

MYANMAR POSCO STEEL COMPANY LIMITED
FINANCIAL STATEMENTS
AS AT AND FOR THE PERIOD ENDED 30 SEPTEMBER 2019

Contents

Page

Management's responsibility

1

Independent auditor's report

2 - 4

Statement of financial position

5

Statement of comprehensive income

6

Statement of changes in equity

7

MYANMAR POSCO STEEL COMPANY LIMITED

Statement of cash flows

8

Notes to the financial statements

**FINANCIAL STATEMENTS
30 SEPTEMBER 2019**

9 - 18

Supplementary information

19 - 24

Currency – Myanmar kyat

**WIN THIN & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS**

MYANMAR POSCO STEEL COMPANY LIMITED
FINANCIAL STATEMENTS
AS AT AND FOR THE PERIOD ENDED 30 SEPTEMBER 2019

Contents	Page
Statement of management's responsibility	1
Independent auditor's report	2 – 3
Statement of financial position	4
Statement of comprehensive income	5
Statement of changes in equity	6
Statement of cash flows	7
Notes to the financial statements	8 – 18
Supplementary Information	19 – 24



MYANMAR POSCO STEEL CO., LTD.

No.3 Trunk Road, Pyinmabin Industrial Complex, Mingalardon Tsp, Yangon, Myanmar.
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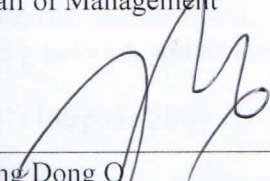
STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR MYANMAR POSCO STEEL COMPANY LIMITED

It is the responsibility of the management to prepare the financial statements which give a true and fair view of the financial position of Myanmar POSCO Steel Company Limited (the Company) as of 30 September 2019, and the statements of comprehensive income, changes in equity and cash flows for the period then ended, and a summary of significant accounting policies and other explanatory notes. In preparing these financial statements, the management is required to:

- Select suitable accounting policies and then apply them consistently; and
- Make judgments and estimates that are reasonable and prudent.

The management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company. We have general responsibility for taking such steps as are reasonably open to us to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

On behalf of Management



Mr. Kang Dong O
Managing Director
Myanmar Posco Steel Company Limited

10 January 2019



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WIN THIN & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

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MANDALAY BRANCH:- Room (9/10), East Wing of Bahtoo Stadium, 70th Street (Between 29th & 30th Street), Mandalay Region, Myanmar. Tel: 95-2-4034451, Fax: 95-2-4034498

Ref: 1024/ M-273/ September 2019

INDEPENDENT AUDITOR'S REPORT

To the members of Myanmar Posco Steel Company Limited

Report on the Financial Statements

We have audited the accompanying financial statements of **Myanmar Posco Steel Company Limited** which comprises the statement of financial position as at 30 September 2019, and the statements of comprehensive income, changes in equity and 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 Generally Accepted Accounting Practices in Myanmar (GAAP) and the provisions of the Myanmar Companies Law. This responsibility includes: 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; selecting and applying appropriate accounting policies; and 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 accompanying financial statements present fairly, in all material respects, the financial position of **Myanmar Posco Steel Company Limited** as of 30 September 2019, and its financial performance and its cash flows for the period then ended in accordance with Generally Accepted Accounting Practices in Myanmar and the provisions of the Myanmar Companies Law.

Report on Other Legal and Regulatory Requirements

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

- (i) we have obtained all the information and explanations we have required; and
- (ii) the financial records have been maintained by the Company as required by Section 258 of the Law.

Other Matter

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Company's full set of financial statements (i.e statement of financial position, statement of comprehensive income, changes in equity, cash flows statement and notes to the financial statements). The supplemental information relating to Intangible assets, properties and equipment, inventories and prepayments and other current assets etc., which is presented for the purpose of additional analysis, are not a required part of the basic financial statements of the Company and are merely attached to the report for reference.



