SOUVANNY HOME CENTER PUBLIC COMPANY



FINANCIAL STATEMENTS

31 DECEMBER 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of Souvanny Home Center Public Company

Our opinion

In our opinion, the financial statements of Souvanny Home Center Public Company (the Company) are prepared, in all material respects, in accordance with the accounting policies described in Note 2 to the financial statements.

What we have audited

The Company's financial statements comprises:

- the balance sheet as at 31 December 2016;
- the statement of income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and

the notes to the 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 and restriction on distribution and use

Without qualifying our opinion, 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 generally accepted accounting principles adopted in other countries and jurisdictions. 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 generally accepted accounting principles adopted in jurisdictions other than Lao PDR.

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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 financial statements of the current period. These matters were 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
Valuation of trade accounts receivable Refer to Note 4 'Critical accounting estimates, assumptions and judgements' and Note 6 'Trade and other receivables, net' to the financial statements. As at 31 December 2016, the Company had outstanding accounts receivable totalling LAK17,619 million, representing 3% of total assets, and the allowance for doubtful debts totalled LAK1,345 million. There were significant long-outstanding balances including accounts over six months overdue of LAK1,754 million and accounts over twelve months overdue of LAK1,962 million. The Company has a policy to assess the collectability of outstanding accounts receivable and set up an appropriate allowance for doubtful accounts. Director focused on accounts receivables that were more than six months overdue which had not been collected after the period ended and assessed the allowance based on the historical payment of accounts receivable and expectations regarding the collectability of accounts receivable. We focussed on this area due to the size of trade accounts receivable and because Director's allowance is an accounting estimate that is subjective and judmental based on assumptions concerning future cash inflow and influenced by collectability risks.	We evaluated the appropriateness of the allowance for doubtful debts by: • testing the reliability of the accounts receivable aging report which was used in assessing the allowance • challenging the appropriateness of related policies applied in setting up the allowance • comparing the allowance for doubtful accounts receivable to both historical bad debts and collection outcomes • considering the possibility of debt collection and the related allowance which might be required based on individual accounts receivable, and • testing subsequent collection of significant accounts receivable up to the date of the auditor's report. As a result, we found that the allowance for doubtful debts was reasonable and consistent with historical collection data.

Key audit matter	How our audit addressed the key audit matter
Valuation of inventory Refer to Note 4 'Critical accounting estimates, assumptions and judgements' and Note 7 'Inventories, net' to the financial statements. As at 31 December 2016, the total net inventories was LAK109,128 million, representing 20% of the total assets of the Company. Net inventories included an allowance for impairment of inventory of LAK7,194 million. These inventories mainly consisted of inventories kept at the showrooms and warehouses. The Company measured the inventory value at the lower of cost or net realisable value (NRV). Director estimated the net realisable value from the estimated selling prices in the ordinary course of business, less applicable variable selling expenses. In addition, Director asssessed the movement of inventories and identified product groups with slow-moving and obsolete indicators. Director set up an allowance for slow-moving and obsolete inventory by applying a percentage determined by Director based on historical data on slow-moving and obsolete. We focussed on this area because the estimated value of inventories is an area of significant Director judgement with regard to the estimation of the NRV and allowance for slow-moving and obsolete inventories.	We evaluated the appropriateness of the inventory valuation by: • obtaining an understanding of the Company's policy for calculating the value of inventory, the process of data collection and accuracy review, and the consistency in implementing Company accounting policies • testing internal controls over the procurement and payment cycles including purchase requisition, purchase orders, goods receiving, payments and recording, in order to test the accuracy of the cost of inventory • testing the reliability of the inventory aging report and re-performing the calculation on a sample basis • analysing inventory movements and compare the result to Director's estimates of slow-moving and obsolete inventories. We also considered the results of the inventory count observation as part of our testing of the allowance • challenging the appropriateness of unit selling prices. We randomly tested the selling prices after the period end and other related selling expenses. We also interviewed Director to obtain an understanding of the appropriateness of the unit selling prices from Director • testing the calculation of the net realisable value of inventories at the year end and recomputing the allowance for NRV. Based on the procedures above, we found that the Director's estimation of allowances for slow-moving and obsolete inventories and NRV were reasonable.

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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 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 financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the 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 (and describe actions applicable).

Responsibilities of the directors audit committee for the financial statements

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

In preparing the 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 assists the directors in discharging their responsibilities for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 International Standards on Auditing 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.

As part of an audit in accordance with International Standards on Auditing, 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 financial statements or, if such disclosures are inadequate, to modify my 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves 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 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: Paiboon Tunkoon
Partner

Vientiane, Lao PDR
Date: 22 March 2017

Souvanny Home Center Public Company
Statement of financial position
As at 31 December 2016

	Notes	31 December 2016 LAK	31 December 2015 LAK
Assets			
Current assets			
Cash and cash equivalents	5	26,762,714,091	96,575,616,427
Trade and other receivables, net	6	18,182,486,807	28,794,539,438
Inventories, net	7	109,128,048,651	73,244,828,356
Other current assets	8	5,108,127,818	3,070,175,100
Total current assets		159,181,377,367	201,685,159,321
Non-current assets			
Property, plant and equipment, net	9	376,208,692,652	320,523,942,056
Intangible assets, net	10	514,579,909	-
Total non-current assets		376,723,272,561	320,523,942,056
Total assets		535,904,649,928	522,209,101,377

Waddana Soukabandith
Chief Executive Officer
Date: 22 March 2017

Phannola Soukabandith
Chief Financial Officer
Date: 22 March 2017

The accompanying notes on pages 13 to 31 are an integral part of these financial statements.

