
Over 3 months and up to 6 months	**32,060,755**	24,908,730
Over 6 months and up to 12 months	**57,146,288**	43,763,038
Over 1 year and up to 5 years	**138,804,189**	129,649,731
	275,882,359	232,630,707

(b) Allowances for credit impairment

	Stage 1	**Stage 2**	**Stage 3**	**Total**
	Rs.	**Rs.**	**Rs.**	**Rs.**
At 30 June 2018	3,348,282	1,692,954	19,019,887	24,061,123
Effect of changes in accounting policy (Note 24)	(1,130,710)	(1,198,358)	-	(2,329,068)
Balance at 01 July 2018	**2,217,572**	**494,596**	**19,019,887**	**21,732,055**
Transfer to stage 1	56,786	(56,786)	-	-
Transfer to stage 2	(110,762)	110,762	-	-
Transfer to stage 3	(120,921)	(288,301)	409,222	-
Additional provision	1,675,608	276,119	12,848,964	14,800,691
Provision released	(548,119)	(4,629)	(1,135,995)	(1,688,743)
Assets derecognised	(520,488)	(128,076)	(2,908,212)	(3,556,776)
Write offs	-	-	(815,787)	(815,787)
At 30 June 2019	**2,649,676**	**403,685**	**27,418,079**	**30,471,440**

13. LOANS TO CUSTOMERS (CONT'D)

(b) Allowances for credit impairment (cont'd)

Comparative information under IAS 39	Specific provision	Portfolio provision	Total provision
	Rs.	Rs.	Rs.
At July 1, 2017	9,904,645	1,669,679	11,574,324
Provision for credit impairment for the year	15,622,635	150,324	15,772,959
Amount written off	(3,286,160)	-	(3,286,160)
At June 30, 2018	**22,241,120**	**1,820,003**	**24,061,123**

	2019					
	Gross amount of loans	**Non performing loans**	**Stage 1**	**Stage 2**	**Stage 3**	**Total provision**
	Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Agriculture and fishing	**10,614,268**	**1,050,642**	**92,403**	**32,026**	**1,050,642**	**1,175,071**
Manufacturing	**67,807,739**	**8,839,437**	**641,868**	**113,539**	**8,839,437**	**9,594,844**
Transport	**56,584,801**	**2,909,639**	**574,913**	**77,775**	**2,909,639**	**3,562,327**
Traders	**74,527,935**	**8,878,326**	**698,080**	**125,822**	**8,878,326**	**9,702,228**
Others	**66,347,616**	**5,740,037**	**642,410**	**54,523**	**5,740,037**	**6,436,970**
	275,882,359	**27,418,081**	**2,649,674**	**403,685**	**27,418,081**	**30,471,440**

Comparative information under IAS 39	2018				
	Gross amount of loans	Non performing loans	Specific provision	Portfolio provision	Total provision
	Rs.	Rs.	Rs.	Rs.	Rs.
Agriculture and fishing	9,132,772	2,001,835	1,108,850	70,905	1,179,755
Manufacturing	57,351,856	13,170,887	6,559,905	439,116	6,999,021
Transport	43,779,475	7,789,252	2,724,541	357,849	3,082,390
Traders	66,494,718	15,997,449	4,469,682	450,085	4,919,767
Others	55,871,886	10,582,947	7,378,142	502,048	7,880,190
	232,630,707	49,542,370	22,241,120	1,820,003	24,061,123

(c) Credit concentration of risk by industry sectors:

	2019	2018
	Rs.	Rs.
Agriculture and fishing	**10,614,268**	9,132,772
Manufacturing	**67,807,739**	57,351,856
Transport	**56,584,801**	43,779,475
Traders	**74,527,935**	66,494,718
Others	**66,347,616**	55,871,886
	275,882,359	232,630,707

14. OTHER ASSETS

	2019	2018
	Rs.	Rs.
Prepayments	**105,787**	82,185
Deposits	**54,000**	54,000
	159,787	136,185

15. DEFERRED INCOME TAX

Deferred income tax is calculated on all temporary differences under the liability method at 17%.

(a) There is a legally enforceable right to offset current tax assets against current tax liabilities and deferred income tax assets and liabilities when the deferred income taxes relate to the same fiscal authority on the same entity. The following amounts are shown in the statements of financial position:

The movement on the deferred income tax account is as follows:	**2019**	2018
	Rs.	Rs.
Deferred tax assets	**7,755,105**	7,460,975
Deferred tax liabilities	**106,635**	(172,905)
Net deferred income tax assets	**7,861,740**	7,288,070

At the end of the reporting period, the Company had unused tax losses of Rs 13.92m (2018: Rs 18.79m) available for offset against future profits. A deferred tax asset has been recognised in respect of Rs 2.37m (2018: Rs 3.19m) of such losses. The tax losses expire on a rolling basis over 5 years.

