SOUVANNY HOME CENTER PUBLIC COMPANY



FINANCIAL STATEMENTS

31 DECEMBER 2018

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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've audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2018
- 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 the 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've 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 (the IESBA Code). We've fulfilled our other ethical responsibilities in accordance with the 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 preparing 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 aren't 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 don't 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 7 'Critical accounting estimates, assumptions and judgements' and Note 9 'Trade and other receivables, net' to the financial statements. As at 31 December 2018, the Company had net trade accounts receivable totalling LAK 15,759 million, representing 2% of total assets, and the allowance for doubtful debts totalled LAK 1,089 million. There were significant long-outstanding balances including an overdue balance more than six months of LAK 80 million and overdue balance more than twelve months of LAK 1,009 million. The Company has a policy to assess the collectability of outstanding accounts receivable and set up an appropriate allowance for doubtful accounts. Management focused on accounts receivables that were more than six months overdue which hadn't 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 focused on this area due to the significance of trade accounts receivable and because allowance for doubtful accounts is a management's accounting estimate. The estimates are developed by management based on their judgment on assumptions concerning the customer's ability to repay and other related credit risks.	We evaluated the appropriateness of the allowance for doubtful debts by: • assessing and testing the design and operating effectiveness of the controls over related segregation of duties, credit review and approval, and systems access and limitations • testing the reliability of the accounts receivable aging report which was used when assessing the related allowance • challenging management on 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 including movements of trading balances • considering the possibility of debt collection including the available financial position and the related allowance which might be required based on individual accounts receivable, and • testing the 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 inventories Refer to Note 7 'Critical accounting estimates, assumptions and judgements' and Note 10 'Inventories, net' to the financial statements. As at 31 December 2018, the total of net inventories was LAK 192,544 million, representing 27% of the total assets of the Company. Net inventories included an allowance for impairment of inventory of LAK 2,337 million. These inventories were mainly kept at the showrooms and warehouses. As at 31 December 2018, the Management reviewed the allowance for slow moving and obsolete inventories, taking into account both historical data including the physical condition of inventories from the counting of inventories. Management assessed the movement of inventories and identified product groups with slow-moving and obsolete indicators. Management then set up an allowance for slow-moving and obsolete inventories by applying the difference percentage for non-movement of six months or over, and also considered with the related historical data. Also, the Company remeasured the inventory value at the lower of cost or net realisable value (NRV). Management estimated the net realisable value from the estimated selling prices in the ordinary course of business, less applicable variable selling expenses. We focussed on this area because estimating the value of inventories involves a significant level of judgement by management to determine a reasonable percentage when setting up an allowance for non-movement inventories and the estimated selling price, to consider the inventory valuation is appropriate.	We evaluated the appropriateness of the inventory valuation by: • obtaining an understanding of the Company's policy with respect to the measurement of the value of inventories and reviewing the process of data collection to ensure the accuracy and completeness of related data being used • testing internal controls over the procurement and payment cycles including purchase requisition, purchase orders, goods received, payments, and recording, to reflect the accuracy of the cost of inventory. • analysing inventory movement and comparing this with the management's estimates of slow moving and obsolete inventories • observing the physical count of inventories to assess the physical condition of those inventories and considering the allowance, particularly for obsolete and damaged inventories • challenging management on the appropriateness of estimated selling price per unit using in calculation of NRV by randomly testing the selling prices after the year end and other related supporting evidence Based on the procedures above, we found that the management's estimation of allowances for slow-moving and obsolete inventories and NRV were reasonable.

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Other information

The Company's management is responsible for the other information. The other information comprises the information included in the annual report, but doesn't include the financial statements or our auditor's report. The annual report is expected to be available after the date of this auditor's report.

Our opinion on the financial statements doesn't cover the other information and we won't express any form of assurance conclusion upon them.

As part of our audit it's our responsibility to read the annual report (if any) when it becomes available. We'll consider whether the information in the annual report is materially inconsistent with the financial statements and the knowledge obtained in the audit.

When we read the annual report, if we conclude that there is a material misstatement within it, we're required to communicate the matter to the audit committee to revise and re-release the report.

Responsibilities of the management and Board of Directors for the financial statements

The management is responsible for the preparation and presentation of the financial statements in accordance with accounting policies described in Note 2 to the financial statements, and for such internal control as the management determines 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 management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going concern basis of accounting unless the management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors 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 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 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.

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

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- 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 management.

- Conclude on the appropriateness of the management's 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 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.

We've communicated with the Board of Directors 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've also provided the audit committee with a statement that we've complied with relevant ethical requirements regarding independence, and to communicate 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 determined 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 that communication.