Souvanny Home Center Public Company
Statement of financial position
As at 31 December 2016

	Notes	31 December 2016 LAK	31 December 2015 LAK
Liabilities and shareholders' equity			
Current liabilities			
Bank overdraft		39,757,131	-
Trade and other accounts payable, net	12	36,384,747,898	26,105,097,350
Current portion of long-term borrowings from financial institutions	11	2,607,650,479	252,957,748
Profit tax payable	13	333,739,602	4,171,949,502
Other current liabilities	14	25,029,383,124	25,729,291,057
Total current liabilities		64,395,278,234	56,259,295,657
Non Current liabilities			
Long-term borrowings from financial institutions	11	849,235,813	885,352,182
Total non current liabilities		849,235,813	885,352,182
Total liabilities		65,244,514,047	57,144,647,839
Shareholders' equity			
Share capital			
Authorised share capital			
Ordinary shares 165 million shares at par value of LAK 2,000 (2015 : 165 million shares at par value of LAK 2,000)	15	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 (2015 : 165 million shares at par value of LAK 2,000)	15	330,000,000,000	330,000,000,000
Premium on share capital	15	24,735,724,722	24,735,724,722
Retained earnings			
Appropriated - legal reserve	16	2,906,968,288	2,092,819,578
Appropriated - Other reserve	16	2,656,968,288	1,842,819,578
Unappropriated		150,388,294,678	151,300,105,001
Translation adjustments	2.2	(40,027,820,095)	(44,907,015,341)
Total shareholders' equity		470,660,135,881	465,064,453,538
Total liabilities and shareholders' equity		535,904,649,928	522,209,101,377

Waddana Soukabandith
Chief Executive Officer
Date: 22 March 2017

Phannola Soukabandith
Chief Financial Officer
Date: 22 March 2017

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Souvanny Home Center Public Company
Statement of income
For the year ended 31 December 2016

	Notes	31 December 2016 LAK	31 December 2015 LAK
Revenue from sales		273,050,292,557	326,134,856,381
Revenue from services		973,209,424	1,221,179,639
Cost of sales	17	(240,415,013,104)	(290,408,093,019)
Cost of services	17	(408,747,958)	(522,807,722)
Gross profit		33,199,740,919	36,425,135,279
Other income		2,663,991,550	1,718,074,429
Selling expenses	17	(1,461,789,440)	(2,239,538,291)
Administrative expenses	17	(25,184,033,914)	(22,591,140,043)
Gain on foreign exchange		820,086,197	9,761,999,040
Profit before income tax expense		10,037,995,312	23,074,530,414
Profit tax expense	18	(1,896,508,215)	(4,646,334,632)
Net profit for the year		8,141,487,097	18,428,195,782
Earnings per share			
Basic earnings per share	19	49	365

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Date: 22 March 2017

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Chief Financial Officer
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Souvanny Home Center Public Company
Statement of changes in equity
For the year ended 31 December 2016

	Note	Issued and paid-up ordinary shares	Premium on share capital	Legal reserve	Other reserve	Unappropriated retained earnings	Translation adjustments	Total
		LAK	LAK	LAK	LAK	LAK	LAK	LAK
Opening balance 1 January 2015		500,000,000	-	250,000,000	-	136,557,548,375	(225,706,519)	137,081,841,856
Proceeds from shares issued		329,500,000,000	-	-	-	-	-	329,500,000,000
Premium on share capital		-	24,735,724,722	-	-	-	-	24,735,724,722
Legal reserve		-	-	1,842,819,578	-	(1,842,819,578)	-	-
Other reserve		-	-	-	1,842,819,578	(1,842,819,578)	-	-
Net profit for the year		-	-	-	-	18,428,195,782	-	18,428,195,782
Translation adjustments		-	-	-	-	-	(44,681,308,822)	(44,681,308,822)
Ending balance 31 December 2015		330,000,000,000	24,735,724,722	2,092,819,578	1,842,819,578	151,300,105,001	(44,907,015,341)	465,064,453,538
Opening balance 1 January 2016		330,000,000,000	24,735,724,722	2,092,819,578	1,842,819,578	151,300,105,001	(44,907,015,341)	465,064,453,538
Legal reserve	16	-	-	814,148,710	-	(814,148,710)	-	-
Other reserve	16	-	-	-	814,148,710	(814,148,710)	-	-
Net profit for the year		-	-	-	-	8,141,487,097	-	8,141,487,097
Dividend paid	20	-	-	-	-	(7,425,000,000)	-	(7,425,000,000)
Translation adjustments	2.2	-	-	-	-	-	4,879,195,246	4,879,195,246
Ending balance 31 December 2016		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

Waddana Soukabandith
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Date: 22 March 2017