Soe Soe Htay (PA- 600)
Engagement Partner
WIN THIN & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS



10 January 2019

MYANMAR POSCO STEEL COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2019

Currency – Myanmar kyat

	Note	SEPTEMBER 2019	MARCH 2019
ASSETS			
Non - Current Assets			
Intangible assets	3	57,437,065.44	68,785,358.40
Property and equipment– Net	4	1,905,848,598.14	1,992,664,604.10
		1,963,285,663.58	2,061,449,962.50
Current Assets			
Cash and cash equivalents	5	6,814,827,866.79	10,318,083,011.64
Accounts receivables	6	1,478,721,823.00	2,493,254,423.00
Inventories	7	6,207,168,665.82	5,028,903,386.66
Prepayments & other current assets	8	1,556,023,587.30	919,399,063.65
		16,056,741,942.91	18,759,639,884.95
		18,020,027,606.49	20,821,089,847.45

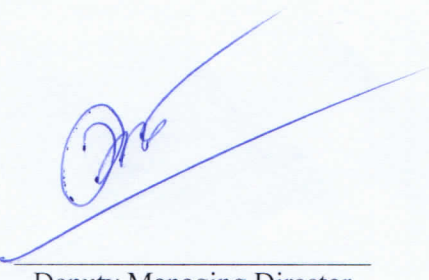
SHAREHOLDERS' EQUITY AND LIABILITIES

Shareholders' Equity			
Issued and paid up share capital	9	19,200,000.00	19,200,000.00
Advance capital	10	480,704.00	480,704.00
Revaluation reserve	11	4,339,200,000.00	4,339,200,000.00
Retained earnings		12,961,347,922.23	12,311,920,084.31
		17,320,228,626.23	16,670,800,788.31
Current Liabilities			
Trade payable, non-trade payable and other current liabilities	12	483,323,034.26	3,876,296,446.14
Provision for Income tax (2018-2019)		216,475,946.00	273,992,613.00
		699,798,980.26	4,150,289,059.14
		18,020,027,606.49	20,821,089,847.45

See Accompanying Notes to the Financial Statements.

Authenticated by:


Managing Director


Deputy Managing Director

MYANMAR POSCO STEEL COMPANY LIMITED**STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

Currency – Myanmar kyats

	Note	SEPTEMBER 2019	MARCH 2019
REVENUE	13	12,426,789,994.00	22,280,632,093.00
LESS: COST OF SALES		(11,254,578,590.63)	(21,600,085,809.32)
GROSS PROFIT		1,172,211,403.37	680,546,283.68
Less: Selling expenses	14	(25,525,464.52)	(31,125,902.73)
Less: Administration expenses	15	(490,306,336.15)	(939,305,007.19)
OPERATING PROFIT/ (LOSS)		656,379,602.70	(289,884,626.24)
Less: Non- operating cost	16	(176,856,726.78)	(512,514,337.28)
Add: Non- operating income	17	386,380,908.00	1,898,369,414.89
NET PROFIT/(LOSS) BEFORE TAX		865,903,783.92	1,095,970,451.37
Income tax for the period		(216,475,946.00)	(273,992,613.00)
NET PROFIT/ (LOSS) AFTER TAX		649,427,837.92	821,977,838.37
Other comprehensive income for the period		–	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		649,427,837.92	821,977,838.37

See Accompanying Notes to the Financial Statements.

MYANMAR POSCO STEEL COMPANY LIMITED

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

Currency – Myanmar kyat

	Share Capital	Share Subscription in Advance	Reserve	Retained Earning	Total
2018-2019					
Balance 1 April 2018	19,200,000.00	480,704.00	4,339,200,000.00	16,695,192,245.94	21,054,072,949.94
Dividend paid (2016-2017)	—	—	—	(1,405,000,000.00)	(1,405,000,000.00)
Dividend payable (2017-2018)	—	—	—	(3,800,250,000.00)	(3,800,250,000.00)
Profit for the year	—	—	—	821,977,838.37	821,977,838.37
Balance as at 31 March 2019	19,200,000.00	480,704.00	4,339,200,000.00	12,311,920,084.31	16,670,800,788.31
September 2019					
Balance 1 April 2019	19,200,000.00	480,704.00	4,339,200,000.00	12,311,920,084.31	16,670,800,788.31
Profit for the period	—	—	—	649,427,837.92	649,427,837.92
Balance as at 30 September 2019	19,200,000.00	480,704.00	4,339,200,000.00	12,961,347,922.23	17,320,228,626.23

