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 period ended
30 September 2019

UTW (Myanmar) Limited
Certified Public Accountants

SATHAPANA LIMITED

General Information

Directors

Ken Han
Chang-Woo Han
Yu Han
Kim Vada
Hun Monivann
Suzuki Masaru
Seang Serey (Appointed as director on 5 August 2019)
Susumu Watahiki

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
YOMA Bank Limited
MUFG Bank Limited (Yangon Branch)
Mizuho Bank Limited (Yangon Branch)
E-Sun Bank Limited (Yangon Branch)

Index

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 period ended 30 September 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
Kim Vada
Hun Monivann
Suzuki Masaru
Seang Serey (Appointed as director on 5 August 2019)
Susumu Watahiki

State of the Company's affairs

The Company is engage in the business to conduct microfinance business. There has been no change in the business of the Company during the financial period ended 30 September 2019.

Financial performance

	1 April 2019 to 30 September 2019	1 April 2018 to 31 March 2019
	MMK	MMK
Financial results		
Revenue (including other operating income)	14,085,145,700	18,621,689,750
Profit before depreciation & tax	**3,909,306,364**	**6,446,769,228**
Less: Depreciation	(241,285,202)	(318,611,696)
Profit after depreciation	**3,668,021,162**	**6,128,157,532**
Less: Income taxes	(990,115,094)	(1,691,068,737)
Total comprehensive income for the year	**2,677,906,068**	**4,437,088,795**

Transfer to reserve account

MMK 669,476,517 which represents 25% of the net profit after tax was transferred to the Reserve Account during the financial period ended 30 September 2019 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 did not face any risks and uncertainties during the current financial period.

Auditor

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

On behalf of the board of directors:

Ken Han

Mr. Ken Han
Managing Director

Date: 14 February 2020
The Republic of the Union of Myanmar

SATHAPANA LIMITED

Statement by Directors

We, Ken Han 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 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 30 September 2019 and the results of the business, changes in equity and cash flows of the Company for the financial period 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

....

Ken Han
Managing Director

....

Seang Serey
Director

Date: 14 February 2020
The Republic of the Union of Myanmar

UTW

UTW (Myanmar) Limited
No.3A, Bogyoke Aung San Road
Unit #20-06 to 10, Level 20
Junction City Tower, Pabedan Township
Yangon, Myanmar

Tel: (+95 1) 9253493~9

Independent Auditor's Report for the financial period ended 30 September 2019

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 2019, statement of comprehensive income, statement of changes in equity, and statement of cash flows for the period 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 30 September 2019, and of its financial performance and its cash flows for the period 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.

UTW

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;

(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: ACC006
Certified Public Accountants

Date: 14 February 2020
The Republic of the Union of Myanmar

SATHAPANA LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019

	Notes	30 September 2019 MMK	31 March 2019 MMK
Assets			
Cash and cash at banks	9	9,670,788,418	6,439,070,841
Interest receivables		1,750,828,200	1,280,851,400
Loan and advance to customers - net	10	109,853,061,616	73,366,666,602
Prepaid expenses	11	1,330,688,502	2,356,408,757
Other receivables	12	194,670,670	75,402,561
Property, plant and equipment - net	13	2,001,779,825	1,702,565,828
Intangible assets-net	14	48,760,226	45,330,094
Deferred tax assets	15	35,255,679	17,352,353
Total assets		**124,885,833,136**	**85,283,648,436**
Equity and liabilities			
Deposit from customers	16	8,734,505,000	6,141,050,000
Accrued interest payable for depositor		502,325,300	376,231,300
Accrued expenses and other liabilities	17	2,435,491,081	2,651,748,839
Borrowings	18	77,747,602,719	51,139,000,000
Employee pension	19	720,685,715	477,014,941
Deferred rent	17	18,994,110	10,280,213
Total liabilities		**90,159,603,925**	**60,795,325,293**
Equity			
Share capital	20	26,236,600,000	18,676,600,000
Retained earnings		6,090,068,295	4,081,638,744
Reserve	21	2,399,560,916	1,730,084,399
Total equity		**34,726,229,211**	**24,488,323,143**
Total equity and liabilities		**124,885,833,136**	**85,283,648,436**

