

***Directors' Report and Audited Financial Statements***

***SATHAPANA LIMITED***

**Reg No. 105201095 (Former Reg No. 993 FC/2014-2015)**

**(Incorporated in the Republic of the Union of Myanmar)**

**For the financial year ended  
31 March 2019**

***UTW (Myanmar) Limited  
Certified Public Accountants***

# SATHAPANA LIMITED

## General Information

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### Directors

Ken Han  
Chang-Woo Han  
Yu Han  
Susumu Watahiki  
Kim Vada (Appointed as Director in December 2018)  
Mitsuru Ishimura (Resigned as Director in July 2018)  
Norihiro Kato (Resigned as Director in December 2018)

### Registered Office

No. 97/B, Kaba Aye Pagoda Road  
Bahan Township  
Yangon, Myanmar

### Auditors

UTW (Myanmar) Limited

### Bankers

Co-operative Bank Limited (Public Bank)  
Kanbawza Bank Limited  
Ayeyarwady Bank Limited  
MUFG Bank Limited (Yangon Branch)  
Mizuho Bank Limited (Yangon Branch)

### Index

	Page
Directors' Report	1
Statement by Directors	3
Independent Auditor's Report	4
Statement of Financial Position	6
Statement of Comprehensive Income	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Notes to the Financial Statements	11

## SATHAPANA LIMITED

### Directors' Report

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The directors are pleased to present their report to the members together with the audited financial statements of SATHAPANA LIMITED (the "Company") for the financial year ended 31 March 2019 under the Section 261 of the Myanmar Companies Law 2017.

#### Directors

The directors of the Company in office at the date of this report are:

Ken Han  
Chang-Woo Han  
Yu Han  
Susumu Watahiki  
Kim Vada (Appointed as Director in December 2018)  
Mitsuru Ishimura (Resigned as Director in July 2018)  
Norihiro Kato (Resigned as Director in December 2018)

#### State of the Company's affairs

The Company is engaged in the business to conduct microfinance business. There has been no change in the business of the Company during the financial year ended 31 March 2019.

#### Financial performance

	31 March 2019 MMK	31 March 2018 MMK
Financial results		
Revenue (including other operating income)	18,621,689,750	9,574,777,150
<b>Profit before depreciation &amp; tax</b>	<b>6,446,769,228</b>	<b>3,212,948,419</b>
Less: depreciation	318,611,696	204,693,048
<b>Profit after depreciation</b>	<b>6,128,157,532</b>	<b>3,008,255,371</b>
Less: Income taxes	(1,691,068,737)	(525,006,639)
<b>Total comprehensive income for the year</b>	<b>4,437,088,795</b>	<b>2,483,248,732</b>

## **SATHAPANA LIMITED**

### **Director's Report**

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#### **Transfer to reserve account**

MMK 1,109,272,199 which represents 25% of the net profit after tax was transferred to the Reserve Account during the financial year ended 31 March 2019 in compliance with Section 33(b) of the Microfinance Law.

#### **Dividend**

No dividend is recommended for the current financial year.

#### **Risks and uncertainties**

The Company did not face any risks and uncertainties during the current financial year.

#### **Auditor**

UTW (Myanmar) Limited has expressed their willingness to accept reappointment as auditor.

On behalf of the board of directors:



Mr. Ken Han  
Managing Director

Date: 27 June 2019  
The Republic of the Union of Myanmar



## SATHAPANA LIMITED

### Statement by Directors

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We, Ken Han and Susumu Watahiki, being the appointed Managing Director and Director, respectively, of Sathapana Limited, do hereby state that, in the opinion of the Directors,

- 1) the accompanying statement of comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 March 2019 and the results of the business, changes in equity and cash flows of the Company for the financial year ended on that date; and
- 2) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the board of directors:



Ken Han  
Managing Director



Susumu Watahiki  
Director

Date: 27 June 2019  
The Republic of the Union of Myanmar



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## Independent Auditor's Report for the financial year ended 31 March 2019

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### To the members of SATHAPANA LIMITED

We have audited the accompanying financial statements of SATHAPANA LIMITED (the "Company"), which comprise the statement of financial position as at 31 March 2019, statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Myanmar Financial Reporting Standards and the provisions of the Myanmar Companies Law. This responsibility includes:

- (a) devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition; and transactions are properly authorized and that they are recorded as necessary to permit the preparation of true and fair statement of comprehensive income and statement of financial position and to maintain accountability of assets;
- (b) selecting and applying appropriate accounting policies; and
- (c) making accounting estimates that are reasonable in the circumstances.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Myanmar Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Opinion***

In our opinion, the financial statements present fairly, in all material respects, the financial position of SATHAPANA LIMITED as of 31 March 2019, and of its financial performance and its cash flows for the year then ended in accordance with Myanmar Financial Reporting Standards including the modification of the requirement of Myanmar Accounting Standards 39, Financial instruments: Recognition and Measurement in respect of loan loss provision by Microfinance Supervisory Committee Notification number 5/2016 and the provisions of the Myanmar Companies Law.



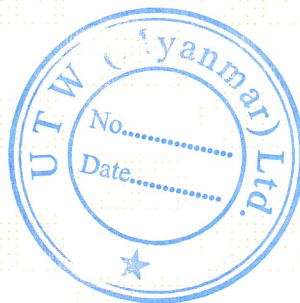


### ***Report on Other Legal and Regulatory Requirements***

In accordance with the provisions of the Myanmar Companies Law, we also report that:

- (a) We have obtained all the information and explanations we have required; and
- (b) Books of account have been maintained by SATHAPANA LIMITED as required by Section 258 of the Myanmar Companies Law.

