FINANCIAL STATEMENTS

30 September 2018



ສຸວັນນີ SOUVANNY Home Center

ບໍລິສັດ ສຸວັນນີ ໂຮມເຊັນເຕີ ມາຫາຊົນ

SOUVANNY HOME CENTER PUBLIC COMPANY

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Souvanny Home Center Public Company
Statement of Financial Position
As at 30 September 2018

	Notes	Unaudited 30 September 2018 LAK	Audited 31 December 2017 LAK
Assets			
Current assets			
Cash and cash equivalents	4	9,157,469,230	7,825,563,835
Trade and other receivables, net	5	15,296,781,718	17,638,531,080
Inventories, net	6	191,534,132,496	149,188,890,866
Other current assets		5,377,572,228	7,767,536,365
Total current assets		221,365,955,672	182,420,522,146
Non-current assets			
Property, plant and equipment, net	7	489,028,188,485	460,349,989,027
Intangible assets, net		245,923,603	439,776,032
Total non-current assets		489,274,112,088	460,789,765,059
Total assets		**710,640,067,760**	**643,210,287,205**

Waddana SOUKHABANDITH
Chief Executive Officer
Date: 08 November 2018

Phannola SOUKHABANDITH
Chief Financial Officer
Date: 08 November 2018

The accompanying notes on pages 9 to 15 are an integral part of this nine-month financial information.

Souvanny Home Center Public Company
Statement of Financial Position
As at 30 September 2018

	Notes	Unaudited 30 September 2018 LAK	Audited 31 December 2017 LAK
Liabilities and equity			
Current liabilities			
Bank overdraft and short-term borrowings	9	81,410,209,678	43,792,632,441
Trade and other payables	8	28,829,823,842	41,677,587,933
Current portion of long-term borrowings	9	252,010,000	252,010,000
Profit tax payable		-	-
Deposits from customers		28,812,787,307	24,729,063,838
Other current liabilities		11,118,432,356	7,996,658,217
Total current liabilities		150,423,263,183	118,447,952,429
Non Current liabilities			
Long-term borrowings from financial institution	9	11,357,936,938	354,800,090
Total non current liabilities		11,357,936,938	354,800,090
Total liabilities		161,781,200,121	118,802,752,519
Equity			
Share capital			
Authorized share capital			
Ordinary shares 165 million shares at par value of LAK 2,000		330,000,000,000	330,000,000,000
Issued and paid-up share capital			
Ordinary shares 165 million shares at par value of LAK 2,000		330,000,000,000	330,000,000,000
Premium on share capital		24,735,724,722	24,735,724,722
Retained earnings			
Appropriated - legal reserve	10	3,332,971,187	3,332,971,187
Appropriated - Other reserve	10	3,082,971,187	3,082,971,187
Unappropriated		152,278,400,074	150,496,317,879
Translation adjustments		35,428,800,469	12,759,549,711
Total equity		548,858,867,639	524,407,534,686
Total liabilities and equity		710,640,067,760	643,210,287,205

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Souvanny Home Center Public Company
Statement of comprehensive income
For the three-month period ended 30 September 2018 (Unaudited)

	Notes	2018 LAK	Restate 2017 LAK
Revenue from sales		78,203,080,462	73,208,341,543
Revenue from services		458,743,049	709,276,930
Cost of sales		(66,795,094,583)	(57,602,566,063)
Cost of services		(267,096,603)	(567,421,544)
Gross profit		**11,599,632,325**	**15,747,630,866**
Other incomes		2,767,457,498	1,245,804,768
Selling expenses		(7,895,034,714)	(11,732,309,154)
Administrative expenses		(5,938,416,070)	(182,858,027)
Finance costs		(1,371,065,690)	(549,700,530)
Foreign exchange (loss)/gain, net		1,941,872,397	(192,544,813)
Profit before income tax expense		**1,104,445,746**	**4,336,023,110**
Income tax expense		-	(855,196,862)
Net profit for the period		**1,104,445,746**	**3,480,826,248**
Earnings per share			
Basic earnings per share		7	21