Phannola Soukabandith
Chief Financial Officer
Date: 22 March 2017

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Souvanny Home Center Public Company
Statement of cash flows
For the year ended 31 December 2016

	Notes	31 December 2016 LAK	31 December 2015 LAK
Cash flow from operating activities:			
Net profit before income tax for the year		10,037,995,312	23,074,530,414
Adjustments to reconcile net profit to net cash			
Depreciation	9	4,556,807,988	8,929,079,957
Amortisation of intangible asset	10	187,823,082	-
Foreign exchange (gain)/ loss		807,460,049	11,944,104,747
Inventories allowance		(5,197,585,906)	4,335,714,095
Allowance for doubtful accounts		(802,136,192)	1,373,226,457
Operating profit before working capital changes		9,590,364,332	49,656,655,670
Changes in working capital:			
- Trade and other receivables		11,731,979,338	(17,547,287,884)
- Inventories		(29,194,366,255)	(693,768,427)
- Other current assets		(2,037,952,718)	2,453,850,707
- Trade and other accounts payable		9,991,159,200	67,165,505,379
- Other current liabilities		(699,907,933)	(15,064,831,229)
Cash generated from operations		(618,724,036)	85,970,124,216
Income tax paid	13	(5,734,718,115)	(754,971,231)
Net cash generate from operating activities		(6,353,442,151)	85,215,152,985
Cash flows from investing activities :			
Purchase of fixed assets	9	(56,929,193,759)	(326,221,207,662)
Purchase of intangible assets	10	(702,402,991)	-
Net cash used in investing activities		(57,631,596,750)	(326,221,207,662)

Waddana Soukabandith
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Date: 22 March 2017

Phannola Soukabandith
Chief Financial Officer
Date: 22 March 2017

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	Notes	31 December 2016 LAK	31 December 2015 LAK
Cash flows from financing activities :			
Proceeds from a borrowing from bank		2,647,407,567	1,261,870,470
Repayment on a borrowing from bank		(272,832,103)	(1,457,411,469)
Repayment on short-term borrowing from director		-	(6,842,201,583)
Proceeds from issue of share capital		-	321,781,806,805
Dividends paid	20	(7,425,000,000)	-
Net cash from financing activities		(5,050,424,536)	314,744,064,223
Net increase/(decrease) in cash and cash equivalents		(69,035,463,437)	73,738,009,546
Cash and cash equivalent at the beginning of the year		96,575,616,427	21,527,701,343
Effect of exchange rate changes on cash and cash equivalent		(777,438,899)	1,309,905,537
Cash and cash equivalent at the end of the year		26,762,714,091	96,575,616,427
Other payable for construction in progress	9	20,374,991	-

Waddana Soukabandith
Chief Executive Officer
Date: 22 March 2017

Phannola Soukabandith
Chief Financial Officer
Date: 22 March 2017

The accompanying notes on pages 13 to 31 are an integral part of these financial statements.

1 General information

Souvanny Home Center Public Company is a public company incorporated and domiciled in Lao PDR. The Company is principally engaged in trading a wide range of goods and materials for construction, refurbishment, renovation and improvement of buildings, houses and residences, and the provision of related services. Its registered address is:

Ban 7 Thong Toom-Asian Rd, Chanthaburi District, Vientiane Capital, Lao PDR.

On 15 July 2015, the Company changed its status from a sole-shareholding company to a limited company and changed its name from 'Souvanny Import-Export Sole Co.,Ltd' to 'Souvanny Trading Import-Export Company Limited'.

On 21 September 2015, the Company changed its status from a limited company to a public company and changed its name from 'Souvanny Trading Import-Export Company Limited' to 'Souvanny Home Center Public Company'.

The Company was listed on the Lao Securities Exchange market on 11 December 2015.

These financial statements were authorised for issue by the Board of Directors on 22 March 2017.

2 Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

2.1 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.

There are no comprehensive Lao accounting standards (LAS). LAS are currently being developed by the government Accounting Department and the Lao Chamber of Professional Accountants and Auditors (LCPAA). At present, companies are required to apply the Lao Accounting Manual (LAM) issued by the Ministry of Finance. The LAM is a set of instructions using the accrual basis of accounting. There are significant differences between the LAM and International Financial Reporting Standards (IFRS). These differences include the treatment of property, plant and equipment, leases, employee benefits, income tax, presentation of financial statements, financial instruments, cash flow statements and foreign currencies. The accounting principles applied by the Company may materially differ from generally accepted accounting principles adopted in certain countries and jurisdictions, including IFRS.

2. Accounting policies (Continued)

2.1 Basis of preparation (Continued)

The preparation of 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.

2.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using Thai baht, the currency of the primary economic environment in which the Company operates especially for purchases.

The Company's financial statements are presented in Lao kip (the presentation currency), as required by local regulations, the Tax Law and the Lao Securities and Exchange Commission Office (LSCO).

The Company converted its financial statements from Thai baht into Lao kip, the presentation currency, as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate on the reporting date except share capital, which is presented at historical cost.
- Income and expenses for each statement of income are translated at the average exchange rate during the year.
- All resulting exchange differences are recognised and presented under translation adjustments in shareholders' equity.