For PricewaterhouseCoopers (Lao) Sole Company Limited

Paiboon Tunkoon

Paiboon Tunkoon
Partner
Vientiane, Lao PDR
22 February 2019

Souvanny Home Center Public Company
Statement of Financial Position
As at 31 December 2018

	Notes	2018 LAK	2017 (Restated) LAK
Assets			
Current assets			
Cash and cash equivalents	8	8,873,646,944	6,419,034,448
Trade and other receivables, net	9	15,759,344,828	17,638,531,080
Inventories, net	10	192,544,408,281	147,717,645,836
Other current assets	11	5,789,722,614	7,767,536,365
Total current assets		222,967,122,667	179,542,747,729
Non-current assets			
Property, plant and equipment, net	12	490,347,457,551	460,349,989,027
Intangible assets, net	13	167,647,579	439,776,032
Other non-current assets		1,566,867,647	1,406,529,387
Total non-current assets		492,081,972,777	462,196,294,446
Total assets		**715,049,095,444**	**641,739,042,175**

Waddana SOUKHABANDITH
Chief Executive Officer
Date: 22 February 2019

Phannola SOUKHABANDITH
Chief Financial Officer
Date: 22 February 2019

The accompanying notes on pages 12 to 35 are an integral part of this financial statement.

Souvanny Home Center Public Company
Statement of Financial Position
As at 31 December 2018

	Notes	2018 LAK	2017 (Restated) LAK
Liabilities and equity			
Current liabilities			
Bank overdraft and short-term borrowings	15	57,561,798,309	43,792,632,441
Trade and other payables	14	44,053,148,989	43,281,722,600
Current portion of long-term borrowings	15	7,199,814,350	252,010,000
Deposits from customers	17	25,868,305,744	24,729,063,838
Other current liabilities		10,333,441,565	6,392,523,550
Total current liabilities		145,016,508,957	118,447,952,429
Non-Current liabilities			
Long-term borrowings from financial institution	15	21,831,908,085	354,800,090
Total non-current liabilities		21,831,908,085	354,800,090
Total liabilities		166,848,417,042	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	20	3,652,027,345	3,332,971,187
Appropriated - other reserve	20	3,402,027,345	3,082,971,187
Unappropriated		149,927,522,108	149,025,072,849
Translation adjustments		36,483,376,882	12,759,549,711
Total equity		548,200,678,402	522,936,289,656
Total liabilities and equity		**715,049,095,444**	**641,739,042,175**

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Chief Executive Officer
Date: 22 February 2019

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Souvanny Home Center Public Company
Statement of comprehensive income
For the year ended 2018

	Notes	2018 LAK	2017 (Restated) LAK
Revenue from sales		333,881,394,225	299,063,433,879
Revenue from services		1,605,967,787	1,875,531,911
Cost of sales	21	(281,421,563,608)	(248,599,239,120)
Cost of services	21	(804,712,678)	(1,040,362,547)
Gross profit		**53,261,085,726**	**51,299,364,123**
Other incomes		5,603,556,218	4,346,876,845
Selling expenses	21	(28,865,208,947)	(30,209,619,011)
Administrative expenses	21	(24,284,445,657)	(20,855,956,388)
Finance costs		(4,491,330,120)	(1,933,725,791)
Foreign exchange loss, net		1,966,904,355	531,145,525
Profit before income tax expense		**3,190,561,575**	**3,178,085,303**
Income tax expense		-	(389,301,333)
Net profit for the year		**3,190,561,575**	**2,788,783,970**
Earnings per share			
Basic earnings per share	23	20	17

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Souvanny Home Center Public Company
Statement of changes in equity
For the year ended 2018

	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		330,000,000,000	24,735,724,722	2,906,968,288	2,656,968,288	150,388,294,677	(40,027,820,095)	470,660,135,880
Legal reserve		-	-	426,002,899	-	(426,002,899)	-	-
Other reserve		-	-	-	426,002,899	(426,002,899)	-	-
Net profit for the year		-	-	-	-	4,260,029,000	-	4,260,029,000
Dividend paid	24	-	-	-	-	(3,300,000,000)	-	(3,300,000,000)
Translation adjustments		-	-	-	-	-	52,787,369,806	52,787,369,806
Correction of error	4					(1,471,245,030)		(1,471,245,030)
Ending balance 31 December 2017		330,000,000,000	24,735,724,722	3,332,971,187	3,082,971,187	149,025,072,849	12,759,549,711	522,936,289,656
Opening balance 1 January 2018		330,000,000,000	24,735,724,722	3,332,971,187	3,082,971,187	149,025,072,849	12,759,549,711	522,936,289,656
Legal reserve		-	-	319,056,158	-	(319,056,158)	-	-
Other reserve		-	-	-	319,056,158	(319,056,158)	-	-
Net profit for the year		-	-	-	-	3,190,561,575	-	3,190,561,575
Dividend paid	24	-	-	-	-	(1,650,000,000)	-	(1,650,000,000)
Translation adjustments		-	-	-	-	-	23,723,827,171	23,723,827,171
Ending balance 31 December 2018		330,000,000,000	24,735,724,722	3,652,027,345	3,402,027,345	149,927,522,108	36,483,376,882	548,200,678,402

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Date: 22 February 2019

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Souvanny Home Center Public Company
Statement of Cash Flows
For the year ended 2018