Ken Han

Ken Han
Managing Director

Seang Serey
Director

SATHAPANA LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019

	Notes	1 April 2019 to 30 September 2019 MMK	1 April 2018 to 31 March 2019 MMK
Interest income	5	12,919,991,000	17,217,518,100
Interest expense	5	(4,646,724,631)	(5,231,019,615)
Net interest income		8,273,266,369	11,986,498,485
Other items of income (expenses)			
General and administrative expenses	6	(4,974,653,722)	(6,714,963,809)
Provision for loan loss	10	(420,286,386)	(323,081344)
Loan collection/(written off)	10	583,500	(23,707,550)
Other income - net	7	789,111,401	1,203,411,750
Profit before tax		3,668,021,162	6,128,157,532
Income tax expense	8	(990,115,094)	(1,691,068,737)
Profit for the year		2,677,906,068	4,437,088,795
Other comprehensive income		-	-
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		2,677,906,068	4,437,088,795

Ken Han
Managing Director

Seang Serey
Director

SATHAPANA LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019

	Share capital (Note 20)	Retained earnings	Reserve (Note 21)	Total equity
	MMK	MMK	MMK	MMK
As at 1 April 2018	18,676,600,000	753,822,148	620,812,200	20,051,234,348
Profit for the year	-	4,437,088,795	-	4,437,088,795
Transfer to reserve	-	(1,109,272,199)	1,109,272,199	-
As at 31 March 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

SATHAPANA LIMITED

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019

	Notes	30 September2019 MMK	31 March 2019 MMK
Operating activities			
Profit before tax from continuing operation		3,668,021,162	6,128,157,532
Adjustments for:			
Depreciation of property, plant and equipment	13	233,212,909	304,868,237
Amortization of intangible assets	14	8,072,293	13,743,459
Provisions for loan loss and loan written off	10	420,286,386	346,788,894
Unrealized foreign exchange (gain)/loss - net		(55,743,912)	60,310,118
Loss on fixed asset write off/transfer	13	737,929	5,135,960
Operating cash flows before changes in working capital		4,274,586,767	**6,859,004,200**
Changes in working capital:			
Increase in loans and interest receivables		(37,376,658,200)	(29,643,561,400)
Increase in other receivables		(119,268,109)	(92,394)
Decrease in prepaid expenses		1,680,566,047	11,776,220
(Decrease)/increase in accrued expenses and other liabilities		(1,220,367,906)	36,720,049
Increase in customer savings and interest payable		2,719,549,000	2,647,216,400
Increase in pension payable		243,670,774	201,044,501
Increase in deferred rent		8,713,897	10,280,213
Net changes in working capital		(29,789,207,730)	(26,736,616,411)
Tax paid		(869,147,601)	(1,169,651,314)
Net cash flows used in operating activities		(30,658,355,331)	(21,047,263,525)
Investing activities			
Purchase of property, plant and equipment	13	(533,164,835)	(1,079,060,280)
Purchase of intangible assets	14	(11,502,425)	(15,421,788)
Net cash flows used in investing activities		(544,667,260)	(1,094,482,068)

SATHAPANA LIMITED

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019

	Notes	30 September2019 MMK	31 March 2019 MMK
Financing activities			
Proceeds from borrowings	18	29,078,400,000	26,076,250,000
Repayment of borrowings	18	(1,019,250,000)	(1,019,250,000)
Payment of loan transaction costs		(1,236,245,472)	(548,026,600)
Proceeds from share issuance	20	7,560,000,000	-
Net cash flows from financing activities		34,382,904,528	24,508,973,400
Net increase in cash and cash at banks		3,179,881,937	2,367,227,807
Currency realignment		51,835,640	37,086,652
Cash and cash at bank at beginning period/year		6,439,070,841	4,034,756,382
Cash and cash at bank at end of period/year		9,670,788,418	6,439,070,841

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 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. 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 period ended 30 September 2019 and are consistent with those used in the previous year.

Change in financial reporting period

The Republic of the Union of Myanmar approved the change of financial year from fiscal year which begins on the first day of April and ends on the last day of March of the following year to fiscal year which shall begin on the first day of October and end on the last day of September of the following year. The change of financial year is to be first implemented in the financial statements for the financial year from 1 October 2019 to 30 September 2020.