Daw Moe Moe Aye  
(PA No. 186)  
UTW (Myanmar) Limited  
Firm Registration No: ACC006  
Certified Public Accountants



Date: 27 June 2019  
The Republic of the Union of Myanmar

**SATHAPANA LIMITED**

**Statement of Financial Position  
As at 31 March 2019**

	Notes	31 March 2019 MMK	31 March 2018 MMK
<b>Assets</b>			
Cash and cash at banks	9	6,439,070,841	4,034,756,382
Interest receivables		1,280,851,400	684,350,900
Loan and advance to customers - net	10	73,366,666,602	44,666,394,596
Prepaid expenses	11	2,356,408,757	650,556,663
Other receivables	12	75,402,561	75,260,568
Property, plant and equipment - net	13	1,702,565,828	933,509,745
Intangible assets-net	14	45,330,094	43,651,765
Deferred tax assets	15	17,352,353	8,050,395
<b>Total assets</b>		<b>85,283,648,436</b>	<b>51,096,531,014</b>
<b>Equity and liabilities</b>			
Deposit from customers	16	6,141,050,000	3,658,570,000
Accrued interest payable for depositor		376,231,300	211,494,900
Accrued expenses and other liabilities	17	2,651,748,839	817,261,326
Borrowings	18	51,139,000,000	26,082,000,000
Employee pension	19	477,014,941	275,970,440
Deferred rent	17	10,280,213	-
<b>Total liabilities</b>		<b>60,795,325,293</b>	<b>31,045,296,666</b>
<b>Equity</b>			
Share capital	20	18,676,600,000	18,676,600,000
Retained earnings		4,081,638,744	753,822,148
Reserve	21	1,730,084,399	620,812,200
<b>Total equity</b>		<b>24,488,323,143</b>	<b>20,051,234,348</b>
<b>Total equity and liabilities</b>		<b>85,283,648,436</b>	<b>51,096,531,014</b>

**SATHAPANA LIMITED**

**Statement of Comprehensive Income  
For the financial year ended 31 March 2019**

		<b>1 April 2018 to 31 March 2019</b>	<b>1 April 2017 to 31 March 2018</b>
	<b>Notes</b>	<b>MMK</b>	<b>MMK</b>
<b>Continuing Operations</b>			
Interest income	5	17,217,518,100	8,758,663,050
Interest expense	5	(5,231,019,615)	(1,941,226,689)
<b>Net interest income</b>		<b>11,986,498,485</b>	<b>6,817,436,361</b>
Other items of income (expenses)			
General and administrative expenses	6	(6,714,963,809)	(4,287,920,075)
Provision for loan loss	10	(323,081,344)	(293,303,009)
Loan Loss - written off	10	(23,707,550)	-
Other income - net	7	1,203,411,750	772,042,094
<b>Profit before tax from continuing operations</b>		<b>6,128,157,532</b>	<b>3,008,255,371</b>
Income tax expense	8	(1,691,068,737)	(525,006,639)
<b>Profit for the year from continuing operations</b>		<b>4,437,088,795</b>	<b>2,483,248,732</b>
Other comprehensive income		-	-
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive income for the year</b>		<b>4,437,088,795</b>	<b>2,483,248,732</b>

**SATHAPANA LIMITED**

**Statement of Changes in Equity  
For the financial year ended 31 March 2019**

	Issued capital (Note 20)	Retained earnings	Reserve (Note 21)	Total equity
	MMK	MMK	MMK	MMK
<b>As at 1 April 2017</b>	18,676,600,000	(1,108,614,384)	-	17,567,985,616
Profit for the year	-	2,483,248,732	-	2,483,248,732
Transfer to reserve	-	(620,812,200)	620,812,200	-
<b>As at 31 March 2018</b>	<b>18,676,600,000</b>	<b>753,822,148</b>	<b>620,812,200</b>	<b>20,051,234,348</b>
Profit for the year	-	4,437,088,795	-	4,437,088,795
Transfer to reserve	-	(1,109,272,199)	1,109,272,199	-
<b>As at 31 March 2019</b>	<b>18,676,600,000</b>	<b>4,081,638,744</b>	<b>1,730,084,399</b>	<b>24,488,323,143</b>



**SATHAPANA LIMITED**

**Statement of Cash Flows**  
**For the financial year ended 31 March 2019**

		<b>31 Mar2019</b>	<b>31 March 2018</b>
		<b>MMK</b>	<b>MMK</b>
	<b>Notes</b>		
<b>Operating activities</b>			
Profit before tax from continuing operation		6,128,157,532	3,008,255,371
<u>Adjustments for:</u>			
Depreciation of property, plant and equipment	13	304,868,237	193,918,857
Amortization of intangible assets	14	13,743,459	10,774,191
Provisions for loan loss and loan written off	10	346,788,894	293,303,009
Unrealized foreign exchange loss - net		60,310,118	16,444,348
Interest expenses		4,505,800,215	1,590,814,289
Loss on fixed asset write off/transfer	13	5,135,960	14,116,305
<b>Operating cash flows before changes in working capital</b>		<b>11,364,804,415</b>	<b>5,127,626,370</b>
<u>Changes in working capital:</u>			
Increase in loans and interest receivables		(29,643,561,400)	(28,200,862,900)
Increase in other receivables		(92,394)	(43,860,593)
Increase in prepaid expenses		11,776,220	98,547,024
Increase in accrued expenses and other liabilities		(478,813,036)	141,851,322
Increase in customer savings and interest payable		2,647,216,400	2,475,828,600
Increase in pension payable		201,044,501	102,815,010
Increase in deferred rent		10,280,213	-
Total changes in working capital		(27,252,149,496)	(25,425,681,537)
Tax paid		(1,169,651,314)	(822,587,260)
Interest paid		(3,990,267,130)	(1,220,072,061)
<b>Cash flows from operation</b>		<b>(21,047,263,525)</b>	<b>(22,340,714,488)</b>
<b>Net cash flows from operating activities</b>		<b>(21,047,263,525)</b>	<b>(22,340,714,488)</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment	13	(1,079,060,280)	(484,506,614)
Purchase of intangible assets	14	(15,421,788)	(13,207,926)
<b>Net cash flows used in investing activities</b>		<b>(1,094,482,068)</b>	<b>(497,714,540)</b>