(b) Transactions and balances

Foreign currency transactions are translated into Thai baht using the exchange rates prevailing at the date of the transaction. 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 statement of income under 'foreign exchange gain (loss) – net'. The exchange rates used are from Banque pour le Commerce Exterieur Lao Public (BCEL).

2. Accounting policies (Continued)

2.3 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.

The cost of replacing property, plant and equipment is included in the carrying amount of the asset when it is probable that future economic benefits will flow to the Company and the carrying amount of the replaced parts is derecognised. Repairs and maintenance expenses are charged to the statement of income in the financial period in which they are incurred.

Depreciation is calculated on a straight-line basis to write-off the cost of each asset, except for land which is considered to have an indefinite useful life, to its residual value over its estimated useful life as follows:

	Years
Buildings	20
Office equipment	3-5
Furniture and fixtures	2-5
Motor vehicles	2-5

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

The asset's carrying amount is written-down to its recoverable amount immediately if the asset's carrying amount is greater than its estimated recoverable amount.

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

2.4 Intangible assets

2.4.1 Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives, 3 years. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

2.5 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks excluding deposits with banks that are held to maturity, and other short-term highly liquid investments with maturities of three months or less from the date of acquisition.

2. Accounting policies (Continued)

2.6 Trade accounts receivables

Trade accounts receivable are carried at the original invoice amount and subsequently measured at the remaining balance less any allowance for doubtful debts based on the review of all outstanding amounts at year end. The allowance is equal to 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 under administrative expenses.

2.7 Inventories

Inventories are stated at the lower of the purchase cost and net realisable value. The cost is determined using the weighted average method. The purchase cost 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 or rebates from suppliers. Net realisable value is the estimated 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.

2.8 Borrowings

Borrowings are recognised at the original value of the proceeds received.

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 balance sheet date.

2.9 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated, except for the provision for employee benefits as described in Note 2.12.

2.10 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.

Sales of goods subject to installation and inspection conditions are recognised when the buyer accepts delivery and the installation and inspection are completed.

Revenue from maintenance services are recognized as revenue when the service is completely rendered to customers.

2. Accounting policies (Continued)

2.10 Revenue recognition (Continued)

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 is determined that such income will be accrued to the Company.

- Other income is recognised on an accrual basis.

2.11 Taxation

The Company records corporate 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 18).

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 judgements and interpretation by the parties concerned. The reviews could therefore potentially result in additional tax payments or refunds being necessary. This would result in the payment or refund being recognised as income tax expense in the year in which the reviews are completed.

2.12 Employee benefits

The Company makes contributions to the Social Security Fund as required by the Lao Labour Law dated 24 December 2013 and the Notification date 28 June 2016. The Company and its employees are required to contribute 6% and 5.5% of the employee's salary, respectively, to the Social Security Fund. The monthly salary of each employee used as a basis for the calculation and contributions are capped at LAK 4.5 million.

According to the Lao Labour Law, when staff retire and meet the criteria outlined in the Law, the Company has obligation to pay the staff a retirement pension.

Provisions for employee retirement benefits are not accrued each year. The liability is recognised in the balance sheet and the related expenses are recognised in the statements of income based on the actual amount due at the time when employees retire.

3. Financial risk management

Financial risk factors

The Company's activities expose it to certain financial risks, which are primarily due to changes in foreign exchange rates, interest rates, credit risk and liquidity risk.

The Company's overall risk management focuses on minimising potential adverse impacts on the financial performance of the Company in a cost-effective manner.

Risk management is generally carried out by management under the supervision of the Board of Directors.

3.1 Foreign exchange risk

The Company operates domestically but is exposed to foreign exchange risk arising from certain currency exposures, primarily with respect to purchases made in Thai baht. Foreign exchange risks also arise from other trading transactions and borrowings.

Management believes that the foreign exchange risk from trading transactions is low because the Company uses natural hedging, the buying and selling price is set in Thai baht and the terms of payment and the collection terms are not significantly different.

As at 31 December 2016, management hadn't established formal policies. Also management doesn't use any financial instruments or derivatives to manage the foreign exchange risk from trading and borrowing in Thai baht. However, management monitors the movement of foreign exchange rates regularly and may use financial instruments or derivatives to manage this risk if it considers it necessary in the future. Consequently, significant fluctuations in exchange rates could have a material adverse effect on the Company's business, results of operations, financial conditions and prospects.

3.2 Credit risk

The Company has no significant concentrations of credit risk as it operates in retailing business. The Company has policies in place to ensure that the sales of products and services are made to customers with an appropriate credit history.

3.3 Interest rate risk

The Company has no significant interest-bearing assets. The Company borrows money from a bank for business operations at fixed rates.

3.4 Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and short-term investments. Management plans to, but doesn't currently, maintain cash forecasts to aid in liquidity management and ensure that it has sufficient liquid funds to meet short-term operational needs, including loan repayments, and for its long-term investment plan.

3. Financial risk management (Continued)

3.5 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

To maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

4 Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below

4.1 Impairment of trade receivables

The Company has established the allowance for doubtful account to reflect the impairment of trade receivables, related to the provision of loss from unbillable customers. The allowance for doubtful account is the effect of the Company's estimation of future cash inflow, such assessment being based on consideration of historical collection experience, known and identified instances of default and consideration of market trends..