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Souvanny Home Center Public Company
Statement of comprehensive income
For the nine-month period ended 30 September 2018 (Unaudited)

	Notes	2018 LAK	Restate 2017 LAK
Revenue from sales		234,405,280,437	213,578,977,162
Revenue from services		1,111,382,949	1,617,547,792
Cost of sales		(195,568,384,764)	(171,682,622,805)
Cost of services		(861,210,906)	(1,294,037,993)
Gross profit		**39,087,067,716**	**42,219,864,156**
Other incomes		5,396,934,746	3,887,855,236
Selling expenses	15	(21,512,080,762)	(21,184,610,367)
Administrative expenses	15	(18,199,272,298)	(14,410,652,057)
Finance costs		(3,120,607,775)	(1,353,840,663)
Foreign exchange loss, net		1,780,040,568	(859,779,200)
Profit before income tax expense		**3,432,082,195**	**8,298,837,105**
Income tax expense		0	(1,263,137,359)
Net profit for the period		**3,432,082,195**	**7,035,699,746**
Earnings per share			
Basic earnings per share	13	21	43

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Souvanny Home Center Public Company
Statement of changes in equity
For the nine-month period ended 30 September 2018 (Unaudited)

	Notes	Issued and paid-up ordinary shares	Premium on share capital	Legal reserve	Other reserve	Unappropriated retained earnings	Translation adjustments	Total equity
		LAK	LAK	LAK	LAK	LAK	LAK	LAK
Opening balance 1 January 2017 - Audited		330,000,000,000	24,735,724,722	2,906,968,288	2,656,968,288	150,388,294,678	(40,027,820,095)	470,660,135,881
Legal reserve		-	-	703,569,975	-	(703,569,975)	-	-
Other reserve		-	-	-	703,569,975	(703,569,975)	-	-
Net profit for the period		-	-	-	-	7,035,699,746	-	7,035,699,746
Dividend paid	11	-	-	-	-	(3,300,000,000)	-	(3,300,000,000)
Translation adjustments		-	-	-	-	-	42,237,980,300	42,237,980,300
Ending balance 30 September 2017 - Unaudited		330,000,000,000	24,735,724,722	3,610,538,263	3,360,538,263	152,716,854,474	2,210,160,205	516,633,815,927
Opening balance 1 January 2018 - Audited		330,000,000,000	24,735,724,722	3,332,971,187	3,082,971,187	150,496,317,879	12,759,549,711	524,407,534,686
Legal reserve		-	-	-	-	-	-	-
Other reserve		-	-	-	-	-	-	-
Net profit for the period		-	-	-	-	3,432,082,195	-	3,432,082,195
Dividend paid	11	-	-	-	-	(1,650,000,000)	-	- 1,650,000,000
Translation adjustments		-	-	-	-	-	22,669,250,758	22,669,250,758
Ending balance 30 September 2018 - Unaudited		330,000,000,000	24,735,724,722	3,332,971,187	3,082,971,187	152,278,400,074	35,428,800,469	548,858,867,639

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Souvanny Home Center Public Company
Statement of Cash flows
For the nine-month period ended 30 September 2018 (Unaudited)