**SATHAPANA LIMITED**

**Statement of Cash Flows**



		<u>31 Mar2019</u>	<u>31 March 2018</u>
		MMK	MMK
	Notes		
<b>Financing activities</b>			
Proceeds from borrowings	18	26,076,250,000	26,082,000,000
Repayment of borrowings	18	(1,019,250,000)	-
Payment of loan transaction costs		(548,026,600)	(108,820,000)
<b>Net cash flows from financing activities</b>		<u>24,508,973,400</u>	<u>25,973,180,000</u>
<b>Net increase in cash and cash equivalents</b>		<u>2,367,227,807</u>	<u>3,134,750,972</u>
Currency realignment		37,086,652	(4,007,355)
<b>Cash and cash equivalents at 1 April</b>		<u>4,034,756,382</u>	<u>904,012,765</u>
<b>Cash and cash equivalents at 31 March</b>		<u><u>6,439,070,841</u></u>	<u><u>4,034,756,382</u></u>

**1. General**

SATHAPANA LIMITED (the "Company") is established in the Republic of the Union of Myanmar and obtained certificate of registration No. 105201095 (Former No. 993 FC/2014 - 2015) on 2 January 2015 in pursuance of the Myanmar Companies Law by the Ministry of National Planning and Economic Development. The Company is a subsidiary of Maruhan Investment Asia Pte. Ltd. The absolute parent is Maruhan Corporation whose shares are not publicly traded in Japan.

As stated in its amended permit to trade No. 993 FC/2014-2015 dated 28 April 2015, the scope of activities of the Company is to conduct microfinance business. The Company obtained its microfinance license from the Microfinance Supervisory Committee.

The registered office of the Company is located at No. 97/B, Kaba Aye Pagoda Road, Bahan Township, Yangon, Republic of the Union of Myanmar.

**2. Basis of preparation**

The financial statements of the Company have been prepared in accordance with the Myanmar Financial Reporting Standard ("MFRS").

The financial statements have been prepared on a historical cost basis. The functional and presentation currency used in the financial statement is the Myanmar Kyat (MMK).

**Presentation of financial statements**

The Company presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in Note 23.

**Changes in Accounting Policies**

The significant accounting policies have been consistently applied by the Company in the preparation of the financial statements as of and for the year ended March 31, 2019 and are consistent with those used in the previous year.

**3. Significant accounting policies**

**(a) Assets and liabilities classification**

The Company presents assets and liabilities in statement of financial position in the order from the most liquid assets or liabilities to the least liquid ones and disclose in the note to financial statement on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle and;
- Liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading



**3. Significant accounting policies (Cont'd)**

**(a) Assets and liabilities classification (Cont'd)**

- It is due to be settled within twelve months after the reporting period
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

**(b) Revenue recognition**

Interest income is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made.

Interest income and expenses include the amortization of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its' amount if maturity is calculated on an effective interest basis.

**(c) Cash and cash equivalents**

Cash and cash equivalents comprise of cash on hand and cash at bank.

**(d) Pension benefit - Defined contribution pension plan**

The Company operates a defined contribution pension plan. The contribution payable to a defined contribution plan is in proportion to the services rendered to the Company by the employees with a fixed share both from employer and employee and is recorded as an expense under 'Salaries and wages'. Unpaid contributions are recorded as a liability.

**(e) Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of obligation can be estimated reliably.

**(f) Foreign currency transactions and balances**

The presentation and functional currency of the Company is Myanmar Kyat. Transactions in foreign currencies are measured in the functional currencies of the Company and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period.

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 measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognized in profit or loss.

**3. Significant accounting policies (Cont'd)****(g) Property, plant and equipment**

All property, plant and equipment are initially recognized at cost, which comprises its purchase price and any costs directly attributable in bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent to initial recognition, property, plant and equipment are carried at cost less accumulated depreciation and impairment losses. Such cost includes the cost of replacing part of fixed assets when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of fixed assets as a replacement if the recognition criteria are satisfied. All repairs and maintenance costs that do not meet the recognition criteria are recognized in profit or loss as incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Leasehold improvements	Term of lease
Furniture and fixture	5 years
Equipment	5 years
Motor vehicles (car)	10 years
Motor vehicles (motorbike)	5 years
Computer equipment	5 years
Other fixed asset (security house)	5 years

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefit is expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

**(h) Intangible assets**

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite useful lives are amortized over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.



3. Significant accounting policies (Cont'd)

(h) Intangible assets (Cont'd)

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

The Company has a software called Micro Banking System Windows (the "MBWin") acquired separately during the year and it is amortized on straight line basis over its finite useful life of 5 years.

(i) Reserves

The reserves recorded in equity on the Company's statement of financial position pertains to 25% of the net profit after tax will be set aside as capital reserve at the end of the fiscal year in compliance with Section 33(b) of the Microfinance Law.

(j) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

***The Company as a lessee***

The Company does not have finance leases as of 31 March 2019.

Operating lease payments are recognized as an expense in the statement of profit or loss on a straight-line basis over the lease term.

***The Company as a lessor***

Leases in which the Company does not transfer substantially all the risk and benefits of ownership and asset are classified as operating leases.

Lease income from operating leases is recognized as an operating income in the income statement straight on a line basis over the lease term.

The Company does not have any operating leases as lessor as of 31 March 2019.

(k) Taxation

Income tax expense represents the sum of the corporate income tax currently payable and any penalty in the statement of profit or loss.

3. Significant accounting policies (Cont'd)

(k) Taxation (Cont'd)

Corporate income tax is measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates enacted or substantially enacted as at the reporting date.

**Deferred tax**

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.



**3. Significant accounting policies (Cont'd)****(l) Financial instruments - initial recognition and subsequent measurement**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**i) Financial assets****Initial recognition and measurement**

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

**Subsequent measurement**

For purposes of subsequent measurement financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held to maturity investments
- Available for sale financial investments

**Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by MAS 39. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of comprehensive income. The Company has not designated any financial assets at fair value through profit or loss.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.



**3. Significant accounting policies (Cont'd)****(l) Financial instruments - initial recognition and subsequent measurement (Cont'd)****i) Financial assets (Cont'd)****Loans and receivables (Cont'd)**

The EIR amortization is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognized in the statement of comprehensive income in finance costs for loans and in cost of sales or other operating expenses for receivables. This category generally applies to loans to customer and other receivables.

