PETROLEUM TRADING LAO PUBLIC COMPANY



SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2018

www.pwc.com/la

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of Petroleum Trading Lao Public Company

Our opinion

In our opinion, the separate financial statements of Petroleum Trading Lao Public Company (the Company) are prepared, in all material respects, in accordance with accounting policies described in Note 2 to the financial statements.

What we have audited

The Company's separate financial statements comprise:

- the separate statement of financial position as at 31 December 2018;
- the separate statement of income for the year then ended;
- the separate statement of changes in equity for the year then ended;
- the separate statement of cash flows for the year then ended; and
- the notes to the separate financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We has fulfilled our other ethical responsibilities in accordance with IESBA Code.

Emphasis of Matter - Basis of accounting

We draw attention to Note 2 to the financial statements, which describe the basis of accounting. The accounting basis used in the preparation of these financial statements may differ from International Financial Reporting Standards (IFRSs). The readers should therefore be aware that the accompanying financial statements are not intended to present the financial position and its financial performance and cash flows in accordance with International Financial Reporting Standards (IFRSs). Our opinion is not modified in respect to this matter.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. We determine one key audit matter: Revenue recognition for wholesale income. The matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition for wholesale income Refer to Note 2.14 'Accounting policies – Revenue recognition' and Note 18 'Sales' to the separate financial statements. The Company's revenue comprises both wholesale and retail fuel and lubricant revenue with wholesale revenue representing the majority. Various lead times and conditions of the Company wholesale business directly affects the correctness of revenue recognition due to timing differences. Time gaps in billing and delivery processes led to high risk for recognition completeness and cut-off, particularly for wholesale petroleum for which recording and actual delivery impacts revenue recognition timing. We focussed on this area as billing cycle periods may not necessarily coincide with year-end closing, so revenue recognition requires Company management estimation.	We performed the following procedures: • Evaluated and tested the relevant controls over the revenue and receivables processes to ensure billing and other relevant supporting systems were reliable and change control procedures were in place around those systems. • Tested end-to-end reconciliations of the sales report and the general ledger, including testing adjustment transaction records against the underlying documents related to revenue. • Tested samples of individual and corporate customer invoices to the authorisation of review and approval prior to record in the general ledger and checked them against cash receipts. • Performed substantive testing on revenue cut-off testing by selected revenue samples prior to and after year end to test whether they are completely recorded in appropriate timing, based on terms and conditions set out in sales invoices and delivery documents. • Sample tested revenue transactions for each type of income incurred during the year by agreeing the revenue transactions with invoices and other related supporting documents. From these procedures, we found that Company management estimation regarding revenue recognition was appropriate.

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Other information

The director are responsible for the other information. The other information comprises the information included in the annual report, but does not include the separate financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the separate financial statements does not cover the other information and we do not express any form of assurance thereon.

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the audit committee.

Responsibilities of the board of directors and audit committee for the separate financial statements

The directors are responsible for the preparation and presentation of the separate financial statements in accordance with accounting policies described in Note 2 to the separate financial statements, and for such internal control as the directors determine is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The audit committee supervises and assists the management in discharging their responsibilities for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in the manner that achieves fair presentation.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For PricewaterhouseCoopers (Lao) Sole Company Limited



By Apisit Thiengtrongpinyo
Partner

Vientiane, Lao PDR
Date: 10 May 2019

Petroleum Trading Lao Public Company
Separate statement of financial position
As at 31 December 2018

	Notes	31 December 2018 LAK	31 December 2017 LAK
Assets			
Current assets			
Cash and cash equivalents	3	8,060,819,014	6,141,225,204
Trade receivables, net	4	95,773,893,593	104,381,039,410
Inventories, net	5	1,002,171,434	10,096,414,860
Short-term loan to related parties	24.5	19,094,118,588	16,337,608,447
Other current assets	6	91,887,290,405	57,513,852,989
Total current assets		**215,818,293,034**	**194,470,140,910**
Non-current assets			
Property, plant and equipment, net	7	173,748,976,617	267,953,215,076
Intangible assets, net	8	5,888,935,042	7,790,533,967
Investment properties, net	9	87,547,072,916	180,903,625,951
Long-term loans to related parties	24.5	19,692,739,383	24,471,734,824
Investment in subsidiaries	10	209,970,113,505	11,970,113,505
Other non-current assets	11	43,823,990,861	43,830,266,136
Total non-current assets		**540,671,828,324**	**536,919,489,459**
Total assets		**756,490,121,358**	**731,389,630,369**

Chanthone Sitthixay
Chief Executive Officer

Date: 10 May 2019

Chanthadom Meksavanh
Acting Chief Finance Officer

Date: 10 May 2019

**The comparative information has been reclassified to enhance comparability.*

The accompanying notes on page 11 to 27 are an integral part of these separate financial statements.