MYANMAR POSCO STEEL COMPANY LIMITED

STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 30 SEPTEMBER 2019

Currency – Myanmar kyat

	SEPTEMBER 2019	MARCH 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before tax	865,903,783.92	1,095,970,451.37
Adjustments for Non – cash item		
Depreciation	89,704,505.96	191,030,022.04
Amortization	11,348,292.96	22,696,585.92
Exchange (gain)/loss from dividend payable	56,300,000.00	(13,000,000.00)
Operating profit before working capital changes	1,023,256,582.84	1,296,697,059.33
Working capital changes:		
(Increase)/ Decrease in current assets:		
Inventories	(1,178,265,279.16)	1,452,591,044.88
Account receivable	1,014,532,600.00	(677,389,242.00)
Prepayment and other current assets	(661,198,681.65)	8,896,431.33
Increase/ (Decrease) in current liabilities:		
Non trade payables and other current liabilities	394,276,588.12	48,762,317.34
Cash generated from operation	592,601,810.15	2,129,557,610.88
Cash refund	–	11,231,374.00
Income tax paid	(249,418,455.00)	(478,386,512.00)
<i>Net cash provided by/ (used in) operating activities</i>	343,183,355.15	1,662,402,472.88
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,888,500.00)	(23,934,132.00)
<i>Net cash provided by/ (used in) operating activities</i>	(2,888,500.00)	(23,934,132.00)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(3,843,550,000.00)	(1,405,000,000.00)
<i>Net cash provided by/ (used in) financing activities</i>	(3,843,550,000.00)	(1,405,000,000.00)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(3,503,255,144.85)	233,468,340.88
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	10,318,083,011.64	10,084,614,670.76
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 5)	6,814,827,866.79	10,318,083,011.64

MYANMAR POSCO STEEL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Currency – Myanmar kyat

1. General information

Myanmar Posco Steel Company Limited (the Company) was incorporated in the Union of Myanmar as a foreign joint venture company under the Union of Myanmar Foreign Investment Law and Myanmar Companies Law.

The Myanmar Investment Commission issued Permit No.252/97 on 19 March 1997 stating that the Company shall invest equivalent in Kyats of US\$ 4.04 million so as to carry out production and marketing of Corrugated Galvanized Iron sheets and various kinds of steel products.

Initially, the Company was incorporated as a Special Company under Incorporation Certificate No. 8-JV/1997-1998 dated 27th April 2015 issued by the Directorate of Investment and Companies Administration, Ministry of National Planning and Economic Development is valid up to 30 June 2020.

As per Incorporation Certificate No. 281 FC/ 2016-2017 (YGN), the Company's registration has been changed from Special Company to Foreign Company on 7 July 2016. As per registration no. 154251022 dated 27 August 2018, the Company has been re-registered according to the new Myanmar Companies Law.

The address of its registered office is No. 3, Trunk Road, Pyinmabin Industrial Complex, Mingalardon Township, Yangon Region, the Republic of the Union of Myanmar.

During the period, the Company has produced Corrugated Galvanized Iron sheets and sold locally.

The financial statements relate to the period from 1 April 2019 to 30 September 2019.

2. Summary of significant accounting policies

A. Basis of preparation

The accompanying financial statements of the Company have been prepared in accordance with Generally Accepted Accounting Practices in Myanmar (GAAP) and are based on historical cost convention. In preparing these financial statements, certain reclassifications and rearrangements have been made on 31 March 2019 financial statements to conform to the classifications used as at on 30 September 2019.

B. Change in reporting period

During the period ended 30 September 2019, the Company changed its financial year's end from March (i.e. former financial year end) to September (i.e. current financial year end). Accordingly, the financial statements presented are as at and for the six months period ended 30 September 2019 and the twelve months ended 31 March 2019. As a result, the comparative figures presented in statements of comprehensive income, changes in equity and cash flows and the related notes are not comparable.

The change in financial period was due to change of financial period enacted by the Government.

C. Use of estimates and judgments

In preparation of the financial statements in conformity with GAAP, estimates and assumptions, where necessary, have been made based on management's best knowledge and experience. Accordingly, actual results may differ from such estimates.

D. Foreign currency translation

The Company's financial statements are prepared and presented in original currencies (ie. US\$ and Kyat). For the purpose of presenting combined financial statements in Kyat, transactions in US\$ are translated into Kyat by applying exchange rate at the date of transaction based on the exchange rate announced by Central Bank of Myanmar.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the rate of reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in statement of comprehensive income.

E. Revenue recognition

Revenue from the sale of goods is recognized when the goods are delivered and title has passed. Revenue is measured at the fair value of the consideration received or receivable, net of discounts and sales-related taxes collected on behalf of the government provided it is probable that the economic benefits will flow to the Company and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the statement of comprehensive income as follow:

i) Sale of goods and services rendered

Revenue from sales of goods is recognized when the significant risks and rewards of ownership of goods have been transferred to the buyer. Revenue from provision of services is recognised at the time when the services are provided. No revenue is recognised if there are significant uncertainties regarding the recovery of the consideration due, associated costs or the possible return of goods.