(b) The movement on the deferred income tax account is as follows:	**2019**	2018
	Rs.	Rs.
At July 1, - as restated	**7,288,070**	4,562,710
Credited to profit or loss (Note 10)	**573,670**	2,725,360
At June 30,	**7,861,740**	7,288,070

(c) The movement in deferred tax liabilities during the year, without taking into consideration the offsetting of balances within the same fiscal authority, is as follows:

(i) <u>**Deferred tax liabilities**</u>	**Accelerated tax depreciation**	**Total**
	Rs.	**Rs.**
At June 30, 2018	172,905	172,905
Credited to profit or loss	(279,540)	(279,540)
At June 30, 2019	**(106,635)**	**(106,635)**

(ii) <u>**Deferred tax assets**</u>	**Impairment losses**	**Tax losses**	**Provision on gratuity**	**Total**
	Rs.	**Rs.**	**Rs.**	**Rs.**
At June 30, 2018	4,090,391	3,194,250	176,334	7,460,975
Credited/(charged) to profit or loss	1,089,754	(827,192)	31,568	294,130
At June 30, 2019	**5,180,145**	**2,367,058**	**207,902**	**7,755,105**

16. **BORROWINGS**	**2019**	2018
	Rs.	Rs.
Short term bank borrowings	**64,000,000**	77,500,000
Interest payable to short term bank borrowings	**40,504**	44,889
Loan from holding company	**125,000,000**	100,000,000
Bank overdraft (Note 19)	**217,156**	308,220
	189,257,660	177,853,109

16. **BORROWINGS (CONT'D)**

The rates of interest on these short term bank borrowings is at 3.30% (2018: 3.30%) with maturity up to 1 month.

The loan from holding company is repayable on demand and is interest free.

17. **OTHER LIABILITIES**

	2019	2018
	Rs.	Rs.
Amount due to related parties (Note 22)	**901,192**	396,712
Retirement benefit obligations (Note 17(a))	**1,222,951**	1,037,260
Deferred income	**2,327,738**	2,049,974
Other payables	**1,955,922**	1,465,557
	6,407,803	4,949,503

The carrying amounts of other payables approximate their fair value.

(a) **Retirement benefit obligations**

	2019	2018
	Rs.	Rs.
(i) Amounts recognised in the statement of financial position:		
Other post retirement benefits (Note 17(b))	**1,222,951**	1,037,260
(ii) Amounts charged to profit or loss:		
Other post retirement benefits (Note 17(b))	**185,691**	612,812

(b) **Other post retirement benefits**

Other post retirement benefits comprise mainly of gratuity on retirement payable under the Employment Rights Act 2008 and other benefits.

(i) Movement in gratuity on retirement:	**2019**	2018
	Rs.	Rs.
At July 1,	**1,037,260**	424,448
Total expense charged in profit or loss	**185,691**	612,812
At June 30,	**1,222,951**	1,037,260

18. **STATED CAPITAL**

	Number of shares (thousands)	**Ordinary shares**	**Total**
		Rs.	**Rs.**
At June 30, 2018	750	75,000,000	75,000,000
Issue of shares	250	25,000,000	25,000,000
At June 30, 2019	**1,000**	**100,000,000**	**100,000,000**

19. **CASH AND CASH EQUIVALENTS**

The total authorised and issued number of ordinary shares is 1,000,000 shares (2018: 750,000 shares). All issued shares are at no par value and are fully paid.

19. **CASH AND CASH EQUIVALENTS (CONT'D)**

(a) Reconciliation of liabilities arising from financing activities

	2018	Cash flows	**2019**
	Rs	Rs	**Rs**
Loan from holding company	100,000,000	25,000,000	**125,000,000**
Short term borrowings	77,500,000	(13,500,000)	**64,000,000**
Total liabilities from financing activities	177,500,000	11,500,000	**189,000,000**

	2019	2018
	Rs.	Rs.
(b) Cash in hand and at bank	**52,697**	79,328

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Cash and cash equivalents include the following for the purpose of the statement of cash flows.