**Held-to-maturity investments**

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Company has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortized cost using the EIR, less impairment.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance income in the statement of comprehensive income. The losses arising from impairment are recognized in the statement of comprehensive income as finance costs. The Company did not have any held-to-maturity investments for the year ended 31 March 2019.

**Available-for-sale (AFS) financial investments**

AFS financial investments include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions. After initial measurement, AFS financial investments are subsequently measured at fair value with unrealized gains or losses recognized in OCI and credited in the AFS reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of comprehensive income in finance costs. Interest earned whilst holding AFS financial investments is reported as interest income using the EIR method.

The Company evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets, the Company may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity. The Company did not have any AFS investments during the year ended 31 March 2019.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the

**3. Significant accounting policies (Cont'd)****i) Financial assets (Cont'd)****Available-for-sale (AFS) financial investments (Cont'd)**

asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of comprehensive income.

**Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

**Impairment of financial assets**

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the 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, defaulter delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cashflows, such as changes in arrears or economic conditions that correlate with defaults.

**Financial assets carried at amortized cost**

For financial assets carried at amortized cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, 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, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is 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 loss is recognized in statement of comprehensive income.



### 3. Significant accounting policies (Cont'd)

#### i) Financial assets (Cont'd)

##### Financial assets carried at amortized cost (Cont'd)

Interest income (recorded as finance income in the statement of comprehensive income) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited in the statement of comprehensive income.

##### Available-for-sale (AFS) financial investments

For AFS financial investments, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of comprehensive income - is removed from OCI and recognized in the statement of comprehensive income. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized in OCI.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of comprehensive income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of comprehensive income, the impairment loss is reversed through the statement of comprehensive income.

#### ii) Financial liabilities

##### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, as appropriate.

**3. Significant accounting policies (Cont'd)**

**ii) Financial liabilities (Cont'd)**

**Initial recognition and measurement (Cont'd)**

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include savings and other payables.

**Subsequent measurement**

The measurement of financial liabilities depends on their classification, as described below:

**Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognized in the statement of comprehensive income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MAS 39 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

**Loans and borrowings**

After initial recognition, loans and borrowings, including install payment obligation for the purchase of license, is subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of comprehensive income.

**Derecognition**

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of comprehensive income.



**4. Significant accounting judgements, estimates and assumptions**

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future years.

**Judgement**

In the process of applying the Company's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements.

*Impairment losses on loans receivables*

The Company reviews its individually significant loans at each statement of financial position date to assess whether an impairment loss should be recorded in the income statement. The amount and timing of recorded expenses for any period would therefore differ depending on the judgments and estimates made for each year. Loan receivables written off during the year amounted to MMK 23,707,550.

**Estimates**

The key assumptions concerning the future and the other key sources of estimation uncertainty at the reporting date, that have significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are described below. The company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

*Recognition of deferred income tax assets*

The Company assesses at each reporting date and recognizes deferred income tax assets to the extent of probable future taxable profits and reversing taxable temporary differences that will allow the deferred income tax assets to be utilized. Management uses judgment and estimates in assessing the probability of future taxable profits, considering management's future plan of actions, including the timing of reversal of deferred income tax liability, aided by forecasting and budgeting techniques. Deferred income tax assets recognized amounted to MMK 17,352,353 and MMK 8,050,395 as of 31 March 2019 and 2018, respectively (see Note 15).

*Estimation of useful lives and residual values of property and equipment and intangible assets*

The Company estimates the useful lives of property and equipment and intangible assets based on internal technical evaluation and experience with similar assets. The estimated useful lives and residual values are reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence and other limits on the use of the assets. The carrying amount of depreciable property and equipment, net of accumulated depreciation, amounted to MMK 1,702,565,828 and MMK 933,509,745 as of 31 March 2019 and 2018, respectively (see Note 13). The carrying amount of depreciable intangible assets, net of amortization expense, amounted to MMK 45,330,094 and MMK 43,651,765 as of 31 March 2019 and 2018, respectively (see Note 14).

**SATHAPANA LIMITED**

**Notes to the Financial Statements - 31 March 2019**

**5. Interest income and interest expense**

	<u>31 March 2019</u>	<u>31 March 2018</u>
	MMK	MMK
Income from loan to customers	<u>17,217,518,100</u>	<u>8,758,663,050</u>

Interest income is derived from loan and advance to customer charged at the rate 2.5% per month on the loan outstanding balance.

	<u>31 March 2019</u>	<u>31 March 2018</u>
	MMK	MMK
<b>Interest expense</b>		
Interest expense on borrowings	4,505,800,215	1,590,814,289
Interest expense on deposits from customers	725,219,400	350,412,400
	<u>5,231,019,615</u>	<u>1,941,226,689</u>

These interest expenses are relating to the borrowings from creditors and savings deposits from customers which are paid 12.5% to 13% p.a and 15% p.a respectively.

**6. General and administrative expenses**

	<i>Notes</i>	<u>31 March 2019</u>	<u>31 March 2018</u>
		MMK	MMK
Salaries and wages		4,362,596,054	2,881,768,969
Rental lease payments		732,656,961	481,832,000
Travel and transportation expenses		368,288,635	237,152,685
Depreciation and amortization	13,14	318,611,696	204,693,048
Office supplies		203,662,183	124,869,703
Professional fees		146,338,021	84,562,030
Marketing and advertising		94,241,740	19,006,375
Communication expense		68,951,073	50,907,302
Others		419,617,446	203,127,963
		<u>6,714,963,809</u>	<u>4,287,920,075</u>

Others include staff training and uniform, repair and maintenance, utility, security, and other expenses.