F. Intangible asset

Intangible asset are stated at cost less amortization. Amortization is computed on the straight-line method based on their useful lives. Rates of amortization are as follow:

Leasehold land	5%
Accounting software & IT fee	10%

G. Property and equipment

Property, plant and equipment are recognised at cost less accumulated depreciation and accumulated impairment losses.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Depreciation is calculated using the straight-line method to allocate depreciable amounts over their estimated useful lives. The rates of depreciation are as follows:

Buildings-office & other	1.25%
Buildings- factory	2.5%
Structures	5%
Plant & machinery	5%
Motor vehicle	12.5%
Instrument and tools	10%
Furniture and fixture	5%

H. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits with various banks.

I. Trade and other receivables

Trade and other receivables are initially recognized at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

J. Trade and other payables

Trade and other payables are initially recognized at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

K. Inventories

All inventories are valued at cost.

L. Leases

Leases are classified as finance leases whenever the terms of leases transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating Leases

Operating lease payments are recognised as an expense on a straight-line basic over the lease term, except if another systematic basis is more representative of the time pattern in which economic benefits will flow to the company.

M. Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made.

N. Income taxes

Current income tax is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

O. Share Capital

Ordinary shares are classified as equity.

P. Related party

A party is related to an entity if:

- (a) directly, or indirectly through one or more intermediaries, the party:
 - (i) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
 - (ii) has an interest in the entity that gives it significant influence over the entity;
or
 - (iii) has joint control over the entity;
- (b) the party is an associate of the entity;
- (c) the party is a joint venture in which the entity is a venture;
- (d) the party is a member of key management personnel of the entity or its parents;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides, directly or indirectly, with any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

3. Intangible assets

The details are as follows:

	Lease hold Land	Accounting Software	Total
Cost			
At 1 April 2019	1,307,520,000.00	226,965,042.00	1,534,485,042.00
Addition during the period	–	–	–
At 30 September 2019	1,307,520,000.00	226,965,042.00	1,534,485,042.00
Amortization			
At 1 April 2019	1,307,520,000.00	158,179,683.60	1,465,699,683.60
Amortization for the period	–	11,348,292.96	11,348,292.96
At 30 September 2019	–	169,527,976.56	1,477,047,976.56
Net book value			
At 30 September 2019	–	57,437,065.44	57,437,065.44
Cost			
At 1 April 2018	1,307,520,000.00	226,965,042.00	1,534,485,042.00
Addition during the year	–	–	–
At 31 March 2019	1,307,520,000.00	226,965,042.00	1,534,485,042.00
Amortization			
At 1 April 2018	1,307,520,000.00	135,483,097.68	1,443,003,097.68
Amortization for the year	–	22,696,585.92	22,696,585.92
At 31 March 2019	1,307,520,000.00	158,179,683.60	1,465,699,683.60
Net book value			
At 31 March 2019	–	68,785,358.40	68,785,358.40

4. Property and equipment

The details are as follows:

Cost	Building	Structures	Plant & Machinery	Motor Vehicle	Instrument & Tools	Furniture and Fixture	Total
At 1 April 2019	2,069,628,647.58	50,933,304.00	5,994,345,548.13	567,091,429.00	328,768,226.28	81,699,993.00	9,092,467,147.99
Addition during the period	—	—	—	—	2,888,500.00	—	2,888,500.00
At 30 September 2019	2,069,628,647.58	50,933,304.00	5,994,345,548.13	567,091,429.00	331,656,726.28	81,699,993.00	9,095,355,647.99
Depreciation							
At 1 April 2019	1,543,251,784.01	47,505,844.63	4,767,946,507.40	442,997,173.26	250,352,775.46	47,748,459.13	7,099,802,543.89
Depreciation for the period	7,101,164.28	195,402.72	52,880,710.20	17,318,405.28	10,166,323.22	2,042,500.26	89,704,505.96
At 30 September 2019	1,550,352,948.29	47,701,247.35	4,820,827,217.60	460,315,578.54	260,519,098.68	49,790,959.39	7,189,507,049.85
Net Book Value							
At 30 September 2019	519,275,699.29	3,232,056.65	1,173,518,330.53	106,775,850.46	71,137,627.60	31,909,033.61	1,905,848,598.14
Cost							
At 1 April 2019	2,069,628,647.58	50,933,304.00	5,980,404,001.13	567,091,429.00	319,133,641.28	81,341,993.00	9,068,533,015.99
Addition during the year	—	—	13,941,547.00	—	9,634,585.00	358,000.00	23,934,132.00
At 31 March 2019	2,069,628,647.58	50,933,304.00	5,994,345,548.13	567,091,429.00	328,768,226.28	81,699,993.00	9,092,467,147.99
Depreciation							
At 1 April 2018	1,529,049,455.45	47,115,039.19	4,662,243,179.06	398,240,620.98	228,447,343.53	43,676,883.64	6,908,772,521.85
Depreciation for the year	14,202,328.56	390,805.44	105,703,328.34	44,756,552.28	21,905,431.93	4,071,575.49	191,030,022.04
At 31 March 2019	1,543,251,784.01	47,505,844.63	4,767,946,507.40	442,997,173.26	250,352,775.46	47,748,459.13	7,099,802,543.89
Net Book Value							
At 31 March 2019	526,376,863.57	3,427,459.37	1,226,399,040.73	124,094,255.74	78,415,450.82	33,951,533.87	1,992,664,604.10

5. Cash and cash equivalents

Cash and cash equivalents consist of:

	SEPTEMBER 2019	MARCH 2019
Cash on hand	71,867,541.47	48,176,436.77
Cash at banks	6,742,960,325.32	10,269,906,574.87
	6,814,827,866.79	10,318,083,011.64

The above cash at bank includes one-period time/fixed deposit amounting to USD 2,000,000 at Shinhan Bank Co., Ltd. (Yangon Branch). On 11 January 2019, the Company's fixed deposit at Shinhan Bank amounting to USD 1,100,000 (out of USD-2,000,000) was provided as loan collateral (as security/guarantee) for its related party (Myanmar Posco C & C Company Limited) for taking loan from Shinhan Bank.

Loan from the Shinhan Bank is denominated in USD and Myanmar Posco Steel Company Limited as the chargor by security deposit USD 1,100,000 for that loan, bearing interest rate of 2.9 % per annum. The loan taken by Myanmar Posco C & C Limited up to the date of 30 September 2019 was USD 750,000. (The principal amount will be repaid in one single payment on 5 June 2020).

6. Account receivable

Account receivable consists of:

	SEPTEMBER 2019	MARCH 2019
Account receivable - Third party	1,478,537,973.00	2,490,100,373.00
Amount due from related Party	183,850.00	3,154,050.00
	1,478,721,823.00	2,493,254,423.00

7. Inventories

Inventories consist of:

	SEPTEMBER 2019	MARCH 2019
Finished goods	3,165,622,966.82	2,474,565,198.17
Semi-finished products	118,912,444.20	6,035,575.13
Under grade products	30,109,187.00	6,151,809.95
Raw material	1,816,399,051.18	1,265,490,960.80
Non-Ferrous material	404,970,425.39	559,050,585.75
Material standards (Chemical – eg; HCL, Unifulx.)	58,732,732.95	91,073,298.87
Diesel	38,975,701.36	40,713,483.27
Others (Spare part)	573,446,156.92	585,822,474.72
	6,207,168,665.82	5,028,903,386.66

8. Prepayment and other current assets

Prepayment and other current assets consist of:

	SEPTEMBER 2019	MARCH 2019
Advance payment	1,045,500.00	2,172,000.00
Prepaid rental	40,479,840.00	46,199,700.00
Prepaid income tax	249,418,455.00	478,386,512.00
Prepaid commercial tax	100,915,835.00	8,578,777.00
Other prepaid expenses (general)	894,312,476.61	13,911,777.36
Staff loan	126,000.00	498,000.00
Deposit	30,587,880.00	26,298,300.00
Financial Instrument - time deposit/other receivable	17,564,723.07	343,353,997.29
Other receivable	221,572,877.62	—
	1,556,023,587.30	919,399,063.65

9. Issued and paid up share capital

Issued and paid up share capital consist of:

	SEPTEMBER 2019	MARCH 2019
Posco Steel Co., Ltd.	13,440,000.00	13,440,000.00
Union of Myanmar Economic Holding Co., Ltd. (UMEHL)	5,760,000.00	5,760,000.00
	19,200,000.00	19,200,000.00