	Notes	2018 LAK	2017 (Restated) LAK
Cash flow from operating activities:			
Net profit before income tax for the year		3,190,561,575	2,788,783,970
Adjustments for:			
Depreciation	12	11,902,241,767	10,233,280,643
Amortisation	13	308,434,261	307,144,234
Gain from disposes of property, plant and equipment		(104,097,362)	(124,663,895)
Gain/Loss on exchange rate		150,443,621	585,264,943
Interest expense		4,491,330,120	2,018,210,494
Allowance for inventories	10	(2,337,256,219)	5,049,327,928
Allowance for doubtful debts	9	(1,088,932,900)	76,041,109
Operating profit before working capital changes		16,512,724,863	20,933,389,426
Changes in operating assets and liabilities			
- Trade and other receivables		3,920,693,630	2,558,437,576
- Inventories		(35,801,673,698)	(31,012,655,106)
- Other current assets		2,329,484,549	(2,086,613,552)
- Other non-current assets		(96,658,441)	203,453,956
- Trade and other accounts payable		(1,188,129,022)	1,212,871,358
- Deposits from customers		19,647,584	(1,014,620,323)
- Other current liabilities		3,462,234,731	5,904,313,474
Cash generated from operations		(10,841,675,804)	(3,301,423,191)
Interest paid		(4,302,064,709)	(2,018,210,494)
Income tax paid	16	(154,000,000)	(774,688,240)
Net cash used in operating activities		(15,297,740,513)	(6,094,321,925)
Cash flows from investing activities :			
Purchases of plant and equipments		(21,057,619,375)	(52,614,172,047)
Purchases of computer software		(16,395,198)	(232,340,357)
Proceeds from disposals of property, plant and equipments		104,090,768	124,896,100
Net cash used in investing activities		(20,969,923,805)	(52,721,616,304)

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Souvanny Home Center Public Company
Statement of Cash Flows
For the year ended 2018

	Notes	2018 LAK	2017 (Restated) LAK
Cash flows from financing activities :			
Proceeds from bank overdraft and short-term borrowings		11,786,479,304	93,260,470,052
Repayment on a borrowings from bank		28,397,439,363	(52,357,670,944)
Dividend paid	24	(1,650,000,000)	(3,300,000,000)
Net cash used in financing activities		38,533,918,667	37,602,799,108
Net decrease in cash and cash equivalents		2,266,254,350	(21,213,139,122)
Cash and cash equivalent at the beginning of the year		6,419,034,448	25,356,184,703
Effect of exchange rate changes on cash and cash equivalents		188,358,146	2,275,988,867
Cash and cash equivalent at the end of the period		**8,873,646,944**	**6,419,034,448**
Significant non cash items			
Other payables from purchases of plant and equipments		574,895,993	233,080,100
Interest payable		189,265,411	-

Waddana SOUKHABANDITH
Chief Executive Officer
Date: 22 February 2019

Phannola SOUKHABANDITH
Chief Financial Officer
Date: 22 February 2019

The accompanying notes on pages 12 to 35 are an integral part of this financial statement.

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 trades in a full range of goods and materials for construction, additions, refurbishment, renovation and the improvement of buildings, houses and residences, and provides related services.

The registered address of the Company headquarters is number 366 Ban Phonetongsavath, Chanthaburi District, Vientiane Capital, Lao PDR. The Company has four branches in Vientiane Capital, Lao PDR: Thong Kun Kham, Srikai, Thong Toom, Xokyai.

In March 2018, the Company closed Thong Kun Kham branch in the Vientiane Capital, Lao PDR.

On 17 June 2018, the Company opened a new branch in the Pakse District, Champasak Province.

These financial statements were authorised for issue by the Board of Directors on 22 February 2019.

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.
According to the Accounting Law and Regulation on accounting and auditing in the securities sector under the Securities Commission Office in Lao PDR, all listed companies are required to prepare their financial statements in accordance with International Financial Reporting Standards (IFRSs) as generally accepted accounting principles. At present, the 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. So, 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 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. Accounting policies (Continued)

2.2 Foreign currency translation

(a) Functional and presentation currency

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

The 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 for 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).

2.3 Cash and cash equivalents

In the statements of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the statements of financial position, bank overdrafts are shown in current liabilities.

2.4 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. Accounting policies (Continued)

2.5 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.

2.6 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.

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:

	Years
Buildings and land improvements	30, 20
Machinery and office equipments	3-5
Furniture and fixtures	2-10
Motor vehicles	2-5

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

An 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 gains (losses) – net' in the statement of income.

2.7 Intangible assets

2.7.1 Computer software

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

2. Accounting policies (Continued)

2.8 Borrowings

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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.

2.8.1 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised as expense in the period in which they are incurred.

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. Accounting policies (Continued)

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 the delivery and the installation and inspection are completed.

Revenue from maintenance services is recognised as revenue when the service is completed for customers.

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's determined that the 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 doesn't 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 has calculated (Note 19).

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.

2.12 Employee benefits

The Company makes contributions to the Social Security Fund as required by the Lao Labour Law dated 27 June 2018 and the Notification date 13 August 2018. 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 an 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: market risk (including currency risk, cash flow interest rate risk and price risk) credit risk and liquidity risk.