Based on the Ministry of Planning and Finance, Internal Revenue Department Notification letter No.4(1)OuSa-2/PaTaKha/2019(5229) dated 15 May 2019, all Companies should close their accounts for the transition period from 1 April 2019 to 30 September 2019. Accordingly, the Company then prepared its financial statements for the period ended 30 September 2019 as its transition to the new accounting period. The amount presented in the financial statements are not entirely comparable.

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 at banks 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 includes 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 at bank

Cash and cash at bank 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	Term of lease (1 to 10 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 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.

3. Significant accounting policies (Cont'd)

(j) Leases (cont'd)

The Company as a lessee

The Company does not have finance leases as of 30 September 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 does not have any operating leases as lessor as of 30 September 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.

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

3. Significant accounting policies (Cont'd)

(k) Taxation (Cont'd)

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.

(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.

3. Significant accounting policies (Cont'd)

(l) Financial instruments - initial recognition and subsequent measurement (Cont'd)

i) Financial assets (Cont'd)

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.

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 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 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 2019.

3. Significant accounting policies (Cont'd)

(l) Financial instruments - initial recognition and subsequent measurement (Cont'd)

i) Financial assets (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)

(l) 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)

(l) Financial instruments - initial recognition and subsequent measurement (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.

3. Significant accounting policies (Cont'd)

ii) Financial liabilities (Cont'd)

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.

4. Significant accounting judgements, estimates and assumptions (cont'd)

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 35,255,679 and MMK 17,352,353 as of 30 September 2019 and 31 March 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 2,001,779,825 and MMK 1,702,565,828 as of 30 September 2019 and 31 March 2019, respectively (see Note 13). The carrying amount of depreciable intangible assets, net of amortization expense, amounted to MMK 48,760,226 and MMK 45,330,094 as of 30 September 2019 and 31 March 2019, respectively (see Note 14).

5. Interest income and interest expense

	1 Apr 2019 to 30 Sep 2019	1 Apr 2018 to 31 Mar 2019
	MMK	MMK
Income from loan to customers	12,919,991,000	17,217,518,100

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

	1 Apr 2019 to 30 Sep 2019	1 Apr 2018 to 31 Mar 2019
	MMK	MMK
Interest expense		
Interest expense on borrowings	4,120,053,831	4,505,800,215
Interest expense on deposits from customers	526,670,800	725,219,400
	4,646,724,631	5,231,019,615

These interest expenses are relating to the borrowings from creditors and savings deposits from customers which are paid 12% to 13% per annum (p.a) and 15% p.a respectively.

6. General and administrative expenses

	Notes	1 Apr 2019 to 30 Sep 2019	1 Apr 2018 to 31 Mar 2019
		MMK	MMK
Salaries and wages		3,258,441,606	4,362,596,054
Rental lease payments		489,723,124	732,656,961
Travel and transportation expenses		254,264,184	368,288,635
Depreciation and amortization	13,14	241,285,202	318,611,696
Professional fees		163,530,630	146,338,021
Office supplies		131,298,938	203,662,183
Communication expense		45,494,198	68,951,073
Marketing and advertising		45,481,989	94,241,740
Others		345,133,851	419,617,446
		4,974,653,722	6,714,963,809

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

7. Other income - net

	1 Apr 2019 to 30 Sep 2019	1 Apr 2018 to 31 Mar 2019
	MMK	MMK
Loan fee income	1,165,154,700	1,404,171,650
Fee and commission on borrowings	(432,277,169)	(100,298,075)
Foreign exchange gain/(loss) - net	56,233,870	(100,461,825)
	789,111,401	1,203,411,750

The loan fee income is charged from loan customer as loan processing and commission fee for 1% on the loan disbursement amount.

8. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 30 September 2019 and 2018 are:

	1 Apr 2019 to 30 Sep 2019	1 Apr 2018 to 31 Mar 2019
	MMK	MMK
Current income tax	1,008,018,420	1,700,370,695
Deferred income tax		
-Origination of temporary differences	(17,903,326)	(9,301,958)
	990,115,094	**1,691,068,737**

Reconciliation between tax expenses and accounting profit

	1 Apr 2019 to 30 Sep 2019	1 Apr 2018 to 31 Mar 2019
	MMK	MMK
Accounting profit before tax	3,668,021,162	6,128,157,432
Tax at 25%	917,005,291	1,532,039,358
Adjustments:		
Nondeductible expenses	90,989,744	95,847,843
Deferred income tax	(17,903,326)	(9,301,958)
Under provision for previous year	23,385	72,483,494
Income tax expenses recognized in profit or loss	**990,115,094**	**1,691,068,737**

9. Cash and cash at banks

	30 September 2019	31 March 2019
	MMK	MMK
Cash on hand	703,399,704	321,628,295
Cash at bank	8,967,388,714	6,117,442,546
	9,670,788,418	**6,439,070,841**

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

	30 September 2019	31 March 2019
	MMK	MMK
United States Dollar	7,687,342,197	312,273,488

10. Loan and advance to customers

	30 September 2019	31 March 2019
	MMK	MMK
Group loan	92,287,082,950	69,598,003,950
Individual loan	18,775,994,700	4,558,392,300
	111,063,077,650	**74,156,396,250**
Less: Loan loss provision	(1,210,016,034)	(789,729,648)
Net loan portfolio	**109,853,061,616**	**73,366,666,602**

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

	30 September 2019	31 March 2019
	MMK	MMK
Current loan	100,917,421,150	71,693,635,650
Non-current loan	10,145,656,500	2,462,760,600
	111,063,077,650	**74,156,396,250**
Less: Loan loss provision	(1,210,016,034)	(789,729,648)
Net loan portfolio	**109,853,061,616**	**73,366,666,602**

As of 30 September 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%

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

	30 September 2019	31 March 2019
	MMK	MMK
Balances at beginning of period/year	789,729,648	466,648,304
Provision for the year	420,286,386	323,081,344
Balances at end of period/year	1,210,016,034	789,729,648

On 30 September 2019 and 31 March 2019, the Company collected loan written off amounting to MMK 583,500 and nil, respectively.

11. Prepaid expenses

	30 September 2019	31 March 2019
	MMK	MMK
Prepaid rent - office	797,010,275	340,677,002
Prepaid rent - apartment	52,523,871	64,095,162
Prepaid - others	481,154,356	1,951,636,593
	1,330,688,502	2,356,408,757

Prepaid others include prepaid profit tax, and others etc.

12. Other receivables

	30 September 2019	31 March 2019
	MMK	MMK
Other advance payments or deposits	194,670,670	75,402,561

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

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 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	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
Accumulated depreciation							
At 1 April 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 year	(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	(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)
Net carrying amount:							
At 31 March 2019	14,360,659	289,425,254	348,954,700	236,261,579	811,855,837	1,707,799	1,702,565,828
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

14. Intangible assets

	30 September 2019	31 March 2019
	MMK	MMK
Cost		
As at 1 April	78,466,692	63,044,904
Additions	11,502,425	15,421,788
As at 30September/31March	**89,969,117**	**78,466,692**
Accumulated amortization		
As at 1 April	(33,136,598)	(19,393,139)
Amortization charge for the period	(8,072,293)	(13,743,459)
As at 30September/31March	**(41,208,891)**	**(33,136,598)**
Net carrying amount:		
As at 30September/31March	**48,760,226**	**45,330,094**

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

15. Deferred tax assets

	30 September 2019	31 March 2019
	MMK	MMK
Beginning balance	17,352,353	8,050,395
This period movement (due to difference in depreciation and prepaid rent)	17,903,326	9,301,958
Ending balance	**35,255,679**	**17,352,353**

16. Deposit from customer

	30 September 2019	31 March 2019
	MMK	MMK
Less than one year	8,189,820,000	6,009,750,000
Over one year	544,685,000	131,300,000
	8,734,505,000	**6,141,050,000**

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% per annum.