**7. Other income - net**

	<u>31 March 2019</u>	<u>31 March 2018</u>
	MMK	MMK
Foreign exchange loss - net	(100,461,825)	(22,628,020)
Fee and commission on borrowings	(100,298,075)	(21,443,986)
Loan fee income	1,404,171,650	816,114,100
	<u>1,203,411,750</u>	<u>772,042,094</u>

**8. Income tax expense**Major components of income tax expense

The major components of income tax expense for the years ended 31 March 2019 and 2018 are:

	<u>31 March 2019</u>	<u>31 March 2018</u>
	MMK	MMK
Current income tax	1,700,370,695	533,057,034
Deferred income tax		
-Origination of temporary differences	(9,301,958)	(8,050,395)
	<u>1,691,068,737</u>	<u>525,006,639</u>

Relationship between tax expenses and accounting profit

	<u>31 March 2019</u>	<u>31 March 2018</u>
	MMK	MMK
Accounting profit before tax	6,128,157,432	3,008,255,371
Tax at 25%	1,532,039,358	752,063,843
Adjustments:		
Nondeductible expenses	95,847,843	73,325,752
Deferred income tax	(9,301,958)	(8,050,395)
Under/(Over) provision for previous year	72,483,494	(292,332,561)
<b>Income tax expenses recognized in profit or loss</b>	<u>1,691,068,737</u>	<u>525,006,639</u>



**9. Cash and cash at banks**

	<u>31 March 2019</u>	<u>31 March 2018</u>
	MMK	MMK
Cash on hand	321,628,295	289,301,980
Cash at bank	6,117,442,546	3,745,454,402
	<u>6,439,070,841</u>	<u>4,034,756,382</u>

Currently, the cash at bank only consist of current account with banks in both MMK and USD currency, and they bear no interest.

Cash and cash equivalent denominated in foreign currencies at the end of the reporting period:

	<u>31 March 2019</u>	<u>31 March 2018</u>
	MMK	MMK
United States Dollar	312,273,488	198,213,417

**10. Loan and advance to customers**

	<u>31 March 2019</u>	<u>31 March 2018</u>
	MMK	MMK
Group loan	69,598,003,950	44,167,313,700
Individual loan	4,558,392,300	965,729,200
	<u>74,156,396,250</u>	<u>45,133,042,900</u>
Less: Loan loss provision	(789,729,648)	(466,648,304)
Net loan portfolio	<u>73,366,666,602</u>	<u>44,666,394,596</u>

Loan portfolio is divided into 2 categories based on remaining tenure as of:

	<u>31 March 2019</u>	<u>31 March 2018</u>
	MMK	MMK
Current loan	71,693,635,650	44,322,960,900
Non-current loan	2,462,760,600	810,082,000
	<u>74,156,396,250</u>	<u>45,133,042,900</u>
Less: Loan loss provision	(789,729,648)	(466,648,304)
Net loan portfolio	<u>73,366,666,602</u>	<u>44,666,394,596</u>

During the year, the Company has written off MMK 23,707,550 loan receivable in accordance with the Board of Directors approval on February 15, 2019, this amount is recognized as "Written off uncollectable expenses" under expenses.

**10. Loan and advance to customers (Cont'd)**

As of 31 March 2019, the Company calculated the loan loss provision in accordance with Financial Regulatory Department (FRD)'s regulation as follows:

Loan Classification	Number of Days Past Due	Provision Rate
Normal	0	1%
Below Normal	1 - 30	10%
Poor	31 - 60	50%
Doubtful Debt	61 - 90	75%
Default	>90	100%

**11. Prepaid expenses**

	31 March 2019	31 March 2018
	MMK	MMK
Prepaid rent - office	340,677,002	202,691,750
Prepaid rent - apartment	64,095,162	46,487,500
Prepaid - others	1,951,636,593	401,377,413
	<u>2,356,408,757</u>	<u>650,556,663</u>

Prepaid others include prepaid profit tax, prepaid up-front fee for borrowing etc.

**12. Other receivables**

	31 March 2019	31 March 2018
	MMK	MMK
Other advance payments or deposits	<u>75,402,561</u>	<u>75,260,568</u>

Other advance payments or deposit include advance payments or deposit for buying fixed asset, other items, for travel or mission, and other receivables.

**SATHAPANA LIMITED**

**Notes to the Financial Statements - 31 March 2019**

**13. Property, plant and equipment**

	Leasehold improvements		Furniture and fixture		Equipment		Computer equipment		Motor vehicles		Other fixed asset		Total	
	MMK		MMK		MMK		MMK		MMK		MMK		MMK	
<b>Cost</b>														
At 1 April 2017	36,738,460		134,826,850		123,430,465		107,236,843		375,936,365		1,604,000		779,772,983	
Additions	1,890,400		105,666,100		93,493,954		79,023,130		204,433,030		-		484,506,614	
Write-off	-		(18,407,780)		-		(4,678,275)		-		-		(23,086,055)	
At 31 March 2018	38,628,860		222,085,170		216,924,419		181,581,698		580,369,395		1,604,000		1,241,193,542	
Additions	15,863,350		173,441,040		243,540,401		146,664,489		498,353,000		1,198,000		1,079,060,280	
Write-off	-		(100,000)		(8,490,000)		(1,231,650)		-		-		(9,821,650)	
At 31 March 2019	<b>54,492,210</b>		<b>395,426,210</b>		<b>451,974,820</b>		<b>327,014,537</b>		<b>1,078,722,395</b>		<b>2,802,000</b>		<b>2,310,432,172</b>	
<b>Accumulated depreciation</b>														
At 1 April 2017	(16,757,515)		(22,052,364)		(17,642,558)		(18,541,170)		(47,334,350)		(406,733)		(122,734,690)	
Depreciation charge for the year	(13,719,200)		(32,890,306)		(31,364,875)		(26,017,926)		(89,606,150)		(320,400)		(193,918,857)	
Write-off	-		7,020,387		-		1,949,363		-		-		8,969,750	
At 31 March 2018	(30,476,715)		(47,922,283)		(49,007,433)		(42,609,733)		(136,940,500)		(727,133)		(307,683,797)	
Depreciation charge for the period	(9,654,836)		(58,127,006)		(58,038,008)		(48,755,261)		(129,926,058)		(367,068)		(304,868,237)	
Write-off	-		48,333		4,025,321		612,036		-		-		4,685,690	
At 31 March 2019	<b>(40,131,551)</b>		<b>(106,000,956)</b>		<b>(103,020,120)</b>		<b>(90,752,958)</b>		<b>(266,866,558)</b>		<b>(1,094,201)</b>		<b>(607,866,344)</b>	
<b>Net carrying amount:</b>														
At 31 March 2018	8,152,145		174,162,887		167,916,986		138,971,965		443,428,895		876,867		933,509,745	
At 31 March 2019	<b>14,360,659</b>		<b>289,425,254</b>		<b>348,954,700</b>		<b>236,261,579</b>		<b>811,855,837</b>		<b>1,707,799</b>		<b>1,702,565,828</b>	