The Company's management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance 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 2018, 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 the retailing business. The Company has policies in place to make sure 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. But interest rate risk arises from borrowings which are issued at floating rates, as these expose the Company to cash flow interest rate risk. The company mitigated the risk with short-term borrowings. Management believes that the effect of the interest rate fluctuation will not affect the Company significantly.

3. Financial risk management (Continued)

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.

3.5 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. Correction of errors

In 2018, management reassessed the calculation of unit costs of some item of inventory and found errors in the calculation formula. The reassessment affected the balance of inventory as at 31 December 2017 which was overstated by LAK 1,471 million. This meant revenue was overstated for the period ended 31 December 2017. Management decided to restate the balance as of 31 December 2017, believing that this is a better presentation of the statement of position and statement of income.

The errors were corrected by restating each of the affected financial statements line items of the prior year as shown below.

	As at 31 December 2017		
	Originally stated	**Increase/ (decrease)**	**Restated**
Balance sheet (extract)			
Assets			
Inventory	149,188,890,866	(1,471,245,030)	147,717,645,836
Total assets	149,188,890,866	(1,471,245,030)	147,717,645,836
Equity			
Retained earnings	150,496,317,879	(1,471,245,030)	149,025,072,849
Total equity	150,496,317,879	(1,471,245,030)	149,025,072,849

4. Correction of errors (Continued)

	For the period ended 31 December 2017		
	Originally stated	Increase/ (decrease)	Restated
Income statement (extract)			
Cost of sales	247,127,994,090	1,471,245,030	248,599,239,120
Gross margin	52,770,609,153	(1,471,245,030)	51,299,364,123
Net profit for the period	4,260,029,000	(1,471,245,030)	2,788,783,970

5. Change in presentation

Certain amount relating to cash and cash equivalents and trade and other payables in statement of financial position as at 31 December 2017 has been reclassified to conform with current year's classification.

Management believes that the reclassification will make a better presentation of the statement of financial position. The reclassification is as follow.

Statement of financial position as at 31 December 2017

	Prior year's Reclassification LAK	Reclassification LAK	Current year's Reclassification LAK
Cash and cash equivalents	7,825,563,835	(1,406,529,387)	6,419,034,448
Other non-current asset	-	1,406,529,387	1,406,529,387
Trade and other payables	41,677,587,933	1,604,134,667	43,281,722,600
Other current liabilities	7,996,658,217	(1,604,134,667)	6,392,523,550

6. Change in accounting estimate

6.1 Property, plant and equipment

In January 2018, the Company changed useful lives of three types of assets categorised as buildings, land improvements and furniture and fixtures from useful lives of 20, 10 and 5 years to new useful lives of 30, 20 and 10 years respectively. The method of depreciation is straight line which is consistent with prior year.

The Company has applied the change in useful lives prospectively since January 2018. The effects of the changes in useful lives are summarised below;

	Book value based on useful life		
	Prior estimate LAK	Current estimate LAK	Variance LAK
Statement of financial position (extract)			
Buildings	155,276,367,944	155,276,367,944	-
Foreign exchange translation difference	(70,481,966)	(45,310,479)	(25,171,487)
Less: Accumulated depreciation - Building	(24,907,416,858)	(22,430,185,600)	(2,477,231,258)
Net book value – Buildings	130,298,469,120	132,800,871,865	(2,502,402,745)
Land improvement	9,648,574,350	9,648,574,350	
Foreign exchange translation difference	(8,414,583)	(5,634,126)	(2,780,457)
Less: Accumulated depreciation – Land improvements	(1,253,321,964)	(979,685,559)	(273,636,405)
Net book value – Land improvements	8,386,837,803	8,663,254,665	(276,416,862)
Furniture and fixtures	15,412,713,333	15,412,713,333	
Foreign exchange translation difference	(17,928,964)	(15,215,582)	(2,713,382)
Less: Accumulated depreciation – Furniture and fixtures	(4,142,665,895)	(3,875,630,625)	(267,035,270)
Net book value – furniture and fixtures	11,252,118,474	11,521,867,126	(269,748,652)

6. Change in accounting estimate (continued)

6.1 Property, plant and equipment (continued)

	Book value based on useful life		
	Prior estimate LAK	Current estimate LAK	Variance LAK
Statement of comprehensive income (extract)			
Depreciation expense - Buildings	6,936,424,814	4,459,193,556	2,477,231,258
Depreciation expense - Land improvements	828,114,338	554,477,933	273,636,405
Depreciation expense - Furniture and fixtures	1,764,464,290	1,497,429,020	267,035,270

Depreciation expense of the assets that have changed useful life based on current estimate can be shown for the year ended as below

- Depreciation expense Building LAK 6,936 million
- Depreciation expense Land improvement LAK 828 million
- Depreciation expense Furniture and fixture LAK 1,764 million

7. 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.