10. Advance capital

The above represent surplus of capital contribution from Posco Steel Co., Ltd. and details are as follow:

	SEPTEMBER 2019	MARCH 2019
Capital contribution (US\$ 2,240,000 @ 6.2146 Kyat)	13,920,704.00	13,920,704.00
Less: Value of 13,440 share @ 1,000 Kyat	(13,440,000.00)	(13,440,000.00)
	480,704.00	480,704.00

11. Revaluation reserve (Kyat 4,339,200,000.00)

The above represents the difference exchange rate between official exchange rate at the time of capital contribution and exchange rate translated on 1 April 2017 at the rate of 1,362 Kyat per US\$.

12. Trade payable, non-trade payable and other current liabilities

Trade payable, Non trade payable and other current liabilities consist of:

	SEPTEMBER 2019	MARCH 2019
Non trade payable	39,147,654.00	39,988,305.00
Advance received from customer	5,467,724.00	6,821,804.00
Other current liabilities	794,712.80	380,736.80
Accounts payable to supplier	437,912,943.46	41,855,600.34
Dividend payables	—	3,787,250,000.00
	483,323,034.26	3,876,296,446.14

13. Revenue

Revenue consists of:

	SEPTEMBER 2019	MARCH 2019
Sale:		
Steel finished goods - CGI	12,980,117,605.00	23,234,725,413.00
Steel finished goods - PPGI	38,302,257.00	84,967,670.00
Steel plain finished goods	5,372,000.00	6,608,000.00
Steel under graded goods	24,337,632.00	68,362,615.00
	13,048,129,494.00	23,394,663,698.00
Less: Commercial tax	(621,339,500.00)	(1,114,031,605.00)
	12,426,789,994.00	22,280,632,093.00

14. Selling expenses

Selling expenses consists of:

	SEPTEMBER 2019	MARCH 2019
Advertising expenses	8,779,500.00	15,935,050.00
Sales promotion expenses	16,745,964.52	15,190,852.73
	25,525,464.52	31,125,902.73

15. Administration expenses

Administration expense consists of:

	SEPTEMBER 2019	MARCH 2019
Salary & wages	232,855,226.00	478,196,416.00
Office cost- overhead	217,779,737.58	380,397,728.54
Amortization	11,348,292.96	22,696,585.92
Depreciation	28,323,079.61	58,014,276.73
	490,306,336.15	939,305,007.19

16. Non- operating cost

Non- operating cost consists of:

	SEPTEMBER 2019	MARCH 2019
Other donation	500,000.00	2,703,050.00
Foreign transaction loss	176,356,726.78	509,811,287.28
	176,856,726.78	512,514,337.28

17. Non- operating income

Non- operating income consists of:

	SEPTEMBER 2019	MARCH 2019
Interest Income	159,645,405.78	486,379,046.73
Miscellaneous income	39,841,107.20	39,256,233.50
Foreign transaction gain	186,894,395.02	1,372,734,134.66
	386,380,908.00	1,898,369,414.89

18. Lease commitment

The Company has leased the land of Myanmar Economic Holdings Limited (MEHL), to produce corrugated galvanized iron sheets and sell locally.

The land lease extension agreement shall commence on 19 March 2017 and till to 18 March 2022. This land lease extension agreement for land shall be entitled for only five periods, after the expired date of this agreement, another five periods shall be extended to rent.

19. Profit before tax

The following items have been recognized as expenses in determining profit before tax:

	SEPTEMBER 2019	MARCH 2019
Director's remuneration	80,421,340.00	168,001,326.00
Depreciation for the period	89,704,505.96	191,030,022.04
Amortization	11,348,292.96	22,696,585.92
Employee benefit- staff driven expenses (Salary, wage, bonus, allowances etc.)	655,006,458.50	1,274,074,327.20
Cost of inventories recognized as expenses (included as cost of sales)	11,254,578,590.63	21,600,085,809.32

20. Related Party Transactions

- (a) The Company has the following transactions and balance with POSCO DAEWOO Corporation Ltd. which is under common control with, the entity/ its parent Company.

Description	USD	
	SEPTEMBER 2019	MARCH 2019
Transactions during the period:		
Purchase of raw material	5,684,642.00	9,549,184.84
Accounts balances		
Amount due to related parties	262,750.40	—

- (b) In addition, the Company also has the following transactions and accounts balances with Myanmar POSCO C&C Limited which is under common control with, the entity/ its parent Company and is also member of key management personnel of the entity.