Petroleum Trading Lao Public Company
Separate statement of financial position
As at 31 December 2018

	Notes	31 December 2018 LAK	31 December 2017 LAK
Liabilities and equity			
Liabilities			
Current liabilities			
Trade accounts payable	12	59,798,320,095	30,519,608,379
Tax payables	13	2,787,753,671	3,050,165,847
Short-term borrowings	14	272,970,740,000	274,031,960,000
Other current liabilities	15	62,043,761,195	7,419,791,132
Total current liabilities		**397,600,574,961**	**315,021,525,358**
Non-current liabilities			
Long-term borrowings	14	33,480,000,000	32,600,000,000
Total non-current liabilities		**33,480,000,000**	**32,600,000,000**
Total liabilities		**431,080,574,961**	**347,621,525,358**
Equity			
Share capital	16	470,000,000,000	470,000,000,000
Share premium	16	27,638,932,340	27,638,932,340
Accumulated loss			
Appropriated-legal reserve	17	3,708,530,711	3,708,530,711
Other reserve		1,977,267,979	1,977,267,979
Unappropriated		(177,915,184,633)	(119,556,626,019)
Total equity		**325,409,546,397**	**383,768,105,011**
Total liabilities and equity		**756,490,121,358**	**731,389,630,369**

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Petroleum Trading Lao Public Company
Separate statement of income
For year ended 31 December 2018

	Notes	31 December 2018 LAK	31 December 2017 LAK
Sales	18	1,126,757,968,330	899,926,522,793
Cost of sales	21	(1,103,809,654,724)	(855,448,169,660)
Gross profit		**22,948,313,606**	**44,478,353,133**
Other income	19	9,057,361,455	9,282,077,903
Other gain(loss), net		(11,097,603,669)	(20,372,890,454)
Selling expenses	21	(11,411,694,801)	(21,029,886,045)
Administrative expenses	21	(41,663,961,648)	(68,425,096,818)
Operating loss		**(32,167,585,057)**	**(56,067,442,281)**
Finance expense	20	(26,190,973,557)	(24,772,575,773)
Net loss before income tax expenses		**(58,358,558,614)**	**(80,840,018,054)**
Income tax expense	22	-	-
Net loss for the year		**(58,358,558,614)**	**(80,840,018,054)**
Earnings (loss) per share			
Basic earnings (loss) per share	23	(248)	(344)

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Petroleum Trading Lao Public Company
Separate statement of changes in equity
For year ended 31 December 2018

			Accumulated loss			
	Share capital (Note 16) LAK	Share premium LAK	Appropriated legal reserve LAK	Other reserve LAK	Unappropriated LAK	Total LAK
Opening balance at 1 January 2018	**470,000,000,000**	**27,638,932,340**	**3,708,530,711**	**1,977,267,979**	**(119,556,626,019)**	**383,768,105,011**
Net loss for the year	-	-	-	-	(58,358,558,614)	(58,358,558,614)
Closing balance at 31 December 2018	**470,000,000,000**	**27,638,932,340**	**3,708,530,711**	**1,977,267,979**	**(177,915,184,633)**	**325,409,546,397**
Opening balance at 1 January 2017	**470,000,000,000**	**27,638,932,340**	**3,708,530,711**	**1,977,267,979**	**(38,716,607,965)**	**464,608,123,065**
Net loss for the year	-	-	-	-	(80,840,018,054)	(80,840,018,054)
Closing balance at 31 December 2017	**470,000,000,000**	**27,638,932,340**	**3,708,530,711**	**1,977,267,979**	**(119,556,626,019)**	**383,768,105,011**

Chanthone Sitthixay
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Date: 10 May 2019

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Date: 10 May 2019

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Petroleum Trading Lao Public Company
Separate statement of cash flows
For year ended 31 December 2018