7.1 Impairment of trade receivables

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

7.2 Allowance for a decrease in the value of inventories

The Company has established an allowance for the decrease in value of inventories to reflect the net realisable value from inventories. The allowance for a decrease in the 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 once the inventories are obsolete and are unable to be sold

7. Critical accounting estimates, assumptions and judgements (Continued)

7.3 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.

8. Cash and cash equivalents

	2018 LAK	2017 (Restated) LAK
Cash on hand	891,617,104	1,841,487,603
Deposits held at call with financial institutions	7,982,029,840	4,577,546,845
Cash and cash equivalents	8,873,646,944	6,419,034,448

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 1.89%-2.0% per annum (2017: 1.5%-2.5% per annum).

9. Trade and other receivables, net

	2018 LAK	2017 LAK
Trade accounts receivable	15,777,824,422	17,135,409,288
Less Allowance for doubtful debts	(1,088,932,900)	(1,237,731,102)
Trade accounts receivable, net	14,688,891,522	15,897,678,186
Staff borrowings	45,493,253	72,341,226
Other receivables	1,024,960,053	1,668,511,668
	1,070,453,306	1,740,852,894
Trade and other receivables, net	15,759,344,828	17,638,531,080

9. Trade and other receivables, net (continued)

The outstanding trade accounts receivable balance as at 31 December 2018 is aged as follows:

	2018 LAK	2017 LAK
Not yet due	3,813,529,908	8,800,028,753
Overdue:		
1–3 months	6,422,471,137	5,950,058,870
3-6 months	448,036,210	1,113,741,345
6-12 months	2,152,090,284	124,260,914
Over 12 months	2,941,696,883	1,147,319,406
Trade and other receivables, net	15,777,824,422	17,135,409,288
Less Allowance for doubtful debts	(1,088,932,900)	(1,237,731,102)
Trade accounts receivable, net	14,688,891,522	15,897,678,186

Trade accounts receivables aged more than six months are mainly receivables which are still trading actively. The allowance for doubtful debts is set based on (i) the outstanding accounts receivable balances that are more than six months overdue which has not been collected after the period end; and (ii) management's evaluation of recent historical payments of accounts receivable and expectations regarding the future collectability of accounts receivable. In 2019, LAK 1,573 million has been collected from trade accounts receivables aged more than six months. Management is highly confident that the remaining balance will be collected.

10. Inventories, net

	2018 LAK	2017 Restated LAK
Tiles and construction materials	52,071,257,040	32,587,854,401
Sanitary wares and faucets	34,257,653,349	28,597,747,335
Elevators and escalator parts	32,739,267,081	32,550,126,905
Roofs and decorations	29,724,537,549	12,594,428,294
Paints, tools and electrical equipment	44,088,791,967	44,972,138,233
Others	2,000,157,513	1,464,678,596
Less: Allowance for slow moving and obsolete	(979,921,185)	(2,460,191,459)
Allowance for diminution in the value of inventories	(1,357,335,033)	(2,589,136,469)
Inventories, net	192,544,408,281	147,717,645,836

The change in inventories recognised as an expense in the cost of sales in this period is LAK 283,844 million (2017: LAK 248,468 million).

As at 31 December 2018, management reassessed and reviewed the related allowance for slow-moving and obsolete inventories. Related allowance for slow-moving and a decrease in the value of inventory has been revised down to LAK 2,337 million (2017: LAK 2,402 million), as slow-moving inventories can be actually sold at a higher turnover which is better than previously estimated. As a result, the related allowance and cost of goods sold has been adjusted down to be consistent with recent facts and analysis.

11. Other current assets

	2018 LAK	2017 LAK
Advance payments to suppliers	453,845,505	5,088,565,200
Prepaid insurance premium	96,869,874	89,167,259
Accrued rebate from suppliers (i)	4,531,136,748	2,311,856,526
Others (ii)	707,870,487	277,947,380
Other current assets	5,789,722,614	7,767,536,365

(i) Rebate from suppliers represents a confirmed amount of rebate to be received from suppliers and is settled by netting with the invoices when the Company makes payments to those suppliers. Most of the accrued rebate from the suppliers as of 31 December 2018 will be settled within the first quarter of 2019.

(ii) Others mainly consist of prepaid rental for staffs houses.

12. Property, plant and equipment, net

	Land LAK	Buildings and Land improvements LAK	Machineries and Office equipment LAK	Furniture and fixtures LAK	Motor vehicles LAK	Construction in progress LAK	Total LAK
As at 1 January 2017							
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
For the year ended 31 December 2017							
Opening 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
Foreign exchange translation difference	28,534,906,587	7,141,477,330	177,930,572	208,133,745	357,273,428	5,766,077,642	42,185,799,304
Additions	-	-	662,783,075	602,187,821	3,001,203,325	47,922,835,698	52,189,009,919
Transfers in (out)	-	50,788,774,252	-	12,469,271,307	4,788,999,491	(68,047,045,050)	-
Disposals – cost	-	-	(260,498)	(834,510)	(344,101,500)	-	(345,196,508)
Disposals – depreciation	-	-	28,293	834,510	344,101,500	-	344,964,303
Depreciation charge	-	(5,622,384,521)	(497,701,782)	(2,019,636,208)	(2,093,558,132)	-	(10,233,280,643)
Closing net book amount	283,006,316,144	115,994,846,204	1,929,545,593	13,116,072,270	9,240,044,408	37,063,164,408	460,349,989,027
As at 31 December 2017							
Cost	267,896,239,572	124,500,072,442	4,710,433,652	18,764,696,839	14,501,083,155	31,289,092,274	461,661,617,934
Foreign exchange translation difference	15,110,076,572	7,813,075,409	100,718,398	109,093,014	347,306,652	5,774,072,134	29,254,342,179
Less Accumulated depreciation	-	(16,318,301,647)	(2,881,606,457)	(5,757,717,583)	(5,608,345,399)	-	(30,565,971,086)
Net book amount	283,006,316,144	115,994,846,204	1,929,545,593	13,116,072,270	9,240,044,408	37,063,164,408	460,349,989,027