Description	Kyat	
	SEPTEMBER 2019	MARCH 2019
Transaction during the period:		
Sale of Scrap	1,148,390.00	13,036,480.00
Forming Service	19,387,810.00	1,901,550.00
Purchase of raw materials (PPGI & PPGL)	36,816,798.90	69,920,010.00
Purchase of raw materials (Chemical-Waterpon)	—	10,120,920.00
The balance of account:		
Amount due to related parties	183,850	1,854,450

21. Approval of financial statements

These financial statements were approved by the Company's Board of Directors and authorized for issue on 10 January 2020.

Supplementary Information

1. Intangible assets

	USD	Equ: MMK	MMK	Total MMK
Accounting Software	42,171.12	57,437,065.44	–	57,437,065.44
	42,171.12	57,437,065.44	–	57,437,065.44

2. Property and equipment

	USD	Equ: MMK	MMK	Total MMK
Cost				
Building	869,660.38	1,184,477,437.56	885,151,210.02	2,069,628,647.58
Structures	10,287.00	14,010,894.00	36,922,410.00	50,933,304.00
Plant & Machinery	4,253,088.70	5,792,773,705.40	201,571,842.73	5,994,345,548.13
Motor Vehicle	245,405.00	334,241,610.00	232,849,819.00	567,091,429.00
Instrument & Tools	110,893.44	151,674,952.28	179,981,774.00	331,656,726.28
Furniture and Fixture	5,064.00	6,897,168.00	74,802,825.00	81,699,993.00
	5,494,398.52	7,484,075,767.24	1,611,279,880.75	9,095,355,647.99
Depreciation				
Building	784,126.64	1,067,980,483.68	482,372,464.61	1,550,352,948.29
Structures	10,287.00	14,010,894.00	33,690,353.35	47,701,247.35
Plant & Machinery	3,464,428.96	4,718,558,425.70	102,268,791.90	4,820,827,217.60
Motor Vehicle	222,495.91	303,039,429.42	157,276,149.12	460,315,578.54
Instrument & Tools	83,631.75	113,981,145.18	146,537,953.50	260,519,098.68
Furniture and Fixture	2,942.44	4,007,603.28	45,783,356.11	49,790,959.39
	4,567,912.7	6,221,577,981.26	967,929,068.59	7,189,507,049.85
	926,485.82	1,262,497,785.98	643,350,812.16	1,905,848,598.14

3. Cash and cash equivalents

	USD	Equ: MMK	MMK	Total MMK
Cash in hand	15,319.00	23,480,963.20	48,386,578.27	71,867,541.47
Cash at bank	2580090.34	3954762473.15	2788197852.17	6,742,960,325.32
	2,595,409.34	3,978,243,436.35	2,836,584,430.44	6,814,827,866.79

4. Accounts receivable

	USD	Equ: MMK	MMK	Total MMK
Account receivable - Third party	–	–	1,478,537,973.00	1,478,537,973.00
Amount due from related Party	–	–	183,850.00	183,850.00
	–	–	1,478,721,823.00	1,478,721,823.00

5. Inventories

	USD	Equ: MMK	MMK	Total MMK
Finished goods	1,546,548.20	2,345,192,537.65	820,430,429.17	3,165,622,966.82
Semi-finished products	57,616.13	87,450,681.48	31,461,762.72	118,912,444.20
Under grade products	19,261.96	29,221,274.69	887,912.31	30,109,187.00
Raw materials	1,138,548.57	1,730,441,129.04	85,957,922.14	1,816,399,051.18
Non-Ferrous material	72,289.28	108,213,365.88	296,757,059.51	404,970,425.39
Material standards	36,111.72	54,716,469.17	4,016,263.78	58,732,732.95
Diesel	–	–	38,975,701.36	38,975,701.36
Other inventory	413,610.62	565,299,142.69	8,147,014.23	573,446,156.92
	3,283,986.48	4,920,534,600.60	1,286,634,065.22	6,207,168,665.82

