

Directors' Report and Audited Financial Statements

SATHAPANA LIMITED
Reg No. 105201095

(Incorporated in the Republic of the Union of Myanmar)

For the financial year ended
30 September 2020

UTW (Myanmar) Limited
Certified Public Accountants

SATHAPANA LIMITED

General Information

Directors

HAN Ken
HAN Chang-Woo
HAN Yu
KIM Vada
HUN Monivann
SUZUKI Masaru
SEANG Serey

Registered Office

No. 351/B, Pyay Road
Sangchaung Township
Yangon, Myanmar

Auditor

UTW (Myanmar) Limited

Bankers

Co-operative Bank Public Company Limited
Kanbawza Bank Limited
Ayeyarwady Bank Limited
YOMA Bank Limited
MUFG Bank Limited (Yangon Branch)
Mizuho Bank Limited (Yangon Branch)
E-Sun Bank Limited (Yangon Branch)
Myanma Apex Bank Limited
Myanmar Citizens Bank Public Company Limited
Shinhan Bank Company Limited (Yangon Branch)
Myanmar Economic Bank (MEB)

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SATHAPANA LIMITED

Directors' Report

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 30 September 2020 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:

HAN Ken
HAN Chang-Woo
HAN Yu
KIM Vada
HUN Monivann
SUZUKI Masaru
SEANG Serey

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 30 September 2020.

Financial performance

	1 October 2019 to 30 September 2020 MMK	1 April 2019 to 30 September 2019 MMK
Financial results		
Revenue (including other operating income)	42,101,904,574	14,085,145,700
Profit before depreciation & tax	11,194,646,885	3,909,306,364
Less: Depreciation and amortization	(751,431,407)	(241,285,202)
Profit after depreciation and amortization	10,443,215,478	3,668,021,162
Less: Income taxes	(2,733,919,097)	(990,115,094)
Total comprehensive income for the year/period	7,709,296,381	2,677,906,068

SATHAPANA LIMITED

Director's Report

Transfer to reserve account

MMK 1,927,324,095 which represents 25% of the net profit after tax was transferred to the Reserve Account during the financial year ended 30 September 2020 in compliance with Section 33(b) of the Microfinance Law.

Dividend

No dividend is recommended for the current financial period.

Risks and uncertainties

The Company's operations were negatively affected by the advent of COVID-19 pandemic and the current political situation in Myanmar. These interrupted the Company's microfinance lending and resulted in the Company experiencing loan collection difficulties and a higher than projected loan overdue rate. The continuing presence of COVID 19 and the current political situation in Myanmar and its unknown effects present a material risk to the growth of the Company's operations, but the Directors do not expect such to threaten the Company's status as a sustainable going concern.

Auditor

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

On behalf of the board of directors:



Mr. HAN Ken
Managing Director

Date: 07 May 2021
The Republic of the Union of Myanmar

SATHAPANA LIMITED

Statement by Directors

We, HAN Ken and SEANG Serey, being the appointed Managing Director and Director, respectively, of Sathapana Limited, do hereby state that, in the opinion of the Directors,

- 1) the accompanying financial statements 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 30 September 2020 including the modification of requirements of Myanmar Accounting Standards ("MAS") 39, Financial Instrument: Recognition and Measurement in respect of loans loss provisioning by Microfinance Supervisory Committee Notification No. 5/2016 until 31 March 2020 and Notification No. Ka Ka 1/6 (318/2020) until 30 September 2020 which was issued during the COVID-19 outbreak period, and the results of the business, changes in equity and cash flows of the Company for the financial year ended on that date;
- 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.
- 3) we support that the facts above mentioned are true and correct according to Sections 258 and 264 of the Myanmar Companies Law.

On behalf of the board of directors:



.....
HAN Ken
Managing Director



.....
SEANG Serey
Director

Date: 07 May 2021
The Republic of the Union of Myanmar



Independent Auditor's Report for the financial year ended 30 September 2020

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 30 September 2020, 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 the Myanmar Financial Reporting Standards (MFRS) including the modification of the requirements of Myanmar Accounting Standards ("MAS") 39, *Financial Instruments: Recognition and Measurement* in respect of loan loss provisioning by the Microfinance Supervisory Committee Notification No. 5/2016 until 31 March 2020 and Notification No. Ka Ka 1/6 (318/2020) until 30 September 2020 which was issued during the COVID-19 outbreak period, and the provisions of the Myanmar Companies Law. This responsibility includes:

- (a) designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- (b) selecting and applying appropriate accounting policies; and
- (c) making accounting estimates that are reasonable in the circumstances.

Auditors' 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.

Independent Auditor's Report for the financial year ended 30 September 2020 (Cont'd)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of SATHAPANA LIMITED as of 30 September 2020, 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 numbers 5/2016 until 31 March 2020 and Notification No. Ka Ka 1/6 (318/2020) until 30 September 2020 which was issued during COVID-19 outbreak period.

Report on Other Legal and Regulatory Requirements

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

- (a) In accordance with Section 280 (a) and (b) of the Myanmar Companies Law, we have obtained all the information and explanations, we are required; and
- (b) Books of account have been maintained by SATHAPANA LIMITED as required by Section 258 of the Myanmar Companies Law; and
- (c) In accordance with section 37 of Microfinance Law, we report that financial statements of the Company adequately reflect the financial position of the Company and its solvency.