	Notes	31 December 2018 LAK	31 December 2017 LAK
Cash flow from operating activities:			
Net loss before income tax for the year		(58,358,558,614)	(80,840,018,054)
Adjustments to reconcile net profit to net cash			
Depreciation and amortization	7, 8, 9	14,313,011,220	21,345,806,353
(Reversal) provision for inventory		(156,790,254)	(717,150,015)
(Reversal) Allowance for doubtful		(48,089,655)	-
Allowance for doubtful		2,293,301,736	5,355,565,589
Interest received from loan to related parties		(2,657,412,114)	(2,657,412,116)
Interest expenses		26,137,223,312	26,764,487,514
Unrealized from exchanged (gain) loss		701,186,185	18,756,276,393
Operating loss before working capital changes		(17,776,128,184)	(11,992,444,336)
Changes in operating assets and liabilities			
Trade receivables		6,361,933,736	15,124,658,110
Inventories		9,251,033,680	64,272,360,327
Trade accounts payble		29,287,636,283	(76,991,806,025)
Accured tax payables		23,636,258,278	-
Other receivables		(31,709,750,027)	16,247,388,302
Other payables		37,886,437,581	(23,943,028,224)
Cash generated (paid) from operation		56,937,421,347	(17,282,871,846)
Interest paid		(28,311,877,044)	(24,772,575,773)
Other tax and statutory tax paid		(23,898,670,454)	-
Net cash generate from (used in) operating activities		4,726,873,849	(42,055,447,619)
Cash flows from investing activities:			
Acquisitions of fixed assets		(4,737,584,463)	(19,991,145,350)
Loans to related parties		(2,380,174,700)	(2,750,940,000)
Loans paid from related parties		4,625,970,000	-
Payments for investment in subsidiaries		-	(8,959,332,466)
Net cash (used in) /from investing activities		(2,491,789,163)	(31,701,417,816)

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Petroleum Trading Lao Public Company
Separate statement of cash flows
For year ended 31 December 2018

	31 December 2018 LAK	31 December 2017 LAK
Cash flows from financing activities:		
Proceeds from borrowings	258,006,500,000	116,374,580,138
Repayment of borrowings	(258,101,960,000)	(113,884,580,138)
Net cash from (used in) financing activities	(95,460,000)	2,490,000,000
Net increase/decrease in cash and cash equivalents	2,139,624,686	(71,266,865,435)
Cash and cash equivalents at the beginning of the year	6,141,225,204	77,429,732,105
Exchange gains/(losses) on cash and cash equivalents	(220,030,876)	(21,641,466)
Cash and cash equivalents at the end of the year	8,060,819,014	6,141,225,204
Significant non cash items ;		
Accounts payable for fixed assets	-	8,783,547,010
Investment in subsidiaries	179,087,813,787	-

Chanthone Sitthixay
Chief Executive Officer

Date: 10 May 2019

Chanthadom Meksavanh
Acting Chief Finance Officer

Date: 10 May 2019

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1 General information

Petroleum Trading Lao Public Company (the Company) is a listed company in the Lao Securities Exchange and incorporated and resident in Lao PDR. The Company was incorporated and registered with the Ministry of Industry and Commerce on 3 October 2008.

The Company's head office is located at Kamphaeng Mueang Street, Phonthan village, Xaysettha district, Vientiane capital, Lao PDR.

The Company invested 99.99% of interest in Petroleum Trading Lao Company Limited which is incorporated in Thailand in June 2016 and invested 99% of interest in Petrotrade Puma Energy Import and Export Co., Ltd and Petrotrade Puma Energy Distribution Co., Ltd which respectively.

The principle activities of the Company are import and export and to distribute fuel and petroleum products.

The Company also has 5 depot branches which are located in Vientiane capital, Bolikhamxay, Savannakhet, Sayyabouly and Champasack provinces, Lao PDR.

These separate financial statements were authorised by the board of directors on 10 May 2019.

2 Accounting policies

The principal accounting policies applied in the preparation of these separate financial statements are set out below:

2.1 Basis of preparation

The accompanying separate financial statements have been prepared in accordance with the Company's principal accounting policies as described below and have been prepared generally under the historical cost convention.

According to the Accounting Law and regulation on accounting and auditing in securities sector under Securities Commission Office in Lao P.D.R., all listed companies are required to prepare its financial statements in accordance with International Financial Reporting Standards (IFRSs) as generally accepted accounting principles. At present, Securities Commission Office is still flexible and allows listed companies to apply their own significant accounting policies, but they also encourage listed companies to fully adopt the IFRSs as it will be enforced in the future. In Lao PDR, there are significant differences between the Company' own accounting policies and the IFRSs, in many areas such as property, plant and equipment, leases, income tax, employee benefit and pre-operation costs. Hence, users of the financial statements should therefore be aware and understand these differences and how these will affect their interpretation and decision making.

The preparation of separate financial statements requires management to make estimates and assumptions that affect the reported assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the revenues and expenses in the reported periods. Although these estimates are based on management's knowledge of current events and actions, actual results may materially differ from those estimates.

The Company presents the separate financial information for the year ended 31 December 2018 and 2017 and the separate statement of income for the three-month period ended 31 December 2018 and 2017 (in a condensed format) under Note 27 as a supplementary information. This is in accordance with the reporting and disclosure regulation No.007/SECO, dated 3 April 2014 issued by Lao Securities and Exchange Commission Office.