6. Prepayments & Other current assets

	USD	Equ: MMK	MMK	Total MMK
Advance payment	–	–	1,045,500.00	1,045,500.00
Prepaid rental	26,550.00	40,479,840.00	–	40,479,840.00
Prepaid income tax	–	–	249,418,455.00	249,418,455.00
Prepaid commercial tax	–	–	100,915,835.00	100,915,835.00
Other Prepaid Expenses _Other	62,394.76	94,990,691.55	799,321,785.06	894,312,476.61
Loan to staff	–	–	126,000.00	126,000.00
Deposit receivable	19,600.00	30,042,880.00	545,000.00	30,587,880.00
Financial instrument _ Time deposit	11,459.24	17,564,723.07	–	17,564,723.07
Other receivable	11,207.58	17,178,978.62	204,393,899.00	221,572,877.62
	131,211.58	200,257,113.24	1,355,766,474.06	1,556,023,587.30

7. Issued and paid up share capital

	USD	Equ: MMK	MMK	Total MMK
Posco Steel Co., Ltd.	2,240,000.00	13,440,000.00	–	13,440,000.00
Union of Myanmar Economic Holding Co., Ltd. (UMEHL)	960,000.00	5,760,000.00	–	5,760,000.00
	3,200,000.00	19,200,000.00	–	19,200,000.00

8. Advance capital

	USD	Equ: MMK	MMK	Total MMK
Advance capital	–	–	480,704.00	480,704.00
			480,704.00	480,704.00

9. Revaluation reserve

	USD	Equ: MMK	MMK	Total MMK
Opening balance	–	–	4,339,200,000.00	4,339,200,000.00
Exchange gain from :balance sheet items	–	–	–	–
Exchange gain from income statement	–	–	–	–
	–	–	4,339,200,000.00	4,339,200,000.00

10. Trade payable, non-trade payable and other current liabilities

	USD	Equ: MMK	MMK	Total MMK
Non trade payable	–	–	39,147,654.00	39,147,654.00
Advance customer	–	–	5,467,724.00	5,467,724.00
Other current liabilities	18.00	24,516.00	770,196.80	794,712.80
Accounts payable	285,694.77	437,912,943.46	–	437,912,943.46
Dividend Payables	–	–	–	–
	285,712.77	437,937,459.46	45,385,574.80	483,323,034.26

11. Revenue

	USD	Equ: MMK	MMK	Total MMK
Steel finished goods_ CGI	–	–	12,980,117,605.00	12,980,117,605.00
Steel finished goods_ PPGI	–	–	38,302,257.00	38,302,257.00
Steel plain finished goods	–	–	5,372,000.00	5,372,000.00
Steel under graded goods	–	–	24,337,632.00	24,337,632.00
	–	–	13,048,129,494.00	13,048,129,494.00
Commercial Tax	–	–	(621,339,500.00)	(621,339,500.00)
	–	–	12,426,789,994.00	12,426,789,994.00

12. Selling expenses

	USD	Equ: MMK	MMK	Total MMK
Sales advertising expenses	–	–	8,779,500.00	8,779,500.00
Sales promotion expenses	8,325.29	12,737,830.86	4008133.66	16,745,964.52
	8,325.29	12,737,830.86	12,787,633.66	25,525,464.52

13. Administration expenses

	USD	Equ: MMK	MMK	Total MMK
Salary & wages	27,000.00	41,193,000.00	191,662,226.00	232,855,226.00
Office cost-overhead	61,703.58	92,403,863.32	125,375,874.26	217,779,737.58
Amortization	8,332.08	11,348,292.96	–	11,348,292.96
Depreciation	6,840.51	9,348,676.32	18,974,403.29	28,323,079.61
	103,876.17	154,293,832.60	336,012,503.55	490,306,336.15

14. Non- operating cost

	USD	Equ: MMK	MMK	Total MMK
Other donation	—	—	500,000.00	500,000.00
Foreign transaction loss	(80,28,680.00)	(12,156,892,519.73)	12,222,572,332.00	65,679,812.27
Foreign transaction loss	—	110,676,914.51	—	110,676,914.51
	(80,28,680.00)	(12,046,215,605.22)	12,223,072,332.00	176,856,726.78

15. Non- operating income

	USD	Equ: MMK	MMK	Total MMK
Interest income				
_ saving account	17,204.56	26,196,034.83	133,449,370.95	159,645,405.78
Miscellaneous income	1,422.00	2,177,935.20	37,663,172.00	39,841,107.20
Foreign transaction gain	—	18,856,261.60	—	18,856,261.60
Foreign transaction gain	—	168,038,133.42	—	168,038,133.42
	18,626.56	215,268,365.05	171,112,542.95	386,380,908.00