**14. Intangible assets**

	<u>31 March 2019</u>	<u>31 March 2018</u>
	MMK	MMK
<b>Cost</b>		
As at 1 April	63,044,904	49,836,978
Additions	15,421,788	13,207,926
As at 31 March	<u>78,466,692</u>	<u>63,044,904</u>
<b>Accumulated amortization</b>		
As at 1 April	(19,393,139)	(8,618,948)
Amortization charge for the year	(13,743,459)	(10,774,191)
As at 31 March	<u>(33,136,598)</u>	<u>(19,393,139)</u>
<b>Net carrying amount:</b>		
At 31 March	<u>45,330,094</u>	<u>43,651,765</u>

Intangible assets currently consist of only operating system license which called Micro Banker for Window (MBWin).

**15. Deferred tax assets**

	<u>31 March 2019</u>	<u>31 March 2018</u>
	MMK	MMK
Beginning balance	8,050,395	-
This period movement (due to difference in depreciation and prepaid rent)	9,301,958	8,050,395
Ending balance	<u>17,352,353</u>	<u>8,050,395</u>

**16. Deposit from customer**

	<u>31 March 2019</u>	<u>31 March 2018</u>
	MMK	MMK
Less than one year	6,009,750,000	3,616,920,000
Over one year	131,300,000	41,650,000
	<u>6,141,050,000</u>	<u>3,658,570,000</u>

As of the reporting date, the Company has only the compulsory deposit collected from the borrower 5% on loan disbursed amount and the Company offer interest rate 15% p.a.



**17. Accrued expenses and other liabilities**

	31 March 2019	31 March 2018
	MMK	MMK
Accrued tax payable	1,664,357,299	188,649,316
Accrued interest payable for borrowing	515,533,085	370,742,228
Accrued expenses and other liabilities	471,858,455	257,869,782
Deferred rent	10,280,213	-
	<u>2,662,029,052</u>	<u>817,261,326</u>

**18. Borrowings**

	31 March 2019	31 March 2018
	MMK	MMK
<b>By lenders</b>		
Mizuho Bank	24,132,850,000	15,200,000,000
Triodos	3,057,750,000	4,077,000,000
Blue Orchard	15,948,400,000	6,805,000,000
AYA Bank	8,000,000,000	-
	<u>51,139,000,000</u>	<u>26,082,000,000</u>
<b>By repayment maturity</b>		
In one year	26,171,350,000	16,219,250,000
Over one year	24,967,650,000	9,862,750,000
	<u>51,139,000,000</u>	<u>26,082,000,000</u>

During the year, the company has outstanding loan agreement with four creditors with the following term and conditions:

**Mizuho Bank Ltd, Yangon Branch**

The loan from Mizuho is uncommitted short-term revolving credit. On 29 June 2018, the Company entered into a new additional uncommitted short term revolving credit amounting MMK 7,932,850,000 which bring the total amount to MMK 24,132,850,000. The maximum drawdown period is twelve months starting from 29 June 2018 to 28 June 2019 which is planned to rollover for another year when is maturity of availability period. The interest rate for this loan is up to 12.5% with no any loan fee.

**Triodos SICAV II - Triodos Microfinance Fund and Triodos Custody B.V**

The disbursed loan amount is USD 3,000,000 equivalent in local currency (as of that time the equivalent amount is MMK 4,077,000,000) with term of 3 years. The loan will be matured on 15 August 2020. During the loan term, the Company is required to repay principal four times with 25% each time every six months starting on 15 February 2019 up to 15 August 2020 while the interest payment is semi-annual on 15th February and 15th August.

**18. Borrowings (Cont'd)****Triodos SICAV II - Triodos Microfinance Fund and Triodos Custody B.V (Cont'd)**

During the year, the Company repaid 25% of the original principal to creditor. The interest rate of the loan is 13% excluding withholding tax and the front-end fee is 1%.

**Blue Orchard**

There are two loans from Blue Orchard:

- 1- The 1st loan amount is USD 5,000,000 equivalent in local currency (as of that time the equivalent amount is MMK 6,805,000,000) with term of 3 years. The loan was disbursed on 23 August 2017 and will be matured on 23 August 2020. The principal repayment is only one time at its maturity date while the interest payment is semi-annual. The interest rate of the loan is 13% excluding withholding tax and the front-end fee is 1%.
- 2- On 26 February 2019, the Company entered into a new loan agreement amounting USD 6,000,000 equivalent in local currency (as of the disbursement date, the equivalent amount is MMK 9,143,400,000) with term of 2 years. The loan was disbursed on 27 February 2019 and will be matured on 27 February 2021. It is the bullet repayment loan at its maturity date while interest payment is semi-annual. the interest rate is 13% excluding withholding tax and the front-end fee is 4.9%.

**AYA Bank**

On 20 December 2018, the Company entered into a new loan agreement with a new local creditor, AYA Bank. The loan amount is MMK 8,000,000,000 with tenor of 2 years starting from 21 December 2018 to 22 December 2020. The loan is secured by Stand-by letter of Credit (SBLC) issued by Mizuho bank in Tokyo. The principal repayment is two time with 50% each for each year while interest payment is monthly. The gross interest rate for this loan is 13% while loan processing and SBLC fee 1.25% (one time) and 0.5% p.a respectively.

**19. Employee pension**

	<u>31 March 2019</u>	<u>31 March 2018</u>
	MMK	MMK
Employee contribution (5% of basic salary)	159,635,493	91,990,425
Employer contribution (10% of basic salary)	317,379,448	183,980,015
	<u><u>477,014,941</u></u>	<u><u>275,970,440</u></u>

The Company has a pension scheme whereby both employee and employer contribute each month. This scheme is treated as defined contribution plan as the Company's liability is limited only to fixed amount and therefore not discounted.