4.2 Allowance for decrease in value of inventories

The Company has established the allowance for decrease in value of inventories to reflect the net realisable value from inventories. The allowance for decrease in value of inventories is the effect of the Company's analysis of obsoleted inventories and forecasts of future sales. The balance of inventories will be written-off oncethe inventories are obsoleted and unable to be sold.

4.3 Property, plant and equipment

Management estimates the useful life for buildings and equipment of the Company. The management revises the depreciation expense whenever the useful life is different from the estimation in the prior period or there is a disposal or retirement.

5 Cash and cash equivalents

	2016 LAK	2015 LAK
Cash on hand	260,876,359	725,031,708
Deposits held at call with financial institutions	26,501,837,732	95,850,584,719
Cash and cash equivalents	26,762,714,091	96,575,616,427

Cash on hand includes petty cash and cash received from sales that is used for general purposes.

Deposits held at call with financial institutions represents cash deposited with reputable local banks in three currencies, US dollars, Thai baht and Lao kip, in current accounts with interest at 0%-2% per annum (2015: 0% -2% per annum).

6 Trade and other receivables, net

	2016 LAK	2015 LAK
Trade accounts receivable	17,619,335,378	19,491,904,378
Less Allowance for doubtful debts	(1,344,978,916)	(2,147,115,108)
Trade accounts receivable, net	16,274,356,462	17,344,789,270
Advance payments for construction (Note 21)	-	11,071,087,192
Staff borrowings	192,735,412	378,662,976
Accrued income	167,626,129	-
Other receivables (i)	1,547,768,804	-
	1,908,130,345	11,449,750,168
Trade and other receivables, net	18,182,486,807	28,794,539,438

(i) Other receivables mainly consists of LAK 940 million of VAT receivable and LAK 608 million of other receivables.

The outstanding trade accounts receivable balance as at 31 December 2016 is aged as follows:

6 Trade and other receivables, net (Continued)

	2016 LAK	2015 LAK
Not yet due	3,286,997,503	7,926,460,412
Overdue:		
1–3 months	5,971,886,947	4,582,014,528
3-6 months	4,644,582,175	2,416,818,607
6-12 months	1,753,499,352	1,558,738,508
Over 12 months	1,962,369,401	3,007,872,323
Trade and other receivables, net	17,619,335,378	19,491,904,378
Less Allowance for doubtful debts	(1,344,978,916)	(2,147,115,108)
Trade accounts receivable, net	16,274,356,462	17,344,789,270

Trade accounts receivables aged more than 6 months are mainly receivables which have still been trading actively with the Company. Allowance for doubtful debts was set up from the remaining accounts receivable balances which were more than 6 months overdue which had not been collected after period ended and also management's evaluate based on recent historical payments of account receivables and expectations regarding to the future collectability of account receivable.

7 Inventories, net

	2016 LAK	2015 LAK
Tiles and construction materials	15,094,198,097	22,721,725,069
Sanitary wares and faucets	19,005,801,542	15,217,376,250
Elevators and escalator parts	25,446,500,327	23,145,909,483
Roofs and decorations	6,758,103,770	6,726,128,656
Paints, tools and electrical equipment	43,561,980,136	8,461,403,080
Others	6,455,932,210	9,364,339,155
Less: Allowance for slow moving and obsolete	(5,087,243,510)	(10,443,714,936)
Allowance for diminution in value of inventories	(2,107,223,921)	(1,948,338,400)
Inventories, net	109,128,048,651	73,244,828,356

Change in inventories recognised as an expense in cost of sale in 2016 was LAK 240,077 million (2015: LAK 270,802 million).

8 Other current assets

	2016 LAK	2015 LAK
Advance payments to suppliers (i)	1,273,017,669	1,466,120,230
Prepaid insurance premium	47,519,904	26,938,804
Accrued rebate from suppliers (ii)	3,118,971,412	1,577,116,066
Others (iii)	668,618,833	-
Total other current assets	5,108,127,818	3,070,175,100

(i) Advance payments to suppliers consist of cash deposits of LAK 81 million and LAK 1,191 million (2015 : LAK 222 million and LAK 1,244 million) for the purchase of elevators and other goods, respectively. These deposits will be deducted from the final payment due to the suppliers.

(ii) Rebate from suppliers represents a confirmed amount of rebate to be received from suppliers and is settled by netting with the invoice when the Company makes payments to suppliers. Most of the accrued rebate from suppliers as of 31 December 2016 were settled during the first quarter of 2017

(iii) Others mainly consist of tax receivables from the Revenue department.