	2019	2018
	Rs.	Rs.
Cash in hand and at bank	**52,697**	79,328
Bank overdraft (Note 16)	**(217,156)**	(308,220)
	(164,459)	(228,892)

(c) Non-cash transactions	**2019**	2018
	Rs.	Rs.
Acquisitions of plant and equipment	**453,777**	-
	453,777	-

20. **LOSS PER SHARE**	**2019**	2018
	Rs.	Rs.
Loss per share is based on:		
Loss for the year	**(4,208,439)**	(13,309,163)
Weighted average number of ordinary shares in issue	**938,356**	750,000
Loss per share	**(4.48)**	(17.75)

21. **RELATED PARTY TRANSACTIONS**

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

	Purchase of services	**Financial charges**	**Loans from**	**Amount owed to related parties**
(a) **2019**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Holding company	**4,656**	**3,000**	**125,000,000**	**-**
Fellow subsidiary	**209,035**	**-**	**-**	**12,583**
Entities under common shareholders	**1,597,408**	**2,724,899**	**64,040,504**	**888,609**

21. **RELATED PARTY TRANSACTIONS (CONT'D)**

	Purchase of services	Financial charges	Loans from	Amount owed to related parties
	Rs.	Rs.	Rs.	Rs.
2018				
Holding company	-	-	100,000,000	-
Fellow subsidiary	-	-	-	12,583
Entities under common shareholders	1,025,236	2,251,433	77,544,889	384,129

The above transactions have been made on normal commercial terms and in the normal course of business. The balances owed to related parties represent recharged by group companies comprising mainly of IT services, engineering fees, secretarial fees and compliance fees.

The outstanding balances are unsecured, and settlement occurs in cash within one year.

(b) **Key management personnel compensation**

	2019	2018
	Rs.	Rs.
Salaries and short-term employee benefits	**2,194,717**	2,079,601

22. **HOLDING COMPANY**

The Company is controlled by MCB Group Limited whose registered office is at Sir William Newton Street, MCB Centre, Port Louis, incorporated in Mauritius which owns 100% of the Company's shares.

23. **CHANGES IN ACCOUNTING POLICIES**

(a) **Impact on the financial statements**

IFRS 9 and IFRS 15 were adopted without restating comparative information. Any adjustments arising from the new accounting policies are not reflected in the comparatives year ended June 30, 2018 but are recognised in the opening reserves on July 1, 2018.

The following tables show the adjustments recognised for each individual line item:

Statement of Financial Position (extract)	**June 30, 2018**	**IFRS 9**	**IFRS 15**	**July 01, 2018 Restated**
	Rs.	**Rs.**	**Rs.**	**Rs.**
Assets				
Loans to customers	**208,569,584**	**2,329,068**	**-**	**210,898,652**
Equity				
Revenue deficit	**(36,569,078)**	**2,329,068**	**-**	**(34,240,010)**

The impact of transition to IFRS 9 on the accumulated losses as at July 1, 2018 is as follows:

	Rs.
Revenue deficit - June 30, 2018	**(36,569,078)**
Adjustments from adopting IFRS 9	
Decrease in provision for loans to customers	**2,329,068**
Restated revenue deficit - July 1, 2018	**(34,240,010)**

24. CHANGES IN ACCOUNTING POLICIES (CONT'D)

(i) Classification and measurement

On July 1, 2018, management has assessed which business models apply to the financial assets held and has classified its financial instruments into the appropriate IFRS 9 categories. The business model has not changed and there have been no reclassification of financial assets.

On the date of initial application, July 1, 2018, the financial instruments of the Company were as follows:

	Measurement category		**Carrying amount**	
	Original (IAS 39)	New (IFRS 9)	**Original**	**New**
	Rs.	Rs.	**Rs.**	**Rs.**
Assets				
Loans to customers	Amortised	Amortised cost	**208,569,584**	**210,898,652**
Other assets (excluding prepayments)	Amortised	Amortised cost	**54,000**	**54,000**
Liabilities				
Borrowings	Amortised	Amortised cost	**177,853,109**	**177,853,109**
Other liabilities	Amortised	Amortised cost	**3,912,243**	**3,912,243**

(ii) Impairment of financial assets

The Company has loan to customers that are subject to IFRS 9's new expected credit loss model. The Company was required to revise its impairment methodology under IFRS 9. The impact of the change in impairment methodology on the Company's retained earnings and equity is disclosed above.

While cash and cash equivalent are also subject to the impairment requirements of IFRS 9, no impairment loss was recognised during the year.

The Company has chosen to adopt the general approach expected credit loss model for loans to customers in accordance with IFRS 9 paragraph 5.5.15. This resulted in a decrease of Rs 2.3m of the allowance for credit impairment on July 1, 2018 for loans to customers.

(b) IFRS 15 Revenue from Contracts with customers

IFRS 15 Revenue from Contracts with customers has no significant impact to the Company.