Daw Moe Moe Aye
(PA No. 186)
UTW (Myanmar) Limited
Firm Registration No. ACC 006
Certified Public Accountants
The Republic of the Union of Myanmar



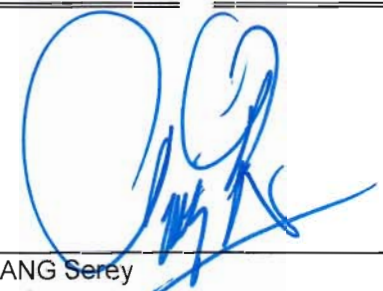
Dated: 07 May 2021
The Republic of the Union of Myanmar

SATHAPANA LIMITED

**Statement of Financial Position
As at 30 September 2020**

		30 September 2020	30 September 2019
	Notes	MMK	MMK
Assets			
Cash and cash at banks	9	25,748,502,484	9,670,788,418
Interest receivables		3,267,787,168	1,750,828,200
Loan and advance to customers - net	10	176,385,442,112	109,853,061,616
Prepaid expenses	11	1,421,233,795	1,330,688,502
Other receivables	12	108,596,390	194,670,670
Property, plant and equipment - net	13	2,981,904,851	2,001,779,825
Intangible assets-net	14	2,200,749,260	48,760,226
Deferred tax assets	15	-	35,255,679
Total assets		212,114,216,060	124,885,833,136
Equity and liabilities			
Deposit from customers	16	13,503,551,916	8,734,505,000
Accrued interest payable for depositor		930,978,378	502,325,300
Accrued expenses and other liabilities	17	4,484,086,538	2,435,491,081
Borrowings	18	149,432,478,335	77,747,602,719
Employee pension	19	1,272,380,220	720,685,715
Deferred tax liabilities	15	18,544,408	-
Deferred rent		36,670,673	18,994,110
Total liabilities		169,678,690,468	90,159,603,925
Equity			
Share capital	20	26,236,600,000	26,236,600,000
Retained earnings		11,872,040,581	6,090,068,295
Reserve	21	4,326,885,011	2,399,560,916
Total equity		42,435,525,592	34,726,229,211
Total equity and liabilities		212,114,216,060	124,885,833,136


 HAN Ken
 Managing Director


 SEANG Serey
 Director

SATHAPANA LIMITED

Statement of Comprehensive Income
For the financial year ended 30 September 2020

		1 October 2019 to 30 September 2020	1 April 2019 to 30 September 2019
	Notes	MMK	MMK
Interest income	5	38,011,780,231	12,919,991,000
Interest expense	5	(15,171,203,681)	(4,646,724,631)
Net interest income		22,840,576,550	8,273,266,369
Other items of income (expenses)			
General and administrative expenses	6	(13,762,568,724)	(4,974,653,722)
Provision for loan loss	10	(702,932,000)	(420,286,386)
Loan receivable (written off)/recovery	10	(88,254,650)	583,500
Other income - net	7	2,156,394,302	789,111,401
Profit before tax		10,443,215,478	3,668,021,162
Income tax expense	8	(2,733,919,097)	(990,115,094)
Profit for the year/ period		7,709,296,381	2,677,906,068
Other comprehensive income		-	-
Other comprehensive income for the year/ period, net of tax		-	-
Total comprehensive income for the year/ period		7,709,296,381	2,677,906,068


 HAN Ken
 Managing Director


 SEANG Serey
 Director

SATHAPANA LIMITED**Statement of Changes in Equity
For the financial year ended 30 September 2020**

	Share capital (Note 20)	Retained earnings	Reserve (Note 21)	Total equity
	MMK	MMK	MMK	MMK
As at 1 April 2019	18,676,600,000	4,081,638,744	1,730,084,399	24,488,323,143
Issuance of share during the period	7,560,000,000	-	-	7,560,000,000
Profit for the period	-	2,677,906,068		2,677,906,068
Transfer to reserve	-	(669,476,517)	669,476,517	-
As at 30 September 2019	26,236,600,000	6,090,068,295	2,399,560,916	34,726,229,211
Profit for the year	-	7,709,296,381	-	7,709,296,381
Transfer to reserve	-	(1,927,324,095)	1,927,324,095	-
As at 30 September 2020	26,236,600,000	11,872,040,581	4,326,885,011	42,435,525,592

SATHAPANA LIMITED

**Statement of Cash Flow
For the financial year ended 30 September 2020**

		<u>30 September 2020</u>	<u>30 September 2019</u>
		MMK	MMK
Operating activities	Notes		
Profit before tax from continuing operation		10,443,215,478	3,668,021,162
<u>Adjustments for:</u>			
Depreciation of property, plant and equipment	13	694,424,291	233,212,909
Amortization of intangible assets	14	57,007,116	8,072,293
Provisions for loan loss and loan written off	10	791,186,650	420,286,386
Unrealized foreign exchange loss/(gain) - net		362,578,933	(55,743,912)
Amortization of discount on long term borrowing		1,400,178,607	409,123,389
Loss on fixed asset write off/transfer	13	84,151,480	737,929
Operating cash flows before changes in working capital		13,832,742,555	4,683,710,156
<u>Changes in working capital:</u>			
Increase in loans and interest receivables		(68,840,526,114)	(37,376,658,200)
Decrease/(increase) in other receivables		86,074,280	(119,268,109)
(Increase)/decrease in prepaid expenses		(90,545,292)	1,271,442,658
Increase/(decrease) in accrued expenses and other liabilities		1,647,538,601	(1,220,367,906)
Increase in customer savings and interest payable		5,197,699,994	2,719,549,000
Increase in pension payable		551,694,505	243,670,774
Increase in deferred rent		17,676,563	8,713,897
Cash used in operating activities		(47,597,644,908)	(29,789,207,730)
Tax paid		(2,279,062,155)	(869,147,601)
Net cash flows used in operating activities		(49,876,707,063)	(30,658,355,331)
Investing activities			
Purchase of property, plant and equipment	13	(1,688,661,533)	(533,164,835)
Purchase of intangible assets	14	(2,279,035,414)	(11,502,425)
Net cash flows used in investing activities		(3,967,696,947)	(544,667,260)

SATHAPANA LIMITED**Statement of Cash Flow
For the financial year ended 30 September 2020**

		<u>30 September 2020</u>	<u>30 September 2019</u>
		MMK	MMK
	Notes		
Financing activities			
Proceeds from borrowings	18	94,835,150,000	29,078,400,000
Repayment of borrowings	18	(22,008,083,330)	(1,019,250,000)
Payment of loan transaction costs		(2,542,369,661)	(1,236,245,472)
Proceeds from share issuance	20	-	7,560,000,000
Net cash flows from financing activities		<u>70,284,697,009</u>	<u>34,382,904,528</u>
Net increase in cash and cash at bank		16,440,292,999	3,179,881,937
Currency realignment		(362,578,933)	51,835,640
Cash and cash at bank at beginning year/period		<u>9,670,788,418</u>	<u>6,439,070,841</u>
Cash and cash at bank at end of year/period		<u><u>25,748,502,484</u></u>	<u><u>9,670,788,418</u></u>

SATHAPANA LIMITED

Notes to the Financial Statements For the financial year ended 30 September 2020

1. General

SATHAPANA LIMITED (the "Company") is established in the Republic of the Union of Myanmar and obtained certificate of registration No. 105201095 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 ultimate 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. 351/B, Pyay Road, Sanchaung 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.