9 Property, plant and equipment, net

	Land LAK	Building LAK	Machineries and Office equipment LAK	Furniture and fixtures LAK	Motor vehicles LAK	Construction in progress LAK	Total LAK
As at 1 January 2015							
Cost	194,344,239,659	-	2,525,371,250	4,471,185,332	4,443,368,500	-	205,784,164,741
Foreign exchange translation difference	-	-	4,189,906	9,514,346	12,855,324	-	26,559,576
Less Accumulated depreciation	-	-	(1,466,023,044)	(2,970,791,495)	(4,124,740,453)	-	(8,561,554,992)
Net book amount	194,344,239,659	-	1,063,538,112	1,509,908,183	331,483,371	-	197,249,169,325
For the year ended 31 December 2015							
Opening net book amount	194,344,239,659	-	1,063,538,112	1,509,908,183	331,483,371	-	197,249,169,325
Foreign exchange translation difference	(16,011,846,851)	-	(87,193,627)	(123,789,021)	(27,176,499)	-	(16,250,005,998)
Additions	73,551,999,913	72,562,711,492	224,694,583	392,513,961	553,992,120	778,404,594	148,064,316,663
Disposal – cost	-	-	-	-	(613,504,077)	-	(613,504,077)
Disposal – depreciation	-	-	-	-	613,504,077	-	613,504,077
Depreciation charge	-	(7,172,678,899)	(637,142,386)	(295,384,385)	(434,332,264)	-	(8,539,537,934)
Closing net book amount	251,884,392,721	65,390,032,593	563,896,682	1,483,248,738	423,966,728	778,404,594	320,523,942,056
As at 31 December 2015							
Cost	267,896,239,572	72,562,711,492	2,750,065,833	4,863,699,293	4,997,360,620	778,404,594	353,848,481,404
Foreign exchange translation difference	(16,011,846,851)	-	(83,003,721)	(114,274,675)	(14,321,175)	-	(16,223,446,422)
Less Accumulated depreciation	-	(7,172,678,899)	(2,103,165,430)	(3,266,175,880)	(4,559,072,717)	-	(17,101,092,926)
Net book amount	251,884,392,721	65,390,032,593	563,896,682	1,483,248,738	423,966,728	778,404,594	320,523,942,056

9 Property, plant and equipment, net (Continued)

	Land LAK	Building LAK	Machineries and Office equipment LAK	Furniture and fixtures LAK	Motor vehicles LAK	Construction in progress LAK	Total LAK
As at 1 January 2016							
Cost	267,896,239,572	72,562,711,492	2,750,065,833	4,863,699,293	4,997,360,620	778,404,594	353,848,481,404
Foreign exchange translation difference	(16,011,846,851)	-	(83,003,721)	(114,274,675)	(14,321,175)	-	(16,223,446,422)
Less Accumulated depreciation	-	(7,172,678,899)	(2,103,165,430)	(3,266,175,880)	(4,559,072,717)	-	(17,101,092,926)
Net book amount	251,884,392,721	65,390,032,593	563,896,682	1,483,248,738	423,966,728	778,404,594	320,523,942,056
For the year ended 31 December 2016							
Opening net book amount	251,884,392,721	65,390,032,593	563,896,682	1,483,248,738	423,966,728	778,404,594	320,523,942,056
Foreign exchange translation difference	2,587,016,836	671,598,079	5,791,547	15,233,944	4,354,399	7,994,492	3,291,989,297
Additions	-	642,699,975	1,297,845,242	830,372,928	3,037,866,849	51,140,783,755	56,949,568,749
Transfer in(out)	-	505,886,723	-	-	-	(505,886,723)	-
Dispose – cost	-	-	-	-	(980,245,630)	-	(980,245,630)
Dispose – depreciation	-	-	-	-	980,245,630	-	980,245,630
Depreciation charge	-	(3,523,238,227)	(280,767,538)	(472,740,005)	(280,061,680)	-	(4,556,807,450)
Closing net book amount	254,471,409,557	63,686,979,143	1,586,765,933	1,856,115,605	3,186,126,296	51,421,296,118	376,208,692,652
As at 31 December 2016							
Cost	267,896,239,572	73,711,298,190	4,047,911,075	5,694,072,221	7,054,981,839	51,413,301,626	409,817,804,523
Foreign exchange translation difference	(13,424,830,015)	671,598,079	(77,212,174)	(99,040,731)	(9,966,776)	7,994,492	(12,931,457,125)
Less Accumulated depreciation	-	(10,695,917,126)	(2,383,932,968)	(3,738,915,885)	(3,858,888,767)	-	(20,677,654,746)
Net book amount	254,471,409,557	63,686,979,143	1,586,765,933	1,856,115,605	3,186,126,296	51,421,296,118	376,208,692,652

9 Property, plant equipment, net (Continued)

In 2016, total additions of LAK 56,950 million consisted of cash transactions of LAK 56,930 million and non-cash transactions of LAK 20 million. All construction in progress was for the construction of new branches. One new branch was completed and started operation in 30 January 2017 (Note 23).

10 Intangible assets, net

As at 31 December 2016	LAK
Opening net book amount	-
Additions	702,402,991
Amortisation charge	(187,823,082)
Closing net book amount	514,579,909
As at 31 December 2016	
Cost	702,402,991
Less Accumulated amortisation	(187,823,082)
Net book amount	514,579,909

Additions during the year ended 31 December 2016 was mainly from accounting software.