2. Accounting policies (Con't)

2.2 Investment in subsidiaries

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns though its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

In the separate financial statements, investments in subsidiaries is accounted for at cost less impairment.

2.3 Foreign currency translation

Items included in the separate financial statements are presented in Lao Kip (LAK).

Foreign currency transactions are translated into LAK using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the separate statements of income.

2.4 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks or other short-term highly liquid investments with original maturities of three months or less.

2.5 Trade receivable

Trade receivable are carried at the original invoice amount and subsequently measured at the remaining amount less any allowance for doubtful receivables based on a review of all outstanding amounts at the year-end. The amount of the allowance is the difference between the carrying amount of the receivable and the amount expected to be collectible. Bad debts are written-off during the year in which they are identified and recognised in profit or loss within administrative expenses.

The following policy on the allowance for receivables impairment from third parties are applied as follow:

From 6 months to 1 year	30%
From 1 to 2 years	50%
Above 2 years	100%

No provision made on outstanding balances of loan to related parties, trade receivables and other receivables from related parties.

2.6 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the first-in, first-out method. The cost of purchase comprises both the purchase price and costs directly attributable to the acquisition of the inventory, such as import duties and transportation charges, less all attributable discounts, allowances. Net realisable value is the estimate of the selling price in the ordinary course of business, less applicable variable selling expenses. Allowance is made, where necessary, for obsolete, slow-moving and defective inventories.

2. Accounting policies (Con't)

2.7 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Company, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Land held and accounted for by the Company as investment property when the rest of the definition of investment property is met.

Investment property is measured initially at its cost, including related transaction costs

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

After initial recognition, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Land is not depreciated. Depreciation on other investment properties is calculated using the straight line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings and renovation	7 -10 years

2.8 Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred. Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings and renovation	5 - 30 years
Machinery and equipment	2 - 10 years
Vehicle	5 years
Office equipment	2-10 years

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other gains/(losses) – net' in the statement of income.

2.9 Intangible assets

Intangible assets is consist of computer software. Acquired computer software licenses are capitalised in the basis of the costs incurred to acquire and bring to use the specific software. These cost are amortised over their estimated useful life, which does not exceed 2-10 years. Cost associated with remaining computer software programs are recognised as expense as incurred.

2. Accounting policies (Con't)

2.10 Borrowings

Borrowings are recognised initially at the drawdown value. Borrowing cost consist of interest and other cost that the Company incurs in connection with the borrowing of funds. Borrowing cost for general purpose are recorded as expenses during the year in which they are incurred.

Borrowing cost that are directly attributable to the acquisition, construction or production of asset that necessarily take a substantial period of time to get ready for its intended use or sale are capitalised as cost of respective of asset.

Borrowing arrangement fee are recognise as pre-paid expenses and amortised into statements of income over the borrowing period.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of reporting date.

2.11 Lease

Leases - where the Company is the lessee

Leases not transferring a significant portion of the risks and rewards of ownership to the lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the separate statement of income on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Leases of property, plant or equipment where the lessee has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the book value of the leased property

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the liabilities balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to profit or loss over the lease period so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant or equipment acquired under finance leases is depreciated over the shorter period of the useful life of the asset and the lease term.

Leases - where the Company is the lessor

Assets leased out under operating leases are included in property, plant and equipment in the separate statement of financial position. They are depreciated over their expected useful lives. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

2. Accounting policies (Con't)

2.12 Taxation

The Company records profit income tax on an accrual basis. The Company does not recognise corporate income tax payable or receivable in future periods in respect of temporary differences. Income tax expense is recognised based on the operating result for the year after adjusted non-deductible expenses and other transactions under the related Lao Tax Law and tax rate. Under Lao Tax Law, Lao Accounting Law and related privileges as a LSX listed company , tax expenses for the year are determined on the basis of the profit the Company calculated (Note 22).

In Lao PDR, income tax returns are regularly reviewed in detail by the relevant authorities. In addition, tax issues raised in the reviews may require substantive judgements and interpretation by the parties concerned. The reviews could therefore potentially result in additional tax payments or refunds being necessary which may be significant. This would result in the payment or refund being recognised as income tax expense in the year in which the reviews are completed.

2.13 Share capital

Ordinary shares and non-redeemable preference shares with discretionary dividends are classified as equity.

The share premium us recognise upon issuance od addition shares, at a surplus between the offering price of additional share issuance and the par value, after deduction of share issuance cost (such as underwriting fees and other relevant valuation, consulting costs).

In accordance with guidance under the Letter No.056/LSCO issued by LSCO on 28 April 2015, the Company was allowed to distribute 75% of share premium from the Company's initial offering after deduction of relevant share issuance costs, to the founding shareholders of the Company.