During the previous financial year, the Company changed its financial year end from 31 March to 30 September. This set of financial statements covers the financial year ended 30 September 2020 whilst the comparatives are for the 6 months financial year from 1 April 2019 to 30 September 2019. Hence, amounts reported in the statement of comprehensive income statement of changes in equity of the Company, statement of cash flows and related notes to the financial statement for the current year are not comparable to the prior year.

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 September 30, 2020 and are consistent with those used in the previous year.

Going concern basis of accounting

The Company has prepared the financial statements for the financial year ended 30 September 2020 on a going concern basis, which assumes continuity of current business activities and the realization of assets and settlement of liabilities in the ordinary course of business.

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
- 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. Interest income which are past due over 90 days were reversed from interest income and recognized as interest in suspense.

(c) Cash and cash at banks

Cash and cash at banks 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.

3. Significant accounting policies (Cont'd)

(f) Foreign currency transactions and balances

The presentation and functional currency of the Company is MMK. 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.

(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	3 years
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.

3. Significant accounting policies (Cont'd)

(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.

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 Oracle Flexcube acquired 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 30 September 2020.

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 does not have any operating leases as lessor as of 30 September 2020.

3. Significant accounting policies (Cont'd)

(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.

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)

(I) 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 30 September 2020.

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 Other Comprehensive Income (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 30 September 2020.

3. Significant accounting policies (Cont'd)

(I) Financial instruments – initial recognition and subsequent measurement (Cont'd)

AFS financial investments (Cont'd)

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 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.

3. Significant accounting policies (Cont'd)

(I) Financial instruments – initial recognition and subsequent measurement (Cont'd)

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.

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.

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.

3. Significant accounting policies (Cont'd)

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.

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.

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 tax

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 liabilities/assets recognized amounted to MMK (18,544,408) and MMK 35,255,679 as at 30 September 2020 and 30 September 2019, 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 2,981,904,851 and MMK 2,001,779,825 as at 30 September 2020 and 30 September 2019, respectively (see Note 13). The carrying amount of depreciable intangible assets, net of amortization expense, amounted to MMK 2,200,749,260 and MMK 48,760,226 as of 30 September 2020 and 30 September 2019, respectively (see Note 14).

SATHAPANA LIMITED

**Notes to the Financial Statements
For the financial year ended 30 September 2020**

5. Interest income and interest expense

	1 Oct 2019 to 30 Sep 2020	1 Apr 2019 to 30 Sep 2019
	MMK	MMK
Income from loan to customers	38,011,780,231	12,919,991,000

Interest income is derived from loan and advance to customer charged at the rate 28% per annum (30 September 2019: 30% per annum) on the loan outstanding balance. Interest income for the loan overdue over 90 days will be suspended and not recognized as interest income until it is paid.

	1 Oct 2019 to 30 Sep 2020	1 Apr 2019 to 30 Sep 2019
	MMK	MMK
Interest expense		
Interest expense on borrowings	13,561,007,330	4,120,053,831
Interest expense on deposits from customers	1,610,196,351	526,670,800
	15,171,203,681	4,646,724,631

These interest expenses are relating to the borrowings from creditors which are paid 10% to 14.5% per annum and savings deposits from customers which are paid 14% per annum (30 September 2019: 15% per annum).

6. General and administrative expenses

	Notes	1 Oct 2019 to 30 Sep 2020	1 Apr 2019 to 30 Sep 2019
		MMK	MMK
Salaries and wages		9,048,459,498	3,258,441,606
Rental lease payments		1,430,718,198	489,723,124
Depreciation and amortization	13,14	751,431,407	241,285,202
Professional fees		488,317,667	163,530,630
Travel and transportation expenses		473,729,689	254,264,184
Office supplies		457,070,444	131,298,938
Marketing and advertising		135,812,382	45,481,989
Communication expense		117,191,331	45,494,198
Others		859,838,108	345,133,851
		13,762,568,724	4,974,653,722

Others include staff training and uniform, repair and maintenance, utility, security, board director related expense and other expense.

SATHAPANA LIMITED

**Notes to the Financial Statements
For the financial year ended 30 September 2020**

7. Other income - net

	1 Oct 2019 to 30 Sep 2020	1 Apr 2019 to 30 Sep 2019
	MMK	MMK
Loan fee income	4,058,284,639	1,165,154,700
Fee and commission on borrowings	(1,463,149,871)	(432,277,169)
Foreign exchange gain/(loss) - net	(470,580,170)	56,233,870
Interest income from bank	31,561,644	-
Gain on disposal of fixed asset	238,060	-
Recovery on loans previously written-off	40,000	-
	2,156,394,302	789,111,401

The loan fee income is charged from loan customer as loan processing and commission fee up to 1.5% per annum (30 September 2019: 2% per annum) on the loan disbursement amount while interest income up to 6% per annum from bank for the call deposit account balance we keep with MAB bank.

8. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 30 September 2020 and 2019 are:

	1 Oct 2019 to 30 Sep 2020	1 Apr 2019 to 30 Sep 2019
	MMK	MMK
Current income tax	2,680,119,010	1,008,018,420
Deferred income tax		
-Origination of temporary differences	53,800,087	(17,903,326)
	2,733,919,097	990,115,094

Reconciliation between tax expenses and accounting profit

	1 Oct 2019 to 30 Sep 2020	1 Apr 2019 to 30 Sep 2019
	MMK	MMK
Accounting profit before tax	10,443,215,478	3,668,021,162
Tax at 25%	2,610,803,870	917,005,291
Adjustments:		
Non-deductible expenses	260,103,295	90,989,744
Non-taxable income	(2,988,857)	-
Deferred income tax	53,800,087	(17,903,326)
Effect of tax relief	(187,799,298)	-
Under provision for previous year	-	23,385
Income tax expenses recognized in profit or loss	2,733,919,097	990,115,094

Notes to the Financial Statements
For the financial year ended 30 September 2020

8. Income tax expense

In response to challenges faced by companies during the COVID-19 pandemic, the Myanmar government have implemented various stimulus packages to provide some relief to companies.