Employee contribution is repaid to employee when they resign, retires, or be terminated while the Company contribution is only paid to resigned or retired staff who has three years of service with the Company.

**20. Issued share capital**

	31 March 2019		31 March 2018	
	No. of shares	MMK	No. of shares	MMK
Mr. Yu Han	1	1,000	1	1,000
MARUHAN Investment Asia Pte. Ltd.	14,999,999	18,676,599,000	14,999,999	18,676,599,000
<b>At 31 March</b>	<b>15,000,000</b>	<b>18,676,600,000</b>	<b>15,000,000</b>	<b>18,676,600,000</b>

At the first time of capital injection, the FRD recognized 1\$ was equal 1,000MMK for one share. There is no capital injection during the year.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

**21. Reserve**

	31 March 2019	31 March 2018
	MMK	MMK
At 1 April 2018	620,812,200	-
Addition for the year	1,109,272,199	620,812,200
Ending balance	<b>1,730,084,399</b>	<b>620,812,200</b>

In compliance with Section 33(b) of the Microfinance Law, 25% of the net profit after tax will be set aside to a general reserve account at the end of the fiscal year. Such account shall be carried out till it is equivalent to 100% of paid-up capital.

**22. Commitments and contingencies**

Operating lease commitments - Company as lessee:

The company has several operating lease agreements for offices, apartment for expats and operating cars. The company is restricted to sublease those properties to third parties. Future commitments for rental payment payable under non-cancellable operating leases at the end of reporting period are as follows:

	31 March 2019	31 March 2018
	MMK	MMK
Within one year	235,697,000	90,360,000
More than one year	1,329,517,200	219,684,000
	<b>1,565,214,200</b>	<b>310,044,000</b>



**23. Maturity analysis of assets and liabilities**

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled.

As at 31 March 2019

	Less than one year	Over one year	Total
	MMK	MMK	MMK
<b>Assets</b>			
Cash and cash at banks	6,439,070,841	-	6,439,070,841
Interest receivables	1,280,851,400	-	1,280,851,400
Loan and advance to customers - net*	70,928,533,608	2,438,132,994	73,366,666,602
Prepaid expense	2,086,583,962	269,824,795	2,356,408,757
Other receivables	75,402,561	-	75,402,561
Property, plant and equipment - net	-	1,702,565,828	1,702,565,828
Intangible assets-net	-	45,330,094	45,330,094
Deferred tax assets	-	17,352,353	17,352,353
<b>Total Assets</b>	<b>80,810,442,372</b>	<b>4,473,206,064</b>	<b>85,283,648,436</b>
<b>Liabilities</b>			
Deposit from customer	6,009,750,000	131,300,000	6,141,050,000
Accrued interest payable for depositor	376,231,300	-	376,231,300
Accrued expenses and other liabilities	2,651,748,839	-	2,651,748,839
Borrowings**	26,171,350,000	24,967,650,000	51,139,000,000
Employee pension***	109,713,436	367,301,505	477,014,941
Deferred rent	-	10,280,213	10,280,213
<b>Total Liabilities</b>	<b>35,318,793,575</b>	<b>25,476,531,718</b>	<b>60,795,325,293</b>

\* To be able to split net loan portfolio into current and non-current portion, company assume that loans with remaining tenure more than one year are normal loan not yet overdue that are only subject to 1% loan loss provisioning. The remaining amount of loan loss provision is captured by loan less than one year.

\*\* Current portion of borrowing include revolving loan with Mizuho bank. As of 28 May 2019, the Company has already obtained the approval from FRD to roll over the loan.

\*\*\* As of 31 March 2019, Management expect the amounts to be paid out within the next 12 months based on the Company's average turnover rate.

## 23. Maturity analysis of assets and liabilities (Cont'd)

As at 31 March 2018

	Less than one year	Over one year	Total
	MMK	MMK	MMK
<b>Assets</b>			
Cash and cash at banks	4,034,756,382	-	4,034,756,382
Interest receivables	684,350,900	-	684,350,900
Loan and advance to customers - net*	44,550,201,096	116,193,500	44,666,394,596
Prepaid expense	650,556,663	-	650,556,663
Other receivables	75,260,568	-	75,260,568
Property, plant and equipment - net	-	933,509,745	933,509,745
Intangible assets-net	-	43,651,765	43,651,765
Deferred tax assets	-	8,050,395	8,050,395
<b>Total Assets</b>	<b>49,995,125,609</b>	<b>1,101,405,405</b>	<b>51,096,531,014</b>
<b>Liabilities</b>			
Deposit from customer	3,616,920,000	41,650,000	3,658,570,000
Accrued interest payable for depositor	211,494,900	-	211,494,900
Accrued expenses and other liabilities	817,261,326	-	817,261,326
Borrowings**	16,219,250,000	9,862,750,000	26,082,000,000
Employee pension***	13,798,522	262,171,918	275,970,440
<b>Total Liabilities</b>	<b>20,878,724,748</b>	<b>10,166,571,918</b>	<b>31,045,296,666</b>

\* To be able to split net loan portfolio into current and non-current portion, company assume that loans with remaining tenure more than one year are normal loan not yet overdue that are only subject to 1% loan loss provisioning. The remaining amount of loan loss provision is captured by loan less than one year.

\*\* Current portion of borrowing include revolving loan with Mizuho bank. As of 29 June 2018, Company has obtained the approval from FRD for loan period extension for the existing and new loan from Mizuho.

\*\*\* As of 31 March 2018, Management expect the amounts to be paid out within the next 12 months based on the Company's average turnover rate.

**24. Related party transactions**

## Compensation to key management

During the year, the company has compensated to executive members in cash form for the gross salary (base pay plus allowance before taxed) together with new year bonus, and in non-cash form for accommodation as follows:

	<u>31 March 2019</u>	<u>31 March 2018</u>
	MMK	MMK
Previous executive members - Salary	-	349,195,950
Previous executive members - Accommodation	-	9,400,000
Current executive members - Salary	422,118,631	73,861,545
Current executive members - Accommodation	68,837,500	14,562,500
	<u>490,956,131</u>	<u>447,019,995</u>

The executive members include Chief Executive Officer (CEO), Chief Operation Officer (COO), and Chief Financial Officer (CFO). There has no any change in executive members during the year.