2.14 Revenue recognition

Revenue comprises the invoice value of goods sold net of rebates and discounts. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods are transferred or delivered to the buyer.

Revenue from rental services is recognised on a straight-line basis over the lease term.

Other income is recognised on the following basis:

- Interest income is recognised on a time-proportion basis, taking into account the principal outstanding and interest rate over the period to maturity, when it determined that such income will be accrued to maturity, when it is determined that such income will be accrued to the Company.
- Other income is recognised on an accrual basis.

3. Cash and cash equivalents

	2018 LAK	2017 LAK
Cash on hand	88,212,000	161,258,860
Cash at banks	7,972,607,014	5,979,966,344
	8,060,819,014	**6,141,225,204**

4. Trade receivables, net

	2018 LAK	2017 LAK
Trade receivables - related parties (Note 24.3)	82,068,518,290	43,502,729,774
Trade receivables - third parties	21,306,152,973	66,233,875,225
	103,374,671,263	**109,736,604,999**
Less: Allowance for doubtful accounts	(7,600,777,670)	(5,355,565,589)
Trade receivables – Net	**95,773,893,593**	**104,381,039,410**

5. Inventories, net

	2018 LAK	2017 LAK
Fuel	427,481,471	7,442,665,919
Lubricant	95,285,591	1,351,643,042
Office supply	313,111,083	1,481,351,176
Plus Card	188,748,312	-
	1,024,626,457	**10,275,660,137**
Less: Allowance for impairment based on net realisable value	(22,455,023)	(179,245,277)
Inventories – Net	**1,002,171,434**	**10,096,414,860**

6. Other current assets

	2018 LAK	2017 LAK
Other receivables*	22,497,682,340	27,683,180,631
Advance to suppliers	12,368,240,780	12,483,871,504
Deposit to suppliers	5,897,585,861	7,163,417,449
Advance to employees	65,519,880	88,436,702
Advance profit tax payment	1,146,854,492	1,146,854,492
Advance to investment	62,954,175	-
Interest receivable	11,605,504,325	8,948,092,211
Share subscription receivables	38,242,948,552	-
	91,887,290,405	**57,513,852,989**

*This mainly consist of receivables from management amount of LAK 22,497,682,340 (2017: LAK 22,497,682,340) (Note 24.3).

7. Property, plant and equipment, net

	Land LAK	Building and improvement LAK	Machinery and equipment LAK	Office equipment LAK	Vehicle LAK	Construction in progress LAK	Total LAK
As at 31 December 2017							
Cost	125,576,376,841	130,461,665,021	56,399,676,245	18,524,943,699	11,969,722,507	7,247,859,378	350,180,243,691
Less: Accumulated depreciation	-	(32,953,820,376)	(28,846,422,251)	(11,530,972,774)	(8,895,813,214)	-	(82,227,028,615)
Net book amount	**125,576,376,841**	**97,507,844,645**	**27,553,253,994**	**6,993,970,925**	**3,073,909,293**	**7,247,859,378**	**267,953,215,076**
For the year ended 31 December 2018							
Opening net book amount	**125,576,376,841**	**97,507,844,645**	**27,553,253,994**	**6,993,970,925**	**3,073,909,293**	**7,247,859,378**	**267,953,215,076**
Additions	-	252,186,248	271,421,800	469,859,119	-	1,206,702,013	2,200,169,180
Depreciation charge (Note 21)	-	(4,786,014,230)	(2,748,306,196)	(2,220,687,528)	(839,633,625)	-	(10,594,641,579)
Transferred in (out) *	(7,458,157,841)	(51,860,932,963)	(22,194,827,108)	(874,936,221)	(1,246,964,818)	(2,173,947,109)	(85,809,766,060)
Closing net book amount	**118,118,219,000**	**41,113,083,700**	**2,881,542,490**	**4,368,206,295**	**987,310,850**	**6,280,614,282**	**173,748,976,617**
As at 31 December 2018							
Cost	118,118,219,000	78,852,918,306	34,476,270,937	18,119,866,597	10,722,757,689	6,280,614,282	266,570,646,811
Less: Accumulated depreciation	-	(37,739,834,606)	(31,594,728,447)	(13,751,660,302)	(9,735,446,839)	-	(92,821,670,194)
Net book amount	**118,118,219,000**	**41,113,083,700**	**2,881,542,490**	**4,368,206,295**	**987,310,850**	**6,280,614,282**	**173,748,976,617**

*During the year, the Company has transferred their property, plant and equipment to invest in its subsidiaries amount of 85 billion, Petrotrade Puma Energy Distribution Co., Ltd amount of LAK 41 billion and Petrotrade Puma Energy Import and Export Co., Ltd amount of LAK 44 billion.