On 17 June 2020, the Ministry of Planning, Finance, and Industry (“MOPFI”) issued Notification No. 65/2020 which outlines additional forms of tax relief that can be availed by businesses affected by the COVID-19 pandemic in Myanmar. This Notification is issued in line with the fiscal stimulus provided under Myanmar’s COVID-19 Economic Relief Plan and the President’s Executive Order Concerning the Union Tax Law as recently issued on 12 June 2020.

The following are the tax reliefs that are available to businesses in Myanmar under the Notification:

- 10% non-refundable tax credit for incremental wages and salaries
- 125% deduction for incremental wages and salaries
- 10% non-refundable tax credit for incremental investments on capital equipment
- 125% depreciation for incremental investment on capital equipment

9. Cash and cash at banks

	<u>30 September 2020</u>	<u>30 September 2019</u>
	MMK	MMK
Cash on hand	1,970,517,095	703,399,704
Cash at bank	23,777,985,389	8,967,388,714
	<u>25,748,502,484</u>	<u>9,670,788,418</u>

Currently, the cash at bank only consist of current account with banks in both MMK and USD currency, and they bear no interest except MAB bank’s call deposit account with annual interest rate 6%.

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

	<u>30 September 2020</u>	<u>30 September 2019</u>
	MMK	MMK
United States Dollar	<u>14,661,612</u>	<u>7,687,342,197</u>

SATHAPANA LIMITED

**Notes to the Financial Statements
For the financial year ended 30 September 2020**

10. Loan and advance to customers

	<u>30 September 2020</u>	<u>30 September 2019</u>
	MMK	MMK
Group loan	130,657,709,109	92,287,082,950
Individual loan	47,640,681,037	18,775,994,700
	178,298,390,146	111,063,077,650
Less: Loan loss provision	(1,912,948,034)	(1,210,016,034)
Net loan portfolio	176,385,442,112	109,853,061,616

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

	<u>30 September 2020</u>	<u>30 September 2019</u>
	MMK	MMK
Current loan	164,770,512,676	100,917,421,150
Non-current loan	13,527,877,470	10,145,656,500
	178,298,390,146	111,063,077,650
Less: Loan loss provision	(1,912,948,034)	(1,210,016,034)
Net loan portfolio	176,385,442,112	109,853,061,616

As of 30 September 2020, the Company calculated the loan loss provision in accordance with Financial Regulatory Department (FRD)'s temporary regulation as follows:

Loan Classification	Number of Days Past Due	Provision Rate	Loan Outstanding	Provision Amount
-Standard	0	1%	154,980,446,335	1,549,804,463
-Sub Standard	1 - 30	1%	16,170,697,115	161,706,971
-Watch	31 - 60	1%	2,598,652,378	25,986,524
-Doubtful Debt	61 - 90	1%	994,477,240	9,944,772
-Loss	>90	1%	3,554,117,078	35,541,171
Additional provision*	-	-	-	129,964,133
Total			178,298,390,146	1,912,948,034

*Due to effect of Covid19, Financial Regulatory Department (FRD) has issued its directive allowing all MFIs to make loan provisioning 1% on loan outstanding regardless classification from April 2020 to June 2021. For SPNM, we have also done 1% on loan plus the additional amount MMK 129,964,133 which is the provision amount for overdue loan before FRD issued its directives.

SATHAPANA LIMITED**Notes to the Financial Statements
For the financial year ended 30 September 2020****10. Loan and advance to customers (Cont'd)**

A reconciliation of the reserve for loan losses for the loans to customers is as follows:

	<u>30 September 2020</u>	<u>30 September 2019</u>
	MMK	MMK
Balances at beginning of year/period	1,210,016,034	789,729,648
Provision for the year	702,932,000	420,286,386
Balances at end of year/period	<u>1,912,948,034</u>	<u>1,210,016,034</u>

As of 30 September 2020, the Company has loan written off amounting to MMK 88,254,650 and collected loan written off amounting to MMK 583,500.

11. Prepaid expenses

	<u>30 September 2020</u>	<u>30 September 2019</u>
	MMK	MMK
Prepaid rent - office	862,727,440	797,010,275
Prepaid rent - apartment	52,328,320	52,523,871
Prepaid - others	506,178,035	481,154,356
	<u>1,421,233,795</u>	<u>1,330,688,502</u>

Prepaid others include prepaid profit tax and others.

12. Other receivables

	<u>30 September 2020</u>	<u>30 September 2019</u>
	MMK	MMK
Other advance payments or deposits	<u>108,596,390</u>	<u>194,670,670</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
For the financial year ended 30 September 2020**