12. Property, plant and equipment, net (continued)

	Land LAK	Buildings and Land improvements LAK	Machineries and Office equipment LAK	Furniture and fixtures LAK	Motor vehicles LAK	Construction in progress LAK	Total LAK
As at 1 January 2018							
Cost	267,896,239,572	124,500,072,442	4,710,433,652	18,764,696,839	14,501,083,155	31,289,092,274	461,661,617,934
Foreign exchange translation difference	15,110,076,572	7,813,075,409	100,718,398	109,093,014	347,306,652	5,774,072,134	29,254,342,179
Less Accumulated depreciation	-	(16,318,301,647)	(2,881,606,457)	(5,757,717,583)	(5,608,345,399)	-	(30,565,971,086)
Net book amount	283,006,316,144	115,994,846,204	1,929,545,593	13,116,072,270	9,240,044,408	37,063,164,408	460,349,989,027
For the year ended 31 December 2018							
Opening net book amount	283,006,316,144	115,994,846,204	1,929,545,593	13,116,072,270	9,240,044,408	37,063,164,408	460,349,989,027
Foreign exchange translation difference	12,812,950,246	5,200,656,184	80,511,536	555,740,363	393,271,960	1,678,013,743	20,721,144,032
Additions	-	-	1,114,309,106	499,263,976	585,799,641	18,979,200,197	21,178,572,920
Transfers in (out)	-	25,282,075,560	113,807,440	13,434,029,641	112,566,675	(38,942,479,316)	-
Disposals – cost	-	-	(16,837,843)	(146,859,680)	(229,129,800)	-	(392,827,323)
Disposals – depreciation	-	-	16,835,445	146,855,950	229,129,267	-	392,820,662
Depreciation charge	-	(5,013,671,489)	(673,895,493)	(3,747,844,245)	(2,466,830,540)	-	(11,902,241,767)
Closing net book amount	295,819,266,390	141,463,906,459	2,564,275,784	23,857,258,275	7,864,851,611	18,777,899,032	490,347,457,551
As at 31 December 2018							
Cost	267,896,239,572	149,782,148,002	5,921,712,355	32,551,130,776	14,970,319,671	11,326,813,155	482,447,363,531
Foreign exchange translation difference	27,923,026,818	13,013,731,593	181,229,934	664,833,377	740,578,612	7,452,085,877	49,975,486,211
Less Accumulated depreciation	-	(21,331,973,136)	(3,538,666,505)	(9,358,705,878)	(7,846,046,672)	-	(42,075,392,191)
Net book amount	295,819,266,390	141,463,906,459	2,564,275,784	23,857,258,275	7,864,851,611	18,777,899,032	490,347,457,551

12. Property, plant equipment, net (continued)

In 2018, management re-estimated and reviewed the useful life for buildings, land improvement and furniture and fixture. The effect from this re-estimation is depreciation expense being revised down totalling to LAK 3,018 million (Note 6).

The total additions of LAK 21,178 million consisted of cash transactions of LAK 21,057 million and non-cash transactions of LAK 121 million. All construction in progress was for the construction of new branches: Savannakhet and Thakek. Pakse was completed and started operating on 17 June 2018.

A land amount of LAK 296 million has been used for security against short-term borrowing with a foreign bank in Lao (Note 15).

13. Intangible assets, net

For the year ended 31 December 2017	**LAK**
Opening net book amount	514,579,909
Foreign exchange translation difference	57,701,964
Additions	174,638,393
Amortisation charge	(307,144,234)
Closing net book amount	439,776,032
As at 31 December 2017	
Cost	877,041,384
Foreign exchange translation difference	57,701,964
Less Accumulated amortisation	(494,967,316)
Net book amount	439,776,032

For the year ended 31 December 2018	**LAK**
Opening net book amount	439,776,032
Foreign exchange translation difference	16,776,489
Additions	19,529,319
Amortisation charge	(308,434,261)
Closing net book amount	167,647,579
As at 31 December 2018	
Cost	896,570,703
Foreign exchange translation difference	74,478,453
Less Accumulated amortisation	(803,401,577)
Net book amount	167,647,579