Certain property, plant and equipment are pledged as collaterals for the Company's borrowings (Note 14).

8. Intangible assets, net

	Computer Software LAK
As at 31 December 2017	
Cost	9,530,231,663
Less: Accumulated amortization	(1,739,697,696)
Net book amount	**7,790,533,967**
For the year ended 31 December 2018	
Opening net book amount	7,790,533,967
Transfer in (out)*	(918,852,640)
Amortization charge (Note21)	(982,746,285)
Closing net book amount	**5,888,935,042**
As at 31 December 2018	
Cost	8,493,318,534
Less: Accumulated amortization	(2,604,383,492)
Net book amount	**5,888,935,042**

*During the year, the Company has transferred computer software to investment in subsidiary company.

9. Investment properties, net

	Land LAK	Building LAK	Total LAK
As at 31 December 2017			
Cost	126,163,484,129	63,964,798,162	190,128,282,291
Less: Accumulated depreciation	-	(9,224,656,340)	(9,224,656,340)
Net book amount	**126,163,484,129**	**54,740,141,822**	**180,903,625,951**
For the year ended 31 December 2018			
Opening net book amount	126,163,484,129	54,740,141,822	180,903,625,951
Additions	-	2,537,415,280	2,537,415,280
Depreciation (Note 21)	-	(2,735,623,356)	(2,735,623,356)
Transferred in (out) *	(49,111,010,000)	(44,047,334,959)	(93,158,344,959)
Closing net book amount	**77,052,474,129**	**10,494,598,787**	**87,547,072,916**
As at 31 December 2018			
Cost	77,052,474,129	22,454,878,484	99,507,352,613
Less: Accumulated depreciation	-	(11,960,279,697)	(11,960,279,697)
Net book amount	**77,052,474,129**	**10,494,598,787**	**87,547,072,916**

*During the year, the Company has transferred their investment properties to invest in its subsidiaries of LAK 93 billion, Petrotrade Puma Energy Distribution Co., Ltd amount of LAK 44 billion and Petrotrade Puma Energy Import and Export Co., Ltd amount of LAK 49 billion.

Certain land use rights in Vientiane, Savannakhet, and Bolikhamxay provinces are pledged as collaterals for the Company's borrowings (Note 14).

10. Investment in subsidiaries

	2018 LAK	2017 LAK
As at 1 January	11,970,113,505	3,010,781,039
Additions	198,000,000,000	8,959,332,466
As at 31 December	**209,970,113,505**	**11,970,113,505**

11. Other non-current assets

	2018 LAK	2017 LAK
Prepaid land rental*	36,806,752,861	37,263,028,090
Advance for gas stations and others	7,017,238,000	6,567,238,046
	43,823,990,861	**43,830,266,136**

*This mainly represents outstanding prepayment of land rental from related parties amount to LAK 11,238,174,346 (2017: LAK 11,238,174,346) (Note 24.3).

12. Trade accounts payable

	2018 LAK	2017 LAK
Trade payables – third parties	59,798,320,095	23,424,359,361
Trade payables – related parties (Note 24.3)	-	7,095,249,018
	59,798,320,095	**30,519,608,379**

13. Tax payables

	2018 LAK	2017 LAK
Value Added Tax payables	2,724,353,008	2,815,382,720
Personnel income tax payables	63,400,663	-
Other taxes and statutory payables	-	234,783,127
	2,787,753,671	**3,050,165,847**

14. Borrowings

	2018 LAK	2017 LAK
Current		
Current portion of long-term borrowings from banks	15,050,000,000	26,080,000,000
Borrowing from related parties (Note 24.4)	257,920,740,000	247,951,960,000
Total short - term borrowings	**272,970,740,000**	**274,031,960,000**
Non-current		
Borrowings from banks	33,480,000,000	32,600,000,000
Total long - term borrowings	**33,480,000,000**	**32,600,000,000**
Total borrowings	**306,450,740,000**	**306,631,960,000**

*The Company signed a borrowing agreement with 2 local banks as below:

Outstanding balance	Maturity and repayment term	Interest rate	Collaterals
LAK 48,530,000,000 (2017: LAK 58,680,000,000)	60 months, principal and interest are payable on monthly basis. The last instalment is due on 6 April 2020	10.5%	Land lots, houses, buildings and petroleum tanks in Savannakhet, Champasack and Vientiane provinces along with two bank account balances
USD 10,500,000 and THB 628,000,000 (2017: USD 10,500,000 and THB 628,000,000)	4-10 months, principal and interest are payable on monthly basis. The last instalment is due on 31 October 2019.	8%	Land lots in Vientiane, Pakse and Champasack provinces and stored fuel which same as 2017.