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
Cost							
At 1 April 2019	54,492,210	395,426,210	451,974,820	327,014,537	1,078,722,395	2,802,000	2,310,432,172
Additions	8,244,950	83,129,809	105,528,335	82,082,091	250,040,000	4,139,650	533,164,835
Write-off	-	(872,500)	(572,000)	(206,700)	-	-	(1,651,200)
At 30 September 2019	62,737,160	477,683,519	556,931,155	408,889,928	1,328,762,395	6,941,650	2,841,945,807
Additions	14,130,500	418,609,609	336,316,764	253,557,616	664,182,044	1,865,000	1,688,661,533
Write-off	(2,370,510)	(16,112,670)	(11,371,900)	(714,477)	(4,320,000)	(2,256,350)	(37,145,907)
At 30 September 2020	74,497,150	880,180,458	881,876,019	661,733,067	1,988,624,439	6,550,300	4,493,461,433
Accumulated depreciation							
At 1 April 2019	(40,131,551)	(106,000,956)	(103,020,120)	(90,752,958)	(266,866,558)	(1,094,201)	(607,866,344)
Depreciation charge for the period	(4,100,097)	(42,663,502)	(48,786,675)	(35,884,962)	(101,365,443)	(412,230)	(233,212,909)
Write-off	-	422,767	369,929	120,575	-	-	913,271
At 30 September 2019	(44,231,648)	(148,241,691)	(151,436,866)	(126,517,345)	(368,232,001)	(1,506,431)	(840,165,982)
Depreciation charge for the year	(10,385,063)	(133,840,328)	(145,757,577)	(106,390,145)	(296,555,529)	(1,495,649)	(694,424,291)
Write-off	1,486,667	11,549,962	7,498,800	384,529	1,711,331	402,402	23,033,691
At 30 September 2020	(53,130,044)	(270,532,057)	(289,695,643)	(232,522,961)	(663,076,199)	(2,599,678)	(1,511,556,582)
Net carrying amount:							
At 30 September 2019	18,505,512	329,441,828	405,494,289	282,372,583	960,530,394	5,435,219	2,001,779,825
At 30 September 2020	21,367,106	609,648,401	592,180,376	429,210,106	1,325,548,240	3,950,622	2,981,904,851

SATHAPANA LIMITED

**Notes to the Financial Statements
For the financial year ended 30 September 2020**

14. Intangible assets

	30 September 2020	30 September 2019
	MMK	MMK
Cost		
As at 1 April	89,969,117	78,466,692
Additions	2,279,035,414	11,502,425
Write Off	(130,954,436)	-
As at 30 September	2,238,050,095	89,969,117
Accumulated amortization		
As at 1 April	(41,208,891)	(33,136,598)
Amortization charge for the year/period	(57,007,116)	(8,072,293)
Write Off	60,915,172	-
As at 30 September	(37,300,835)	(41,208,891)
Net carrying amount:		
As at 30 September	2,200,749,260	48,760,226

Our intangible assets as of 30 September 2020 consist of only operating system which called Oracle FLEXCUBE Universal Banking and during the financial year, the Company write off the old system Micro Banker for Window (MBWin).

15. Deferred tax (liabilities)/assets

	30 September 2020	30 September 2019
	MMK	MMK
Beginning balance	35,255,679	17,352,353
This period movement (due to difference in depreciation and deferred rent)	(53,800,087)	17,903,326
Ending balance	(18,544,408)	35,255,679

SATHAPANA LIMITED**Notes to the Financial Statements
For the financial year ended 30 September 2020****16. Deposit from customer**

	30 September 2020	30 September 2019
	MMK	MMK
Less than one year	12,718,552,443	8,189,820,000
Over one year	784,999,473	544,685,000
	13,503,551,916	8,734,505,000

As of the reporting date, the Company has only the compulsory deposit collected from the borrower 5% on the disbursed loan amount and the Company offers interest rate 14% per annum.

17. Accrued expenses and other liabilities

	30 September 2020	30 September 2019
	MMK	MMK
Accrued tax payable	631,435,299	599,267,089
Accrued interest payable for borrowing	1,361,645,775	1,244,366,259
Accrued expenses and other liabilities	2,114,004,008	591,857,733
Interest income in suspense	377,001,456	-
	4,484,086,538	2,435,491,081

Per Microfinance Supervisory Committee Directive no.1/2014 issued on 14 January 2014, the interest accrued for the past due loans over 30 days should be reversed from interest income and credited into interest in suspense account under the liability. When cash is finally received on the payment of interest, the accrued interest receivable is reversed against the cash received and interest in suspense is reversed to interest income past due loans.

SATHAPANA LIMITED

**Notes to the Financial Statements
For the financial year ended 30 September 2020**

18. Borrowings

	30 September 2020	30 September 2019
	MMK	MMK
By lenders		
Mizuho Bank	16,632,850,000	24,132,850,000
Triodos	-	2,025,778,250
Blue Orchard	9,051,394,538	15,612,136,972
AYA Bank	23,932,829,145	7,924,863,224
Symbiotics Sicav	5,101,072,857	3,054,029,333
CB Bank	22,004,355,854	11,899,945,713
E-Sun Bank	16,836,914,294	13,097,999,227
May Bank	1,748,859,811	-
MCB Bank	9,671,996,876	-
Yoma Bank	16,309,189,597	-
MAB Bank	9,766,016,840	-
Shinhan Bank	6,376,998,523	-
MEB Bank	12,000,000,000	-
	149,432,478,335	77,747,602,719
By repayment maturity		
In one year	66,302,892,639	31,873,390,427
Over one year	83,129,585,696	45,874,212,292
	149,432,478,335	77,747,602,719
By type		
Revolving loan	16,632,850,000	24,132,850,000
Term loan	132,799,628,335	53,614,752,719
	149,432,478,335	77,747,602,719
By source		
On-shore	135,280,010,940	57,055,658,164
Off-shore	14,152,467,395	20,691,944,555
	149,432,478,335	77,747,602,719

18. Borrowings (Cont'd)

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

Mizuho Bank Ltd, Yangon Branch

The loan from Mizuho is uncommitted short-term revolving credit. The total approved loan amount is MMK 24,132,850,000 and SPNM repaid the principal of uncommitted short-term revolving credit amounting MMK 7,500,000,000 in February and March 2020. The Company renewed the uncommitted short-term revolving credit on 26 Jun 2020. The maximum drawdown period is twelve months starting from 26-Jun-20 to 26-Jun-21 which is subjected to be extended automatically for successive period of one year unless otherwise notified by the bank. The interest rate for this loan is up to 12.5% or CBM's limit without 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 was matured on 15-Aug-2020 and the Company repaid full amount that time.

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-Aug-2017 and was matured on 23-Aug-2020. The Company already repaid full amount for this loan at its maturity.

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 tenor 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.

AYA Bank

There are two loans from AYA bank:

1- The first loan amount from AYA Bank is MMK 8,000,000,000 with tenor of 2 years starting from 27 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 one time at maturity date while interest payment is monthly.