	Notes	30 September 2018 LAK	30 September 2017 LAK
Cash flow from operating activities:			
Net profit before income tax for the period		3,432,082,195	8,298,837,105
Adjustments for:☐			
Depreciation		8,810,128,775	6,830,653,472
Amortisation		229,664,855	227,956,504
Gain from disposes of property, plant and equipment		15,709,089	(122,343,200)
Gain/Loss on exchange rate		(4,221,786,028)	2,418,996,376
Interest expense		3,120,607,775	1,405,283,731
Inventories provision (reversal)		(1,891,095,025)	(4,486,411,890)
Trade and other receivables provision (reversal)		198,759,679	(767,474,199)
Operating profit before working capital changes		9,694,071,315	13,805,497,899
Changes in operating assets and liabilities			
- Trade and other receivables		3,052,503,852	6,112,462,713
- Inventories		(34,021,623,122)	(48,028,779,264)
- Other current assets		2,724,874,195	(6,555,803,314)
- Trade and other accounts payable		(14,644,761,586)	20,452,737,980
- Deposits from customers		3,017,489,362	1,104,077,512
- Other current liabilities		2,776,985,117	2,936,846,727
Cash generated from operations		(27,400,460,867)	(10,172,959,747)
Interest paid		(3,120,607,775)	(1,405,283,731)
Income tax paid		(149,000,000)	775,141,211
Net cash used in operating activities		(30,670,068,642)	(10,803,102,267)
Cash flows from investing activities :			
Purchases of plant and equipments		(17,736,517,066)	(38,875,181,944)
Purchases of computer software		(35,812,426)	(217,073,037)
Proceeds from disposals of property, plant and equipments		100,185,490	122,343,200
Net cash used in investing activities		(17,672,144,003)	(38,969,911,781)

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Souvanny Home Center Public Company
Statement of Cash flows
For the nine-month period ended 30 September 2018 (Unaudited)

	Notes	30 September 2018 LAK	30 September 2017 LAK
Cash flows from financing activities :			
Proceeds from a short-term borrowing		132,107,798,623	65,570,530,512
Repayment on a borrowings from bank		(83,487,084,538)	(34,272,685,433)
Dividend paid		(1,650,000,000)	(3,300,000,000)
Net cash used in financing activities		46,970,714,085	27,997,845,079
Net decrease in cash and cash equivalents		(1,371,498,559)	(21,775,168,969)
Cash and cash equivalent at the beginning of the period		7,825,563,835	26,762,714,091
Effect of exchange rate changes on cash and cash equivalents		2,703,403,954	302,029,295
Cash and cash equivalent at the end of the period		**9,157,469,230**	**5,289,574,417**
Significant non cash items		-	-
Other payables from purchases of plant and equipments		1,273,529,133	713,389,626

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Chief Financial Officer
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1. General information

Souvanny Home Center Public Company is a public company which is listed on the Lao Securities Exchange (LSX) and is incorporated and domiciled in Lao PDR. The Company principally engaged trades a full range of goods and materials for construction, addition, refurbishment, renovation and improvement of buildings, houses and residences, and provides related services.

The Company's headquarters' registered address is number 366 Ban Phonetongsavath, Chanthabury District, Vientiane Capital, Lao PDR. The Company also has 6 such as: Phonetong branch, Sikhai branch, Thong Toom branch, XokYai branch, Paksan branch and Pakse branch.

The Board of Directors authorised this condensed the nine-month financial information for issue on 08 November 2018.

This condensed nine month financial information has been reviewed, but not audited.

2. Basis of preparation

The accompanying 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 Standard (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 companies' own accounting policies and the IFRSs, in many areas such as property, plant and equipment, leases, current and deferred income tax 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.

3. Estimates

The preparation of the nine-month financial information requires management to make judgements, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

In preparing this the nine-month financial information, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2016, with the exception of a change in estimate that is required in determining the allowance for slow moving and obsoleted inventories (see in Note 6).

4. Cash and cash equivalents

	30 September 2018 LAK	Audited 31 December 2017 LAK
Cash on hand	527,412,503	1,841,487,603
Deposits held at call with financial institutions	8,630,056,727	5,984,076,232
Cash and cash equivalents	9,157,469,230	7,825,563,835

Cash on hand includes petty cash and cash from sales that is for general use.

Deposits held at call with financial institutions represents cash deposited with reputable local banks in 3 currencies, US dollars, Thai baht and Lao kip, in current accounts.