14. Borrowings (Con't)

The interest rate exposure on the borrowings of the Company is as follows:

	2018 LAK	2017 LAK
Borrowings		
- at fixed rates	306,450,740,000	306,631,960,000
Total borrowings	**306,450,740,000**	**306,631,960,000**

Maturity of long-term borrowings (excluding finance lease liabilities) is as follows:

	2018 LAK	2017 LAK
Between 1 and 2 years	33,480,000,000	28,977,777,778
Between 2 years and 5 years	-	3,622,222,222
	33,480,000,000	**32,600,000,000**

After the reporting period, the Company has roll over obligations under the borrowing agreements with the Phongsavanh bank, the repayment term extended from 2019 to 2020 with borrowing amount of LAK 257,920,740,000.

15. Other current liabilities

	2018 LAK	2017 LAK
Advance from customers	2,955,405,635	2,317,457,896
Other accrued and payables	1,230,509,577	5,102,333,236
Other payables – related parties (Note 24.3)	57,857,845,983	-
	62,043,761,195	**7,419,791,132**

16. Share capital and premium on share capital

	Number of Shares (Shares)	Ordinary Shares (LAK)	Share Premium (LAK)	Total (LAK)
At 1 January 2017	235,000,000	470,000,000,000	27,638,932,340	497,638,932,340
Issue of shares	-	-	-	-
At 31 December 2017	**235,000,000**	**470,000,000,000**	**27,638,932,340**	**497,638,932,340**
Issue of shares	-	-	-	-
At 31 December 2018	**235,000,000**	**470,000,000,000**	**27,638,932,340**	**497,638,932,340**

17. Legal reserve

	2018 LAK	2017 LAK
At 1 January	3,708,530,711	3,708,530,711
Appropriation during the year	-	-
At 31 December	**3,708,530,711**	**3,708,530,711**

Legal reserve is set-up in accordance with the Enterprise Law of Lao PDR which requires the appropriation of profit as a legal reserve of at least 10% of the annual profit until such reserve reaches 50% of authorised share capital.

18. Sales

	2018 LAK	2017 LAK
Sales fuel	1,124,791,358,391	898,746,591,028
Sales lubricant	1,966,609,939	1,179,931,765
	1,126,757,968,330	**899,926,522,793**

19. Other income

	2018 LAK	2017 LAK
Rental income	3,431,740,519	3,656,558,031
Interest income	3,594,051,382	3,428,662,266
Gain on disposals	-	19,034,400
Other income	2,031,569,554	2,177,823,206
	9,057,361,455	**9,282,077,903**

20. Finance expense

	2018 LAK	2017 LAK
Interest expense	26,190,973,557	24,772,575,773

21. Significant expenses by nature

	2018 LAK	2017 LAK
Finish goods - fuel sold	1,102,003,693,095	854,508,812,715
Finish goods - lubricant sold	1,805,961,629	939,356,945
Cost of leasing activities	1,604,671,471	1,505,036,849
Labor costs	11,771,394,924	16,764,758,676
Depreciation and amortization expenses	14,313,011,220	21,675,882,166
Bank charges	2,269,801,002	5,721,067,413
Professional fees	2,317,868,937	4,063,138,920
Operating costs for representative offices	6,033,690,323	9,399,671,394
Provision for doubtful debt	2,245,212,081	718,066,073
Rental expenses	552,415,046	6,509,094,470
Repair and maintenance expenses	555,896,643	2,068,380,857
Advertising expenses	2,288,729,200	2,722,380,018
Transportation expenses	9,122,965,602	18,307,506,027
	1,156,885,311,173	**944,903,152,523**

22. Income tax expenses

According to the tax privileges given to LSX listed companies, The Company is entitled to a further reduction profit tax from 24% to 19% during the initial four years period. This rate is to be applied from 2015 to 2018. This is in accordance with the Enactment of the President of Lao PDR regarding Corporate Income Tax and Fee for Securities and Exchange, No. 1/ President, dated 28 December 2010 and the Tax Law issued on 15 December 2015.

As a result, the statutory applicable Profit Tax rate for the Company during the year is 19% of taxable profit.

23. Basic earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	2018	2017
Net profit/(loss) attributable to ordinary shareholders (LAK)	(58,358,558,614)	(80,840,018,054)
Weighted average number of ordinary shares In issue (shares)	235,000,000	235,000,000
Basic earnings (loss) per share (LAK)	(248)	(344)

24. Related-party transactions

Individuals and entities that directly or indirectly control or are controlled by or are under common control with the Company, including investment entities and individuals or entities having significant influence over the Company, key management personnel, including directors and officers of the Company and close members of the family of these individuals and entities associated with these individuals also constitute related parties.