2. - During the year, the Company entered into a new loan agreement amounting MMK 16,000,000,000 with the tenor of 2 years starting from 14 February 2020 to 13 February 2022. The loan is split into two portions; 50% of total amount equal to MMK 8,000,000,000 is fully secured by Stand-by letter of Credit (SBLC) issued by Mizuho bank in Tokyo and the 50% remaining amount is unsecured. The principal repayment is one time at maturity date while interest payment is monthly. The interest rate for secured loan is 10% and 14.5% for unsecured loan amount.

18. Borrowings (Cont'd)

Symbiotics Sicav

There are two loans from Symbiotics Sicav:

1- The first loan amount is USD 2,000,000 equivalent in local currency (as of the disbursement date, the equivalent amount is MMK 3,078,400,000) with the tenor of 2 years. The loan was disbursed on 20 May 2019 and will mature on 15 May 2021. It is the bullet repayment loan at its maturity date while interest payment is semi-annual.

2- During the fiscal year, the Company entered into a new loan agreement amounting to USD 1,500,000 equivalent in local currency (as of the disbursement date, the equivalent amount is MMK 2,068,950,000) with the tenor of 2 years. The loan was disbursed on 27 July 2020 and will be matured on 26 July 2022. It is the bullet repayment loan at its maturity date while interest payment

CB Bank

On 21 Jun 2019, The Company also entered into the loan agreement with a local bank, CB bank. The total approved loan amount is MMK 25,500,000,000 with the tenor of 3 years from the first disbursement date on 21 Jun 2019. On 21 October 2019 and 23 December 2019, SPNM has made 2 times drawdown MMK 4,000,000,000 and 9,000,000,000 totaling MMK13,000,000,000. During the year due to foreign exchange rate fluctuation that has caused our SBLC collateral amount decrease, the Company repaid principal amount of MMK 3,048,100,000 and the loan outstanding is MMK 22,451,900,000. The loan principal will be repaid two times during its tenor with 50% repayment on the second-year end while the rest will be repaid on its maturity date 20-Jun-2022. The loan bears interest rate of 12.50% p.a. or CBM's limit (10% as issued directive due to COVID) and it is secured by SBLC from Aozora bank in Japan.

E-Sun Bank, Yangon Branch

The total approved loan amount from a foreign branch bank from Taiwan, E-Sun bank, is MMK 18,500,000,000 with the tenor of 3 years from the first disbursement date on 24-Jul-2019. As of 30 September 2020, the Company has made drawdown of the remaining amount of MMK 5,000,000,000 and, due to foreign exchange rate fluctuation that has caused our SBLC collateral amount decrease, repaid principal amount MMK 1,351,400,000. The loan principal will be repaid two times during its tenor which the first repayment amount of MMK1,500,000,000 on the second-year end while the remaining will be repaid on its maturity date 23-Jul-2022. the loan bear interest rate 12.00% p.a. It is secured by SBLC from Tokyo Star bank in Japan.

MUFG Bank, Yangon Branch

The loan from MUFG bank is uncommitted short term credit. The maximum approved amount is USD 6,000,000 or equivalent to MMK and its availability period is one year starting from 28-Jun-2020 to 27-Jun-2021 with the possibility of auto roll over at the end of availability subject to advance notice by the Company and the consent by MUFG. The interest rate for this revolving loan is 12.5% p.a or CBM's limit for MMK currency without any loan fee. As of the end of September 2020, the Company has not made any drawdown and outstanding loan with MUFG is zero.

May Bank, Yangon Branch

During the year, the Company also entered into the loan agreement with a foreign bank branch, May bank. The loan amount is MMK 3,036,200,000 with the tenor of 2 years and monthly principal and interest (re)payment from the first disbursement date on 18 November 2019. As of 30 September 2020, the Company repaid loan principal amount MMK 1,265,083,330 and the outstanding balance is amount MMK 1,771,116,670. The loan maturity date is on 15 November 2021. The loan bear interest rate 12% p.a. It is secured by ADB guarantee.

18. Borrowings (Cont'd)

Myanmar Citizen Bank (MCB)

During the year, the Company entered into the following two loan agreements with a local bank, MCB bank:

1- The first loan agreement is short-term loan of MMK 4,730,000,000 and the disbursement date was on 23 March 2020. The principal repayment is one time at maturity date while interest payment is monthly. The loan maturity date is on 23 March 2021. The loan bear interest rate 12% p.a. It is unsecured loan.

2- The second loan agreement is MMK 5,000,000,000 with the tenor 3 year from the disbursement date is on 16 March 2020. The principal repayment is one time at maturity date while interest payment is monthly. The loan maturity date is on 16 March 2023. The loan bear interest rate 13% p.a. It is secured by SBLC from Tokyo Star bank in Japan.

Yoma Bank

During the year, the Company also entered into the loan agreement with a local bank, YOMA bank. The loan amount is MMK 17,000,000,000 with the tenor of 3 years from the disbursement date on 17 August 2020. The principal repayment is one time at maturity date while interest payment is quarterly. The loan maturity date is on 17 August 2023. The loan bear interest rate 10% p.a. It is secured by Stand-by letter of Credit (SBLC) issued by Mizuho bank in Tokyo.

Myanmar Apex Bank (MAB)

During the year, the Company also entered into the loan agreement with a local bank, MAB bank. The loan amount is MMK 10,000,000,000 with the tenor of 3 years from the disbursement date on 18 August 2020. The principal repayment is one time at maturity date while interest payment is quarterly. The loan maturity date is on 18 August 2023. The loan bear interest rate 10% p.a. It is secured by Stand-by letter of Credit (SBLC) issued by Tokyo Star Bank in Japan.

Shinhan Bank, Yangon Branch

During the year, the Company also entered into the loan agreement with a foreign bank branch, SHINHAN bank. The approved loan amount is MMK 14,000,000,000 with the tenor of 3 years from disbursement date on 15 September 2020. As of 30 September 2020, the company drawdown MMK 7,000,000,000 and the remaining will be drawdown in December 2020. The principal repayment is one time at maturity date while interest payment is monthly. The loan maturity date is on 06 September 2023 and the interest rate is 10% p.a. This loan is secured by Stand-by letter of Credit (SBLC) issued by Mizuho Bank in Japan.