17. Accrued expenses and other liabilities

	30 September 2019	31 March 2019
	MMK	MMK
Accrued tax payable	599,267,089	1,664,357,299
Accrued interest payable for borrowing	1,244,366,259	515,533,085
Accrued expenses and other liabilities	591,857,733	471,858,455
Deferred rent	18,994,110	10,280,213
	2,454,485,191	**2,662,029,052**

18. Borrowings

	30 September 2019	31 March 2019
	MMK	MMK
By lenders		
Mizuho Bank	24,132,850,000	24,132,850,000
Triodos	2,025,778,250	3,057,750,000
Blue Orchard	15,612,136,972	15,948,400,000
AYA Bank	7,924,863,224	8,000,000,000
Symbiotics Sicav	3,054,029,333	-
CB Bank	11,899,945,713	-
E-Sun Bank	13,097,999,227	-
	77,747,602,719	**51,139,000,000**
By repayment maturity		
In one year	31,873,390,427	26,171,350,000
Over one year	45,874,212,292	24,967,650,000
	77,747,602,719	**51,139,000,000**
By type		
Revolving loan	24,132,850,000	24,132,850,000
Term loan	53,614,752,719	27,006,150,000
	77,747,602,719	**51,139,000,000**
By source		
On-shore	43,957,658,937	32,132,850,000
Off-shore	33,789,943,782	19,006,150,000
	77,747,602,719	**51,139,000,000**

18. Borrowings (Cont'd)

During the period, the Company has outstanding loan agreement with eight creditors with the following term and conditions:

Mizuho Bank Ltd, Yangon Branch

The loan from Mizuho is uncommitted short-term revolving credit. On 28 June 2019, the Company renewed the uncommitted short term revolving credit amounting MMK 24,132,850,000. The maximum drawdown period is twelve months starting from 28 June 2019 to 26 June 2020 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% 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 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.

During the period, the Company repaid 25% of the original principal to creditor. The interest rate of the loan is 13% excluding withholding tax.

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

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.

AYA Bank

On 20 December 2018, the Company entered into a new loan agreement with a 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 one time at maturity date while interest payment is monthly. The gross interest rate for this loan is 13%.

Symbiotics Sicav

During the period, the Company entered into a new loan agreement with an offshore lender, Symbiotics Sicav. The 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 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. The interest rate is 13% p.a, excluding withholding tax.

18. Borrowings (Cont'd)

CB Bank

During the period, the Company also entered into a new 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 June 2019. As of 30 September 2019, the Company made 2 drawdowns totaling MMK 12,500,000,000 and the remaining of MMK13,000,000,000 to be drawdown in the other 2 times in next fiscal year. 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, 20June 2022. The loan bears an interest rate of 12.50% p.a and is secured by SBLC from Aozora bank in Japan.

E-Sun Bank, Yangon Branch

During the period, the Company also entered into a loan agreement with a foreign branch bank from Taiwan, E-Sun bank. The total approved loan amount is MMK 18,500,000,000 with the tenor of 3 years from the first disbursement date on 24 July 2019. As of 30 September 2019, the Company made 2 drawdowns totaling MMK13,500,000,000 and the remaining of MMK 5,000,000,000 to be drawdown in the next fiscal year. The loan principal will be repaid two times during its tenor in which the first repayment amount of MMK1,000,000,000 will be repaid on the second year end while the rest will be repaid on its maturity date, 23 July 2022. The loan bears an interest rate of 12.00% p.a and is secured by SBLC from Tokyo Star bank in Japan.

MUFG Bank, Yangon Branch

During the period, the Company also entered into an uncommitted short term revolving facility agreement with a foreign branch bank, MIFG bank. The maximum facility amount is USD 6,000,000 equivalent to local currency and its availability period is one year starting from 28 June 2019 to 27 June 2020 with the possibility of auto roll over at the end of availability period subject to advance notice by the Company and the consent by MUFG. The interest rate for this revolving loan is 12.5% p.a without any loan fee. As of the end of September 2019, the Company has not made any drawdown and outstanding loan with MUFG is zero.

19. Employee pension

	30 September 2019	31 March 2019
	MMK	MMK
Employee contribution (5% of basic salary)	241,156,497	159,635,493
Employer contribution (10% of basic salary)	479,529,218	317,379,448
	720,685,715	477,014,941

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

	30 September 2019		31 March 2019	
	No. of shares	MMK	No. of shares	MMK
Mr. Yu Han	1	1,000	1	1,000
MARUHAN Investment Asia Pte. Ltd.	19,999,999	26,236,599,000	14,999,999	18,676,599,000
At 30Sept/31Mar	**20,000,000**	**26,236,600,000**	**15,000,000**	**18,676,600,000**

At the first time of capital injection, the Financial Regulatory Department (FRD) recognized 1$ was equal 1,000MMK for one share.