5. Trade and other receivables, net

	30 September 2018 LAK	Audited 31 December 2017 LAK
Trade accounts receivables	14,459,089,683	17,135,409,288
Less allowance for doubtful debt	(1,079,504,607)	(1,237,731,102)
Trade accounts receivable, net	13,379,585,076	15,897,678,186
Advance payments for construction (Note 14)		-
Staff borrowings	49,856,119	72,341,226
Accrued income		-
Other receivables (i)	1,867,340,524	1,668,511,668
	1,917,196,644	1,740,852,894
Trade and other receivables, net	15,296,781,718	17,638,531,080

The Outstanding trade accounts receivable balance as 30 September 2018 is aged as follows:

	30 September 2018 LAK	Audited 31 December 2017 LAK
Not yet due	2,420,611,808	8,800,028,753
Past due:		
1 – 3 months	3,283,225,923	5,950,058,870
3 - 6 months	896,274,991	1,113,741,345
6 - 12 months	5,128,701,766	124,260,914
Over 12 months	2,730,275,195	1,147,319,406
Trade and other receivables, net	14,459,089,683	17,135,409,288
Less allowance for doubtful debt	(1,079,504,607)	(1,237,731,102)
Trade accounts receivable, net	13,379,585,076	15,897,678,186

The allowance was set up from the remaining accounts receivable balance which has been outstanding for more than nine months and hasn't been collected up to the present date.

6. Inventories, net

	30 September 2018 LAK	Audited 31 December 2017 LAK
Inventories	193,425,227,521	154,238,218,795
Less: Allowance for slow moving and obsolete	(174,677,749)	(2,460,191,459)
Allowance for diminution in value of inventories	(1,716,417,276)	(2,589,136,469)
Inventories, net	191,534,132,496	149,188,890,866

During the nine-month period ended 30 September 2018, management reassessed and reviewed related allowance for slow moving and obsoleted inventories. Related allowance for slow moving and decrease in value of inventory has been revised down LAK 3,158 million (2017: LAK 2,192 million) as slow moving can be actually sold at a higher turnover which is better than previously estimated. As a result, related allowance and cost of goods sold has been adjusted down to be consistent with recent facts and analysis.

7. Property, plant and equipment, net

	30 September 2018 LAK	Audited 31 December 2017 LAK
Opening net book value	460,349,989,027	376,208,692,652
Additions	17,755,478,730	52,189,009,919
Foreign exchange translation difference	19,848,744,082	42,185,799,305
sell	(115,894,579)	(232,205)
Depreciation charge	(8,810,128,775)	(10,233,280,642)
Closing net book value	489,028,188,485	460,349,989,027

Additions during the nine-month period ended 30 September 2018 mainly consisted of office equipment and buildings. Total addition of LAK 17,755 million consisted of cash transaction (already paid) of LAK 16,482 million and non-cash transactions (not yet paid) of LAK 1,273 million.

8. Trade and other payables

	30 September 2018 LAK	Audited 31 December 2017 LAK
Trade accounts payable– third parties	27,314,366,088	32,032,832,752
Trade accounts payable – related parties	1,515,457,754	9,644,755,182
Trade and other account payables	28,829,823,842	41,677,587,933

9. Borrowings

	30 September 2018 LAK	Audited 31 December 2017 LAK
Current		
Bank overdraft	3,672,187,313	2,153,521,478
Short-term borrowings	77,738,022,365	41,639,110,963
Current portion of long-term borrowings	252,010,000	252,010,000
Non-current		
Long-term borrowings	11,357,936,938	354,800,090
Total borrowings	93,020,156,616	44,399,442,531

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

	30 September 2018 LAK	Audited 31 December 2017 LAK
At fixed rates	70,760,086,993	13,018,780,107
At floating rates	22,260,069,623	31,380,662,424
Total borrowings	93,020,156,616	44,399,442,531

The Company extended its bank overdraft credit limit on 14 June 2016 from LAK 1,200 million to LAK 33,495 million with a foreign financial institution's Lao branch. The overdraft was secured by a shareholder's land. And the interest rate is Low Rate Limit (LRL) plus a percentage of margin per.

On 12 December 2017, the Company entered into a new short-term borrowing of THB 145 million with foreign banks in Lao at fixed interest rates at 6.5%-7.5%. The repayments are required within 12 months after drawdown. The facilities are secured by the company's land.