Myanmar Economic Bank (MEB)

During the year, the Company also entered into the loan agreement with state-owned bank, MEB bank. The loan is short-term loan and the amount is MMK is 12,000,000,000. The principal repayment and interest payment are quarterly after a six-month grace period. The loan disbursement date is on 10 September 2020 and maturity date is on 09 September 2021. The loan bear interest rate 1% p.a.

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19. Employee pension

	<u>30 September 2020</u>	<u>30 September 2019</u>
	MMK	MMK
Employee contribution (5% of basic salary)	424,682,820	241,156,497
Employer contribution (10% of basic salary)	847,697,400	479,529,218
	<u>1,272,380,220</u>	<u>720,685,715</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 pension 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

	<u>30 September 2020</u>		<u>30 September 2019</u>	
	No. of shares	MMK	No. of shares	MMK
Mr. HAN Yu	1	1,000	1	1,000
MARUHAN Investment Asia Pte. Ltd.	19,999,999	26,236,599,000	19,999,999	26,236,599,000
At 30Sept	<u>20,000,000</u>	<u>26,236,600,000</u>	<u>20,000,000</u>	<u>26,236,600,000</u>

At the first time of capital injection, the Financial Regulatory Department (FRD) recognized 1\$ was equal MMK 1,000 for one share. There is no capital injection during the financial 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

	<u>30 September 2020</u>	<u>30 September 2019</u>
	MMK	MMK
Beginning balance	2,399,560,916	1,730,084,399
Addition for the year	1,927,324,095	669,476,517
Ending balance	<u>4,326,885,011</u>	<u>2,399,560,916</u>

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:

	<u>30 September 2020</u> MMK	<u>30 September 2019</u> MMK
Within one year	1,402,041,000	189,103,373
More than one year	6,214,539,500	1,414,159,450
	<u>7,616,580,500</u>	<u>1,603,262,823</u>

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 30 September 2020

	<u>Less than one year</u> MMK	<u>Over one year</u> MMK	<u>Total</u> MMK
Assets			
Cash and cash at banks	25,748,502,484	-	25,748,502,484
Interest receivables	3,267,787,168	-	3,267,787,168
Loan and advance to customers - net	162,992,843,416	13,392,598,696	176,385,442,112
Prepaid expense	1,202,566,370	218,667,425	1,421,233,795
Other receivables	108,596,390	-	108,596,390
Property, plant and equipment - net	-	2,981,904,851	2,981,904,851
Intangible assets-net	-	2,200,749,260	2,200,749,260
Total Assets	<u>193,320,295,828</u>	<u>18,793,920,232</u>	<u>212,114,216,060</u>
Liabilities			
Deposit from customer	12,718,552,443	784,999,473	13,503,551,916
Accrued interest payable for depositor	930,978,378	-	930,978,378
Accrued expenses and other liabilities	4,484,086,538	-	4,484,086,538
Borrowings*	66,302,892,639	83,129,585,696	149,432,478,335
Employee pension**	267,199,846	1,005,180,374	1,272,380,220
Deferred tax liabilities	-	18,544,408	18,544,408
Deferred rent	-	36,670,673	36,670,673
Total Liabilities	<u>84,703,709,844</u>	<u>84,974,980,624</u>	<u>169,678,690,468</u>

* Current portion of borrowing include revolving loan with Mizuho bank.

** As of 30 September 2020, Management expect the amounts to be paid out within the next 12 months based on the Company's average turnover rate.

SATHAPANA LIMITED

**Notes to the Financial Statements
For the financial year ended 30 September 2020**

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

As at 30 September 2019

	Less than one year	Over one year	Total
	MMK	MMK	MMK
Assets			
Cash and cash at banks	9,670,788,418	-	9,670,788,418
Interest receivables	1,750,828,200	-	1,750,828,200
Loan and advance to customers - net	99,811,867,339	10,041,194,277	109,853,061,616
Prepaid expense	1,180,130,683	150,557,819	1,330,688,502
Other receivables	194,670,670	-	194,670,670
Property, plant and equipment - net	-	2,001,779,825	2,001,779,825
Intangible assets-net	-	48,760,226	48,760,226
Deferred tax assets	-	35,255,679	35,255,679
Total Assets	112,608,285,310	12,277,547,826	124,885,833,136
Liabilities			
Deposit from customer	8,189,820,000	544,685,000	8,734,505,000
Accrued interest payable for depositor	502,325,300	-	502,325,300
Accrued expenses and other liabilities	2,435,491,081	-	2,435,491,081
Borrowings*	31,873,390,427	45,874,212,292	77,747,602,719
Employee pension**	136,930,286	583,755,429	720,685,715
Deferred rent	-	18,994,110	18,994,110
Total Liabilities	43,137,957,094	47,021,646,831	90,159,603,925

* Current portion of borrowing include revolving loan with Mizuho bank.

** As of 30 September 2019, 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>30 September 2020</u>	<u>30 September 2019</u>
	MMK	MMK
Current executive members - Salary	640,143,278	236,219,808
Current executive members - Accommodation	95,717,800	37,392,000
	<u>735,861,078</u>	<u>273,611,808</u>

The executive members include Chief Executive Officer (CEO), Deputy Chief Executive Officer (DCEO), Chief Operation Officer (COO), Chief Financial Officer (CFO), and Chief Risk Officer (CRO) which is vacant as of September 2020. During the year, the board recruited and appointed new executive member, Deputy Chief Executive Officer (DCEO), with the effective date from 11 December 2019 and promoted the head of Credit department to be COO from June 2020.

The Company uses the exchange rate as of September 2020 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.

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.