During this fiscal year as of September 2019, MARUHAN Investment Asia Pte. Ltd have injected new capital of USD5,000,000 which, as of fund received in July 2019, it is equivalent to MMK7,560,000,000 and the agreed number of new shares for this amount is 5,000,000. As of September 30, 2019, the Company has registered additional share capital with DICA. However, it has not yet been approved by FRD as of audit report date.

MARUHAN Investment Asia Pte. Ltd

	30 September 2019		31 March 2019	
	No. of shares	MMK	No. of shares	MMK
Beginning Balance	14,999,999	18,676,599,000	14,999,999	18,676,599,000
Advances made during the period/year	5,000,000	7,560,000,000	-	-
At 30Sept/31Mar	**19,999,999**	**26,236,599,000**	**14,999,999**	**18,676,599,000**

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

	30 September 2019	31 March 2019
	MMK	MMK
Beginning balance	1,730,084,399	620,812,200
Addition for the period/year	669,476,517	1,109,272,199
Ending balance	2,399,560,916	1,730,084,399

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 period. 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:

	30 September 2019	31 March 2019
	MMK	MMK
Within one year	189,103,373	235,697,000
More than one year	1,414,159,450	1,329,517,200
	1,603,262,823	1,565,214,200

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 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
AIP 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**

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

* 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.

As at 31 March 2019

	Less than one year	Over one year	Total
	MMK	MMK	MMK
Assets			
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
Total Assets	80,810,442,372	4,473,206,064	85,283,648,436
Liabilities			
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
Total Liabilities	35,318,793,575	25,476,531,718	60,795,325,293

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

** 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.

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:

	30 September 2019	31 March 2019
	MMK	MMK
Current executive members - Salary	236,219,808	422,118,631
Current executive members - Accommodation	37,392,000	68,837,500
	273,611,808	490,956,131

The executive members include Chief Executive Officer (CEO), Chief Operation Officer (COO), and Chief Financial Officer (CFO). During the year, our board directors recruited and appointed a new executive member, Chief Risk Officer, with the effective date from 1 October 2019.

The Company uses the exchange rate as of September 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 at banks, 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 at banks 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 30 September 2019	Less than 1 year	1 to 3 years	Total
	MMK	MMK	MMK
Financial assets:			
Cash and cash at banks	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**

As at 31 March 2019	Less than 1 year	1 to 3 years	Total
	MMK	MMK	MMK
Financial assets:			
Cash and cash at banks	6,439,070,841	-	6,439,070,841
Loan and interest receivables	72,209,385,008	2,438,132,994	74,647,518,002
Total undiscounted financial assets	**78,648,455,849**	**2,438,132,994**	**81,086,588,843**
Financial liabilities:			
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
Total undiscounted financial liabilities	**35,318,793,575**	**25,466,251,505**	**60,785,045,080**
Net undiscounted financial assets/(liabilities)	**43,329,662,274**	**(23,028,118,511)**	**20,301,543,763**

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 2019. No dividend was paid or declared during the period ended 30 September 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.

	30 September 2019	31 March 2019
	MMK	MMK
Interest bearing debts	86,482,107,719	57,280,050,000
Other liabilities	3,677,496,206	3,515,275,293
Less: Cash and cash at banks	(9,670,788,418)	(6,439,070,841)
Net Debt	80,488,815,507	54,356,254,452
Equity attributable to equity holders of the Company	34,726,229,211	24,488,323,143
Total capital	34,726,229,211	24,488,323,143
Capital and net debt	115,215,044,718	78,844,577,595
Gearing ratio	70%	69%

28. Events after reporting period

On 18 November 2019, the Company made the loan drawdown from MAY bank amounting MMK 3,036,200,000, and also the Company obtained approval from FRD for the second loan from AYA bank amounting to MMK 16 billion on 28 November 2019.

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 2019 that had significant impact on the financial position of the Company as at 30 September 2019.

29. Authorization of financial statements

The financial statements for the financial period ended 30 September 2019 were authorized for issue in accordance with a resolution of the directors and authorize for issue on 14 February 2020.