14. Trade and other payables

	2018 LAK	2017 (Restated) LAK
Trade payable – third parties	44,053,148,989	33,636,967,418
Trade payable – related parties (Note 24)	-	9,644,755,182
Trade and other payable	44,053,148,989	43,281,722,600

15. Borrowings

	2018 LAK	2017 LAK
Current		
Bank overdraft	4,366,357,930	2,153,521,478
Short-term borrowings	53,195,440,379	41,639,110,963
Current portion of long-term borrowings	7,199,814,350	252,010,000
Non-current		
Long-term borrowings	21,831,908,085	354,800,090
Borrowings	86,593,520,744	44,399,442,531

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

	2018 LAK	2017 LAK
Borrowings		
At fixed rates	81,950,945,865	13,018,780,107
At floating rates	4,642,574,879	31,380,662,424
Borrowings	86,593,520,744	44,399,442,531

15. Borrowings (continued)

In April 2018, the Company entered into a short-term borrowing agreement with a foreign bank in Lao PDR. The fixed annual interest rate was 6.4%. Repayments are required within 150 days from the drawdown date and the interest has to be paid monthly. The borrowing is secured with the shareholder's land. As of 31 December 2018, LAK 69,645 million was drawn down.

In April 2018, the Company entered into a long-term borrowing agreement with a foreign bank in Lao PDR. The fixed annual interest rate was 6%. Repayment of the loan is due in December 2022. The loan principal will be paid quarterly starting in March 2019 and the interest has to be paid monthly. The borrowing is secured with the shareholder's land .On 27 August 2018, the contract amount was revised from LAK 30,000 million to THB 110 million. As of 31 December 2018, the loan amount was fully drawn down. This was equivalent to LAK 29,307 million.

The deferred financing service fee was recognised as a prepayment when occurred and is amortised throughout the contract period.

16. Profit tax payable

The movement of profit tax payable for 2018 is as below:

	LAK
Profit tax payable (receivable) as at 1 January 2018	(58,062,601)
Paid during the year	(154,000,000)
Profit tax expense for the year (Note 22)	-
Profit tax payable (receivable) as at 31 December 2018	(212,062,601)

The Company paid corporate income tax for the year ended 2018 that exceeded the actual income tax that occurred during the year. As a result, the company has recorded this as prepaid corporate income tax in 'Other current assets' as LAK 212,062,601. It will be used to offset with corporate income tax expense in the next period.

17. Deposits from customers

Deposits are normally settled and cleared within 6-12 months, when the customers accept the delivery of the elevator and escalator and the related installation and inspection are completed.

18. Other current liability

The other current liability was accrued expenses which mainly consisted of accrued land rental. The accrued rental amount was LAK 6,597,564,621 (2017: LAK 1,965,103,673) and other current liability amount LAK 5,671,272,155 (2017: LAK 6,031,554,544)

19. Share capital

	Number of shares (Shares)	Ordinary Shares (LAK)	Share Premium (LAK)	Total (LAK)
At 1 January 2017	165,000,000	330,000,000,000	24,735,724,722	354,735,724,722
Issue of shares	-	-	-	-
At 31 December 2017	165,000,000	330,000,000,000	24,735,724,722	354,735,724,722
Issue of shares	-	-	-	-
At 31 December 2018	165,000,000	330,000,000,000	24,735,724,722	354,735,724,722

As at 31 December 2018, 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.

20. Reserves

Legal reserve

	2018 LAK	2017 LAK
At 1 January 2018	3,332,971,187	2,906,968,288
Additions	319,056,158	426,002,899
At 31 December 2018	3,652,027,345	3,332,971,187

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 that 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 2017. The Other reserve is for unforeseeable events such as natural disasters. The Company will only use the reserve to recover its business' unforeseeable events

19. Share capital

	Number of shares (Shares)	Ordinary Shares (LAK)	Share Premium (LAK)	Total (LAK)
At 1 January 2017	165,000,000	330,000,000,000	24,735,724,722	354,735,724,722
Issue of shares	-	-	-	-
At 31 December 2017	165,000,000	330,000,000,000	24,735,724,722	354,735,724,722
Issue of shares	-	-	-	-
At 31 December 2018	165,000,000	330,000,000,000	24,735,724,722	354,735,724,722

As at 31 December 2018, 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.

20. Reserves

Legal reserve

	2018 LAK	2017 LAK
At 1 January 2018	3,332,971,187	2,906,968,288
Additions	319,056,158	426,002,899
At 31 December 2018	3,652,027,345	3,332,971,187

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 that 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 2017. The Other reserve is for unforeseeable events such as natural disasters. The Company will only use the reserve to recover its business' unforeseeable events

21. Expenses by nature

Significant expenses classified by nature are as follows:

	2018 LAK	2017 LAK
Change in inventories	283,843,535,834	248,467,638,615
Salary, wages and other employee benefits	27,943,556,205	28,658,506,857
Allowance for inventory (reversal) (Note 10)	(2,712,071,710)	(2,174,786,214)
Depreciation and amortisation (Note 12,13)	12,210,675,983	10,233,280,643
Sales promotion and operation support expenses	1,637,902,621	1,143,696,903
Rental fees – offices and showrooms	2,994,974,341	2,744,918,886
Fuel expense	1,479,115,164	1,060,828,532
Repair and maintenance expense	774,663,957	923,703,557
Utilities	2,474,409,296	2,494,784,740
Professional fees	1,524,218,419	1,882,381,591
Others	3,204,950,780	5,270,222,956
	335,375,930,890	300,705,177,066

22. Profit tax expense

Due to the tax privileges given to LSX listed companies, The Company is entitled to a further reduction from 24% to 19% during the initial four year 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.