The Company uses the exchange rate as of March 2019 in conversion annual gross salary from USD to MMK for the purpose to disclose in this audit report.

**25. Fair value of financial instruments**

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

Financial instruments whose carrying amount approximates fair value

Management has determined that the carrying cash and cash equivalents, loans and other receivables, savings and other payables, based on their notional amounts, are reasonable approximation of their fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

**26. Financial risk management objectives and policies**

The Company's principal financial liabilities comprise of savings and other payables. The main purpose of these financial liabilities is to finance the Company's operations and to provide guarantees to support its operations. The Company's principal financial assets include loans and other receivables including interest receivables, and cash and cash equivalents that derive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks.



**26. Financial risk management objectives and policies (Cont'd)**

**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 generally comprise three types of risk: interest rate risk, currency risk and other price risk such equity price risk and commodity risk.

**Foreign currency risk**

Foreign 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's exposure to the risk of changes in foreign exchange rates is minimal as its financial assets and financial liabilities are denominated in functional currency.

**Credit risk**

The Company performs ongoing credit evaluations of its customers and generally does not require collateral on trade receivables. Allowance for doubtful debts / receivables on uncollectible trade receivables have been made based on the expected collectability of outstanding trade receivables at the statement of financial position date.

The maximum exposure to credit risk is represented by the carrying amount of the financial assets as stated in the statement of financial position.

**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is not significantly exposed to interest rate risk since all of its financial assets and liabilities are subject to fixed interest rates.

**Liquidity risk**

The Company monitors its risk to a shortage of funds by reviewing the cash payment plan. The Company's objective is to maintain a level of cash and bank balances deemed sufficient to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

The table below summarizes the maturity profile of the Company's financial asset and liabilities based on contractual undiscounted receipts and payments.

## 26. Financial risk management objectives and policies (Cont'd)

As at 31 March 2019	Less than 1 year	1 to 3 years	Total
	MMK	MMK	MMK
<b>Financial assets:</b>			
Cash and cash equivalents	6,439,070,841	-	6,439,070,841
Loan and interest receivables	72,209,385,008	2,438,132,994	74,647,518,002
<b>Total undiscounted financial assets</b>	<b>78,648,455,849</b>	<b>2,438,132,994</b>	<b>81,086,588,843</b>
<b>Financial liabilities:</b>			
Deposit from customer	6,009,750,000	131,300,000	6,141,050,000
Interest payable on customer depositor	376,231,300	-	376,231,300
Accrued expenses and other liabilities	2,651,748,839	-	2,651,748,839
Borrowings	26,171,350,000	24,967,650,000	51,139,000,000
Employee pension	109,713,436	367,301,505	477,014,941
Deferred rent	-	10,280,213	10,280,213
<b>Total undiscounted financial liabilities</b>	<b>35,318,793,575</b>	<b>25,476,531,718</b>	<b>60,795,325,293</b>
<b>Total net undiscounted financial assets</b>	<b>43,329,662,274</b>	<b>(23,038,398,724)</b>	<b>20,291,263,550</b>
<b>As at 31 March 2018</b>	<b>Less than 1 year</b>	<b>1 to 3 years</b>	<b>Total</b>
	MMK	MMK	MMK
<b>Financial assets:</b>			
Cash and cash equivalents	4,034,756,382	-	4,034,756,382
Loan and interest receivables	45,234,551,996	116,193,500	45,350,745,496
<b>Total undiscounted financial assets</b>	<b>49,269,308,378</b>	<b>116,193,500</b>	<b>49,385,501,878</b>
<b>Financial liabilities:</b>			
Deposit from customer	3,616,920,000	41,650,000	3,658,570,000
Interest payable on customer depositor	211,494,900	-	211,494,900
Accrued expenses and other liabilities	817,261,326	-	817,261,326
Borrowings	16,219,250,000	9,862,750,000	26,082,000,000
Employee pension	13,798,522	262,171,918	275,970,440
<b>Total undiscounted financial liabilities</b>	<b>20,878,724,748</b>	<b>10,166,571,918</b>	<b>31,045,296,666</b>
<b>Total net undiscounted financial assets</b>	<b>28,390,583,630</b>	<b>(10,050,378,418)</b>	<b>18,340,205,212</b>

**27. Capital management**

For the purpose of the Company's capital management, capital includes issued capital, all other equity reserves attributable to the equity holders of the Company. The primary objective of the Company's capital management is to maintain a sufficient solvency in order to support its business and maximize the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants, if any. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. All capital requirements of the Company are internally generated and financed by third party debts as of 31 March 2019. No dividend was paid or declared during the period ended 31 March 2019.

The Company monitors capital during the review of financial information monthly. In addition, management reviews the amount of expected payment in the board meeting.

	<u>2019</u> MMK	<u>2018</u> MMK
Interest bearing debts	57,280,050,000	29,740,570,000
Other liabilities	3,515,275,293	1,304,726,666
Less: Cash and cash equivalents	(6,439,070,841)	(4,034,756,382)
Net Debt	<u>54,356,254,452</u>	<u>27,010,540,284</u>
Equity attributable to equity holders of the Company	<u>24,488,323,143</u>	<u>20,051,234,348</u>
Total capital	<u>24,488,323,143</u>	<u>20,051,234,348</u>
Capital and net debt	<u>78,844,577,595</u>	<u>47,061,774,632</u>
Gearing ratio	<u>69%</u>	<u>57%</u>

**28. Events after reporting period**

On 28 May 2019, the Company obtained approval from FRD for three new loan from CB Bank, E-Sun Bank and MUFG Bank amounting to MMK 25.5 billion, MMK 18.5 billion and USD 6 million, respectively.

Other than these and other than those disclosed elsewhere in these financial statements, at the date of this report, there were no other event, which occurred subsequent to 31 March 2019 that had significant impact on the financial position of the Company as at 31 March 2019.



**29. Authorization of financial statements**

The financial statements for the financial year ended 31 March 2019 were authorized for issue in accordance with a resolution of the directors and authorize for issue on 27 June 2019.