11 Borrowings

	2016 LAK	2015 LAK
Current		
Current portion of long-term borrowings	2,607,650,479	252,957,748
Non-current		
Long-term loan borrowings	849,235,813	885,352,182
Total Borrowings	3,456,886,292	1,138,309,930

The principal and interest payments on a borrowings from a financial institution have been made since June 2015 and due for full repayment in October 2020 with an annual fixed interest rate at 8.75%. The borrowing was in LAK, and secured with shareholder's land and buildings.

On 14 June 2016, the Company extended its bank overdraft credit limit from LAK 1,200 million to LAK 33,495 million with a foreign financial institution's Lao branch. The interest rate is 4% per annum and the overdraft will be used to support the Company's operations. The extension was secured with a shareholder's land.

12 Trade and other accounts payables

	2016 LAK	2015 LAK
Trade accounts payable – third party	33,721,668,911	24,867,145,659
Trade accounts payable – related party	2,663,078,987	-
Amounts due to related parties (Note 21)	-	1,237,951,691
Total trade and other accounts payable	36,384,747,898	26,105,097,350

13 Profit tax payable

The movement of profit tax payable for 2016 is as below:

	LAK
Profit tax payable as at 1 January 2016	4,171,949,502
Paid during the year	(5,734,718,115)
Profit tax expense for the year (Note 18)	1,896,508,215
Profit tax payable as at 31 December 2016	333,739,602

14 Other current liabilities

	2016 LAK	2015 LAK
Deposits from customers	23,148,004,915	22,803,887,353
Accrued expenses	1,881,378,209	2,925,403,704
Total trade and other accounts payable	25,029,383,124	25,729,291,057

Deposits from customers mainly represent deposits received from the sales of elevators. Deposits are normally settled and cleared when the customers accept the delivery of the elevator and the related installation and inspection are completed.

15 Share capital

	Number of shares (Shares)	Ordinary Shares (LAK)	Share Premium (LAK)	Total (LAK)
At 1 January 2015	100,000	500,000,000	-	500,000,000
Issue of shares	164,900,000	329,500,000,000	24,735,724,722	354,235,724,722
At 31 December 2015	165,000,000	330,000,000,000	24,735,724,722	354,735,724,722
Issue of shares	-	-	-	-
At 31 December 2016	165,000,000	330,000,000,000	24,735,724,722	354,735,724,722

When the Company originally registered the government of Lao PDR did not impose any requirements regarding the number of shares or their par value. All issued shares were fully paid at LAK 500,000,000.

During 2015, the Company changed its status from a sole company to a limited company and finally become a public company. The company also changed its name from Souvanny Trading Import-Export Company Limited to Souvanny Home Center Public Company (note1). As at 31 December 2015, the Company has a total of 165,000,000 authorised ordinary shares with a par value of LAK 2,000 per share.

As at 31 December 2016, the Company had a share capital of 165,000,000 authorised ordinary shares with a par value of LAK 2,000 per share, which were fully paid.

16 Reserves

Legal reserve

	2016 LAK	2015 LAK
At 1 January 2016	2,092,819,578	250,000,000
Additional	814,148,710	1,842,819,578
At 31 December 2016	2,906,968,288	2,092, 819,578

The legal reserve is set up in accordance with the requirements in Article 156 of the Lao Enterprise Law. It is required that at least 10% of the annual net profit is set aside as a legal reserve until such reserve reaches 50% of the authorised share capital.

Other reserve

As well as the legal reserve, the Company also set aside 10% of net profit for the year as other reserve. This is in accordance with the Company's policies registered with the Ministry of Finance and dated 22 September 2015. The Other reserve is for unforeseeable events such as natural disasters. The Company will only use the reserve to recover its businesses unforeseeable events.

17 Expenses by nature

Significant expenses classified by nature are as follows:

	2016 LAK	2015 LAK
Change in inventories	240,077,492,681	270,802,282,638
Salary, wages and other employee benefits	20,768,804,340	17,465,615,382
Inventory impairment (reversal) based on net realisable value	(5,996,157,563)	3,616,233,283
Depreciation (Note 9)	4,744,768,921	8,539,537,934
Sales promotion and operation support expenses	736,294,523	1,383,919,150
Rental fees – offices and showrooms	992,599,899	981,698,068
Fuel expense	747,857,696	920,358,017
Repair and maintenance expense	1,363,238,682	1,031,455,313
Utilities	1,697,982,541	1,650,600,410
Professional fees	1,696,545,975	
Others	640,156,721	9,369,878,880
	267,469,584,416	315,761,579,075

18 Profit tax expense

The tax privileges given to LSX listed companies mean the Company is entitled to a further reduction to the rate of 5% during the initial 4 year period. For the Company this is 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.

The Company does not recognize corporate income tax payable or receivable in future periods in respect of temporary differences. Income tax expense is recognized based on the operating result for the related period and the applicable tax rate.

	2016 Million KIP
Reconciliation between income tax expense and accounting profit:	
Accounting profit before income tax	10,037,995,312
Non-deductible and reversal items for tax purpose (1)	(56,373,128)
Taxable income	9,981,622,184
Tax calculated at the tax rate of 19 % (2015: 19%)	1,896,508,215

(1) Non-deductible and reversal items for tax purpose mainly comprise of unrealised losses from revaluation of assets and liabilities in foreign currencies on a closing date.