The Company doesn't 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 related period and the applicable tax rate.

	2018 LAK
Reconciliation between income tax expense and accounting profit:	
Accounting profit before income tax	3,190,561,575
Non-deductible and reversal items for tax purpose (1)	(4,590,873,059)
Taxable income (loss)	(1,400,311,484)
Tax calculated at the tax rate of 19%	

(1) Non-deductible and reversal items for tax purposes mainly comprise of the reversal of allowance from inventory and unrealised gained and loss from revaluation of asset and liabilities in foreign currencies on closing date.

23. 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 issued during the year.

	2018	2017
Net profit for the year attributable to shareholders (LAK)	3,190,561,575	2,788,783,970
Weighted average number of ordinary shares (shares)	165,000,000	165,000,000
Basic earnings per share (LAK)	20	17

24. Dividends

At the Annual General Meeting of Shareholders held on 6 April 2018, it was resolved that dividend be paid to shareholders in respect of 2017 operating results at LAK 10 per share (2017 : LAK 20 per share), totalling LAK 1,650 million (2017: LAK 3,300 million). The dividend was paid in May 2018 to the shareholders.

In May 2017, the Company paid dividend in respect of 2016 operation to the shareholders at LAK 20 per share (2016: LAK 45 million), totalling LAK 3,300 million (2016: LAK 7,425 million).

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

The nature and amounts of significant related-party transactions for the year ended 31 December 2018 are summarised below.

25. Related-party transactions (continued)

25.1 Income and expenses

	2018 LAK	2017 LAK
Purchases of goods from related party	191,144,422	4,161,534,834
Rental expense	2,033,410,859	7,236,364,422

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.

25.2 Outstanding balances arising from related party transactions

	2018 LAK	2017 LAK
Accrued rental expense	6,896,265,613	1,906,443,893
Trade accounts payable – Siam Global House Public Company Limited	-	41,064,818

25.3 Key management compensation

Key management includes Directors. The compensation paid to management for their services is as follows:

	2018 LAK	2017 LAK
Salaries	1,794,825,000	1,784,400,000

26. 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.

	2018 LAK	2017 LAK
No later than 1 year	7,655,803,273	9,325,478,909
1-5 years	15,949,074,494	24,413,546,063
	23,604,877,767	33,739,024,972

27. The right to be a Mitsubishi elevator and escalator distributor

In July 2015, the Company sent a letter to inform Misubishi Electric Corporation (Mitsubishi) about the change of major shareholders and plan to separate elevator and escalator operations from the Company. The Company received the response letter from Mitsubishi which 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". Management understand that this requirement is because of the material change in the Company's major shareholders and this would affect the technological confidentiality that Mitsubishi wants to ensure.

In January 2019, The Company and Mitsubishi negotiated their future business cooperation and arrangements, and concluded to terminate the right to be distributor of Mitsubishi elevator and escalator. Currently, the final terms and conditions of the business cooperation are in progress and are expected to be finalised by July 2019.

The Company revenue from Mitsubishi elevator and escalators represent 7% of the total revenue for the twelve-month period ended 31 December 2018. Related working capital for such business as of 31 December 2018 were as follows

	2018 LAK
Trade and other receivables	4,331,072,759
Inventory	21,191,696,609
Deposit from customer	24,740,712,188
Trade payable	789,183,617

28. Supplementary information

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

Summary of statement of income
For the three-month period ended 31 December 2018 and 2017

	Unaudited 2018 LAK	Unaudited 2017 LAK
Revenue from sales	177,679,194,250	82,216,930,992
Revenue from services	953,327,887	233,237,476
Cost of sales	(152,648,273,427)	(71,504,979,211)
Cost of services	(210,598,375)	(1,040,362,450)
Gross profit	**25,773,650,335**	**9,904,826,807**
Other incomes	2,974,078,970	399,541,862
Selling expenses	(15,248,162,899)	(8,700,907,375)
Administrative expenses	(12,023,589,429)	(6,224,837,150)
Finance costs	(2,741,788,035)	(559,172,755)
Foreign exchange gain (loss), net	2,128,736,184	1,404,078,627
Profit before income tax expense	**862,925,126**	**(3,776,469,984)**
Income tax expense	-	892,441,028
Net profit (loss) for the period	**862,925,126**	**(4,668,911,012)**

29. Events after the reporting period

There were no significant events occurring after the balance sheet date which require adjustments to or disclosures to be made in the financial statements for the year ended 31 December 2018.