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For the financial year ended 30 September 2020**

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

As at 30 September 2020	Less than 1 year	1 to 3 years	Total
	MMK	MMK	MMK
Financial assets:			
Cash and cash equivalents	25,748,502,484	-	25,748,502,484
Loan and interest receivables	166,260,630,585	13,392,598,695	179,653,229,280
Total undiscounted financial assets	192,009,133,069	13,392,598,695	205,401,731,764
Financial liabilities:			
Deposit from customer	12,718,552,443	784,999,473	13,503,551,916
Interest payable on customer depositor	930,978,378	-	930,978,378
Accrued expenses and other liabilities*	3,798,296,163	-	3,798,296,163
Borrowings	66,302,892,639	83,129,585,696	149,432,478,335
Employee pension	267,199,846	1,005,180,374	1,272,380,220
Total undiscounted financial liabilities	84,017,919,469	84,919,765,543	168,937,685,012
Total net undiscounted financial assets	107,991,213,600	(71,527,166,848)	36,464,046,752

*Excludes statutory payables

As at 30 September 2019	Less than 1 year	1 to 3 years	Total
	MMK	MMK	MMK
Financial assets:			
Cash and cash equivalents	9,670,788,418	-	9,670,788,418
Loan and interest receivables	101,562,695,539	10,041,194,277	111,603,889,816
Total undiscounted financial assets	111,233,483,957	10,041,194,277	121,274,678,234
Financial liabilities:			
Deposit from customer	8,189,820,000	544,685,000	8,734,505,000
Interest payable on customer depositor	502,325,300	-	502,325,300
Accrued expenses and other liabilities	2,435,491,081	-	2,435,491,081
Borrowings	31,873,390,427	45,874,212,292	77,747,602,719
Employee pension	136,930,286	583,755,429	720,685,715
Total undiscounted financial liabilities	43,137,957,094	47,002,652,721	90,140,609,815
Total net undiscounted financial assets	68,095,526,863	(36,961,458,444)	31,134,068,419

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 30 September 2020. No dividend was paid or declared during the period ended 30 September 2020.

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

	30 September 2020	30 September 2019
	MMK	MMK
Interest bearing debts	162,936,030,251	86,482,107,719
Other liabilities	6,742,660,217	3,677,496,206
Less: Cash and cash equivalents	(25,748,502,484)	(9,670,788,418)
Net Debt	<u>143,930,187,984</u>	<u>80,488,815,507</u>
Equity attributable to equity holders of the Company	<u>42,435,525,592</u>	<u>34,726,229,211</u>
Total capital	<u>42,435,525,592</u>	<u>34,726,229,211</u>
Capital and net debt	<u>186,365,713,576</u>	<u>115,215,044,718</u>
Gearing ratio	<u>77%</u>	<u>70%</u>

28. Other Matters

COVID-19 pandemic

On March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The outbreak and the response of Governments in dealing with the pandemic is interfering with general activity levels within the community, the economy and the operations of many businesses.

Moreover, FRD released notifications to microfinance institutions related to COVID19 which are as follows:

1. Stop loan collection from clients for amount due in November and December in Yangon, Bago and Rakhine regions and not to force clients to make repayment.
2. Temporary loan provisioning 1% for loan balance from April 2020 till June 2021

As a result, the Company experienced decrease in collections and decrease in cash loan disbursements.

Nonetheless, the Company announced measures to strengthen its liquidity and cash preservation in response to COVID 19 including 12-billion credit facility with a term of one year and interest rate 1% p.a from state owned bank (Myanmar Economic bank) which starting from September 2020 to September 2021, initiatives relating to several other cost initiatives. In addition, the following initiatives were carried out by the Company to mitigate the effects of COVID19 to the business:

1. Established Emergency Response Team to receive and respond to all stakeholders.
2. Develop and provide training various courses to beef up staff competency during COVID-19 to middle management on effective branch management, crisis management, business/workplace ethic, delinquency management, new core banking system to counter team, credit analysis, fraud awareness, new recruits Training, etc.
3. Develop and implement loan repayment collection strategy to provide flexible choices for clients to choose including counter service, doorstep service, third party partnership and delinquency management plan to properly assess and monitor loan late clients.
4. Develop and implement loan restructure guidelines to provide flexibility and choices to clients who have faced with difficulty in making payment during COVID-19 to ease their burden while improving good portfolio quality for the company.
5. Suspend new loans disbursement to clients whose sources of income from impacted/high risk sectors such as tourism, transportation, construction, garment factory, migrant workers, slow down loan disbursement and focus on repayment collection to support liquidity position.
6. Proactively discuss with existing lenders to share information on the impact of COVID-19, covenant relaxation, liquidity management, and approach potential lenders for new funding support to sustain business operation in the future.
7. Digital capability, adaptability, and a spirit of innovation will continue to guide SPM forward as the situation evolves around the globe. Financial technology solution such loan origination, mobile/agent banking, human resource information system will be considered upon the successful launch of new core banking system.
8. Strictly monitor on liquidity management, credit risk management and control, operation risk, compliance risk, market risk and regulatory risk.

28. Other Matters (Cont'd)

Events after reporting period

Further Borrowings

On 15 December 2020, The company made the loan drawdown from Shinhan bank amounting MMK 7,000,000,00 and the Company obtained approval from FRD for the loan from MEB bank amounting to MMK 13 billion on 02 December 2020. The shareholder also injected capital USD 5,000,000 on 20 November 2020 and FRD approval is still pending as of audit report date.

Political Situation

On 1 February 2021, the Tamadaw proclaimed a year-long state of emergency and declared power had been vested to State Administration Council.

The political situation in Myanmar continues to evolve and remains unpredictable at this stage. Management determined that such political uncertainty is indicative of conditions that arose subsequent to the financial statements date and therefore, the assets and liabilities of the Company as at 30 September were not adjusted to reflect the impact of the political situation in Myanmar.

The resulting political uncertainty could have a impact on the future operations of the Company and may cause changes to assets or liabilities of the Company. However, given the outcome and timeframe for a recovery from the current political situation is highly unpredictable, it is not practicable to estimate and disclose any financial effect at this time. The Company will continue to closely monitor the political developments in Myanmar and provide further assessment as and when there are material developments.

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 30 September 2020 that had significant impact on the financial position of the Company as at 30 September 2020.

29. Authorization of financial statements

The financial statements for the financial year ended 30 September 2020 were authorized for issue in accordance with a resolution of the directors and authorize for issue on 07 May 2021.