19 Basic earnings per share

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

	2016	2015
Net profit for the year attributable to shareholders (LAK)	8,141,487,097	18,428,195,782
Basic earnings per share (LAK)	49	365
Weighted average number of ordinary shares (shares)	165,000,000	50,489,863

20 Dividends

At the Annual General Meeting of Shareholders held on 22 April 2016, it was resolved that dividend be paid to shareholders in respect of 2015 operating results at LAK 45 per share, totaling of LAK 7,425 million. The dividend was paid in May 2016 to the shareholders.

21 Related-party transactions

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 rights 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.

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

The Company is controlled by the Soukabundith family, who own 51% of the Company's shares. The 34% of company's shares is owned by 'Global House International Limited', a listed company in Thailand and the remaining of 15% of the shares is widely held.

The amounts and nature of significant related-party transactions for the year ended 31 December 2016 are summarised below.

21.1 Income and expenses

	2016 LAK	2015 LAK
Interest expenses	-	287,916,000
Rental expense	903,108,661	921,715,568

The rental expense is for land and buildings rented from the major shareholders to support the operation. The rental charge is at the price as agreed between both parties after referring to market prices.

21 Related-party transactions (Continued)

21.2 Outstanding balances arising from related party transactions

	2016 LAK	2015 LAK
Prepaid rental expense	21,298,973	-
Advance payments for construction (Note 6)	-	11,071,087,192
Amounts due to related parties (Note 20)	-	1,237,951,691
Trade accounts payable – Global House	3,315,267,281	-

22 Commitments and significant agreements

Operating lease commitments - where the Company is the lessee

The Company leases land and offices under non-cancellable operating lease agreements from shareholders. The lease term is between two and three years, and the majority of lease agreements are renewable at the end of the lease period at an agreed rate.

	2016 LAK	2015 LAK
No later than 1 year	5,308,372,122	921,715,600
1-5 years	17,753,992,061	2,791,538,000
More than 5 years	-	158,982,400
	23,062,364,183	3,872,236,000

In January 2017, the Company entered in to a 5 year non-cancellable land rental agreement with major shareholders for two plots of land in Savannakhet and Khammoun provinces.

In July 2016, the company entered in to a non-cancellable land rental agreement with major shareholders for a plot of land an in Vientiane province for the period 5 year.

23 Events after the reporting period

Selling of the right to be a Mitsubishi elevator and escalator distributor

In July 2015, the Company sent a letter to inform Mitsubishi Electric Corporation (Mitsubishi) about the change of major shareholders and the plan to separate elevator and escalator operations from the Company. The Company got approval from the Lao Securities Commission Committee and Laos Securities Exchange to be a listed company on 11 December 2015 but the response letter from Mitsubishi was received later, on 21 June 2016. The response letter states that "the Company must separate the distribution of Mitsubishi elevators and escalators from its own operations by establishing a new company to operate only with the Mitsubishi brand". The management understand that this requirement was because of the Company's major shareholders had materially changed and this would affect the technological confidentiality that Mitsubishi want to ensure.

23 Events after the reporting period (Continued)

Selling of the right to be a Mitsubishi elevator and escalator distributor (Continued)

Currently, management is negotiating with Mitsubishi regarding future business cooperation and arrangements. At this stage, management trusts that the Company will still be able to keep the distributor right but not the rights for the design and installation and repair and maintenance services. The Company engaged a financial advisor to prepare and evaluate the selling price of its related assets, if these were finally agreed to be transferred. The selling price will be based on different methods such as 1) book value, 2) adjusted book value, and 3) discounted cash flow. If any assets are transferred in the future, management believe it will not result in any significant loss to the Company. This matter, including the final terms and conditions of the transaction, are expected to be finalised within the third quarter of 2017.

The Board of Director's meeting No. 2/2559, held on 12 August 2016, included an approved resolution regarding the result of preliminary discussion on business cooperation and arrangements with Mitsubishi. The final selling price will be discussed and approved in Annual General Meeting on 7 April 2017.

The Company's revenue from Mitsubishi elevators and escalators represented 7% of the total revenue for the twelve-month period ended 31 December 2016. The key working capitals as of 31 December 2016 were as follows.

	As at 31 December 2016 LAK
Trade and other receivables	1,199,234,200
Inventories	18,688,274,591
Deposit from customers	81,962,171

Approval by Board of Director's meeting

At the Board of Directors' meeting No.1/2017, held on 17 February 2017, the Board of Directors approved significant transactions as below:

Ex-Dividend date

The Company will distribute profits by paying out Cash Dividends to its shareholders. The recording date and the Ex-Dividend dates are 9 March 2017 and 7 March 2017 respectively. The shareholders whose name appears in the shareholder register book on the Ex-Dividend date are entitled the right to receive dividends.

Dividend payment approval

The Board of Directors approved a dividend payment in respect of net profit for 2016 of LAK 20 per share (31 December 2015: LAK 45 per share) amounting to a total of LAK 3,300 million (31 December 2015: LAK 7,425 million). This payment is subject to approval in the Annual General Meeting on 7 April 2017.

Opening of the Xokyai branch

The Company opened a new branch in Xokyai Village, Saysettha District on 30 January 2017.