A long-term borrowing from a financial institution was made in June 2016 and this is due in October 2020. The borrowing is secure by the same shareholder's land with overdraft.

10. Reserve

Legal reserve

	30 September 2018 LAK	Audited 31 December 2017 LAK
Opening balance	3,332,971,187	2,906,968,288
Additional	0	426,002,899
Ending balance	3,332,971,187	3,332,971,187

The legal reserve was set up as required by Article 156 under the Enterprise Law of the Lao PDR. It requires that at least 10% of the annual net profit be set aside as a legal reserve until such reserve reaches 50% of the authorised share capital.

Other reserve

Apart from legal reserve, the Company also has set aside 10% as another reserve. This is in accordance with the Company's policies registered with the Ministry of Finance, Lao PDR, dated 22 September 2015. The other reserve is for unforeseeable events such as natural disasters. The Company will only use this reserve to if such an event occurs.

11. Dividend

At the Annual General Meeting of Shareholders 2017 held on 06 April 2018, it was resolved that dividend be paid to shareholders in respect of 2017 operating results at 10 per shares (2016: LAK 20 shares), totaling of LAK 1,650 million (2016: LAK 3,300). The dividend was paid in May 2018 to the shareholder.

12. Income tax expense

According to the tax law effective on 1 October 2012, the company must pay taxes on its net taxable income at the rate of 24%. Then after listing on the LSX, the company subject to further reduction to the rate of 5% remaining at the rate of 19% during the first four years after the Company's registration date (2015 to 2019) in accordance with the Enactment of the Present of Lao PDR regarding Corporate Profit Tax and Fee for securities and Exchange, No.1/President, date 28 December 2010.
Profit before income tax expense for the nine-month period ended 30 September 2018, after the adjustments of non-deductible income and expenses is in accordance with the Lao Tax Law. Therefore, no profit tax expense was recognized for the period in account.

13. Basic earnings per share

As at 30 September 2018, basic earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issued during the period.

	30 September 2018 LAK
Weighted average number of ordinary shares (shares)	165,000,000
Net profit for the period attributable to shareholders (LAK)	3,432,082,195
Basic earnings per shares	21

14. Related party transactions with management in the company.

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the company. Individuals owning, directly or indirectly, an interest in the voting right in the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company, and their immediate family members, and companies associated with these individuals, also constitute related parties.

The following material transactions were carried out with related parties.

14.1 Income and expenses

	30 September 2018 LAK	Audited 30September 2017 LAK
Purchases of goods from related party	31,820,522,226	29,979,738,463
Rental expense	2,049,832,338	5,775,594,753
	33,870,354,564	35,755,333,216

In purchases of goods are purchases from SCG which is related party. The rental expense is for land and building rented from the major shareholders to support the operation. The rental charge is based on the agreed price between both parties by referring to market prices.

14.2 Outstanding balance arising from related party transactions

	30 September 2018 LAK	Audited 31 December 2017 LAK
Accrued rental expense - shareholders	5,157,412,834	1,906,443,893
Trade accounts payable – SCG	9,987,288,384	2,715,035,231

14.3 Key management compensation

Key management includes directors. The compensations paid to management for employee services are as follows:

	30 September 2018 LAK	Audited 30September 2017 LAK
For six-month period ended	899,150,000	892,200,000
For nine-month period ended	1,345,250,000	1,338,300,000

15. Selling and Administrative expenses.

Selling and Administrative expenses of company were increased. Due to the company had expanded new branches, increasing of employees and fixed assets that increase from expanding new branches. At a result, depreciation charge increase respectively.

16. Commitment and significant transactions

Operating lease commitments - where the Company is the lessee.

The Company leases land and offices under non-cancellable operating lease agreements. The lease terms are 5 years, and the majority of the lease agreements are renewable at the end of the lease period at an agreed rate.

	30 September 2018 LAK	Audited 31 December 2017 LAK
Not later than 1 year	6,921,617,047	9,325,478,909
1 - 5 years	11,934,805,972	24,413,546,063
Closing balance 30 September 2018	18,856,423,019	33,739,024,972