In considering each possible related-party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

The following significant transactions were carried out with related parties:

24.1 Sales of goods and services

	2018 LAK	2017 LAK
Sales of goods to:		
Other related parties	504,607,650,199	218,355,369,650
Sales of services to:		
Other related parties	7,035,493,409	6,354,847,877

24.2 Purchases of goods and services

	2018 LAK	2017 LAK
Purchases of services from:		
Subsidiary	-	5,913,401,010
Other related parties	10,041,408,855	18,018,813,504
	10,041,408,855	**23,932,214,514**

24. Related-party transactions (Con't)

24.3 Outstanding balances arising from sales/purchases of goods/services

	2018 LAK	2017 LAK
Receivables from:		
Key Management (Note 6)	22,497,682,340	22,497,682,340
Other related parties*	145,296,070,425	70,065,957,430
	167,793,752,765	**92,563,639,770**

*This mainly consists of outstanding prepayment of land rental from related parties amount to LAK 11,238,174,346 (2017: LAK 11,238,174,346) (Note 11), trade receivables from related partied amount LAK 82,068,518,290 (2017: LAK 43,502,729,774) (Note 4).

Payables to:		
Other related parties (Note 12,15)	57,857,845,983	7,095,249,018

24.4 Borrowings from related parties

	2018 LAK	2017 LAK
As at 1 January	247,951,960,000	208,743,240,000
Loans received during the year	257,920,740,000	284,795,920,000
Loans repayment during the year	(247,951,960,000)	(245,587,200,000)
At 31 December	**257,920,740,000**	**247,951,960,000**

The loans from related parties were provided with specified repayment term and interest rate at 8% per annum.

24.5 Loans to related parties

	2018 LAK	2017 LAK
As at 1 January	40,809,343,271	38,099,943,271
Loans paid during the year	2,380,174,700	2,709,400,000
Loans repayment during the year	(4,625,970,000)	-
Unrealisation	223,310,000	-
At 31 December	**38,786,857,971**	**40,809,343,271**

24. Related-party transactions (Con't)

24.6 Key management compensation

Compensation paid to key management are as follow:

	2018 Million LAK	2017 Million LAK
Salaries and others	890	358

25. Commitments

a) Capital expenditure commitment

As at 31 December 2018 the Company has no significant capital commitment.

b) Operating lease commitments - where a Company is the lessee

The Company leases land under non-cancellable operating lease agreements.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2018 LAK	2017 LAK
Not later than 1 year	13,037,280,000	9,698,040,000
Later than 1 year but not later than 5 years	7,441,366,420	5,170,324,420
Later than 5 years	23,919,348,708	21,598,107,708
	44,397,995,128	**36,466,472,128**

c) Operating lease commitments - where a Company is the lessor

The Company let out gas stations and office under operating lease agreement. The minimum future rental receivable as at 31 December under these operating lease agreement are as below:

	2018 LAK	2017 LAK
Not later than 1 year	1,886,736,000	1,968,000,000
Later than 1 year but not later than 5 years	9,433,680,000	9,840,000,000
Later than 5 years	1,186,584,000	699,000,000
	12,507,000,000	**12,507,000,000**

26. Events after the reporting period

After the reporting period, the Company has roll over obligations under the borrowing agreements with the Phongsavanh bank please see in Note 14.

27. Supplementary information

The Company presents the unaudited separate statement of income for the three-month period ended 31 December 2018 and 2017 under this note to the separate financial statements for additional information only. This is in accordance with the reporting and disclosure regulation issued by Lao Securities and Exchange Commission Office (Note 2.1).

Summary of separate statement of income
For the three-month periods from 1 October to 31 December 2018 and 2017

	2018 LAK	2017 LAK
Sales	288,871,499,298	260,196,427,048
Cost of sales	(288,598,916,890)	(252,197,525,603)
Gross profit	**272,582,408**	**7,998,901,445**
Other income	2,025,523,426	4,306,734,920
Other gain(loss), net	177,774,559	(3,879,172,377)
Selling expenses	(45,264,974)	(4,645,775,583)
Administrative expenses	(9,078,627,181)	(15,929,902,035)
Operating loss	**(6,648,011,762)**	**(12,149,213,630)**
Finance expenses	(6,588,398,258)	(5,982,473,429)
Loss before income tax expenses	**(13,236,410,020)**	**(18,131,687,059)**
Income tax expenses	-	-
Loss for the period	**(13,236,410,020)**	**(18,131,687,059)**