PHOUSY CONSTRUCTION AND DEVELOPMENT PUBLIC COMPANY



FINANCIAL STATEMENTS

31 DECEMBER 2018

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF PHOUSY CONSTRUCTION AND DEVELOPMENT PUBLIC COMPANY

Our opinion

In our opinion, the financial statements of Phousy Construction and Development 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 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 International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence

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

Emphasis of Matter - Basis of accounting

We draw attention to Note 2 to the financial statements, which describe the basis of accounting. The accounting basis used in the preparation of these financial statements may differ from 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. Our opinion is not modified in respect to this matter.

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Key audit Matter

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
Refer to Note 2.4 'Accounting policies – Trade and other receivables' and Note 4 ' Trade and other receivables' to the financial statements. As at 31 December 2018, trade receivables – Government of Lao PDR (GoL), who is only one customer of the Company, has balance amounted LAK 316,013 million representing 35.8% the total assets in the financial statements. The payment term is depending on annual budget of GoL. During the year, GoL has limited their budget as a result no payment has been made during the year until reporting date. This affects to the working capital and the Company was then temporary suspense their operation from 1 January 2018 to 26 May 2019. Currently, the Company has in process of negotiating new payment terms with GoL. Management consider to set up an allowance based on the recoverable amount for conservative purpose. The recoverable amount was estimate by reference to the aging profile, historical payment pattern. We focus on this area as the trade accounts receivable was significant to the financial statements, and the allowance was based on management's judgement in evaluating the situation and condition of trade accounts receivable to consider the collectability of the Company.	Our key procedures include the following: • Inquired management about the method used as well as the assumptions made and understood the management's process and policy for setting up allowance for doubtful accounts; • Tested the accuracy of aging of trade receivables at year ended on a sample basis;Check supporting documents such us certification of work completion that acceptance by GoL to ensure that GoL accept the progress of work; • Assessed the recoverability of the unsettled recoverable on samples basis through our evaluation of management's assessment with reference to the credit profile of the customer, historical payment pattern of the customer, publicly availability information and latest correspondence with the customer and to reconsider if any additional provision should be made; and • Tested subsequent settle of trade receivables after balance sheet date on sample basis, if any. Based upon the above procedures performed, we satisfied ourselves that management had taken reasonable judgements that were materially supported by the available evidence in respect of the relevant receivable balances. We did not encounter any issues through these audit procedures that indicated that provisioning in respect of trade receivables was inappropriate.

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Impairment of fixed assets

Refer to Note 2.6 'Accounting policies – Property, plant and equipment' and Note 6 'Property, plant and equipment, net' to the financial statements.

As at 31 December 2018, the Company has carrying amount of motor vehicle which direct support their operation of LAK 13,810 million, representing 15.5% the total assets in the financial statements. As the Company cease their operation in the current year, this is an indication that assets may be impaired. As such, management consider to perform an impairment review to ensure valuation of those assets.

The management assessed the recoverable amount of those assets based on fair value less cost to sell. The fair value was determined from market price of equivalent assets. As a result, a provision for impairment of LAK 1,299 million was record in statements of income.

We focussed on this area because the carrying amount of motor vehicle and equipment was material to the financial statements and management's assessment of any indication of potential impairment is largely subjective in the determination of market price.

Our key procedures include the following:

- Reviewed basis of management's assessment of whether there was any indication of potential impairment, as well as indication that an impairment loss recognised in the year;
- Obtained a list of motor vehicles and equipment and identified any indication of impairment loss through discussion with management;
- Examined the market price of each motor vehicles and equipment based on available information from website against a net book value; and
- Considered the adequacy of the disclosure in the financial statements in respect of this matter. Information regarding analysis of indication of impairment of fixed assets it disclosed in Note 6 to the financial statements.

Based upon the above procedures performed, we found that the management's assessment were justifiable and appropriate in light of the current circumstances.

Other information

The directors 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.

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Responsibilities of the directors and audit committee for the financial statements

The directors are 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 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 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:

- 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 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 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: Apisit Thiengtrongpinyo
Partner

Vientiane, Lao PDR
Date 22 November 2019

Phousy Construction and Development Public Company

Statement of financial position
As at 31 December 2018

Assets	Notes	2018 Million LAK	2017 Million LAK
Current assets			
Cash and cash equivalents	3	54	540
Trade and other receivables, net	4	185,588	463,336
Inventories		322	22
Other current assets	5	4,073	1,371
Total current assets		**190,037**	**465,269**
Non- current assets			
Property plant and equipment, net	6	478,712	479,757
Intangible assets, net		5	-
Long-term borrowing to related party and other	7	861	1,818
Total Non-current assets		**479,578**	**481,575**
Total assets		**669,615**	**946,844**
Liability and equity			
Liabilities			
Current liabilities			
Trade and other payables	8	48,150	43,009
Current portion of long-term borrowings - financial institutions	9	38,422	36,000
Current portion of long-term borrowings - related parties	9	3,200	3,800
Profit tax payable	10	8,481	8,674
Other current liabilities	11	40,617	36,107
Total current liabilities		**138,870**	**127,590**
Non- current liabilities			
Long-term borrowings from financial institutions	9	-	5,000
Long-term borrowings – related parties	9	11,885	9,500
Total Non-current liabilities		**11,885**	**14,500**
Total liabilities		**150,755**	**142,090**
Equity			
Authorised share capital		582,000	582,000
Share premium	12	12,540	12,540
Retained earnings			
Appropriated legal reserve	13	11,572	11,572
Unappropriate		(87,252)	198,642
Total equity		**518,860**	**804,754**
Total liabilities and equity		**669,615**	**946,844**

Mr. Sitha PHOMMACHITH
Managing Director
Date: 22 November 2019

Mr. Anolay SIHARATH
Chief Financial Officer
Date: 22 November 2019

The accompanying notes on pages 10 to 24 from an integral part of these financial statements.

Phousy Construction and Development Public Company

Statement of income
For the year ended 31 December 2018

	Notes	2018 Million LAK	2017 Million LAK
Revenue from construction		-	45,384
Cost of sale	15	-	(16,238)
Gross profit		**-**	**29,146**
Other income		3,903	729
Impairment loss	15	(267,390)	-
Administrative expenses	15	(11,271)	(10,104)
Foreign exchange loss		(358)	(2,067)
Interest expenses	16	(8,305)	(9,890)
Profit/(loss) before income tax expenses		**(283,421)**	**7,814**
Profit tax expenses	17	-	(1,089)
Net profit/(loss) for the year		**(283,421)**	**6,725**
Earnings per share			
Basic earnings (loss) per share	18	(486.98)	16.56

Mr. Sitha PHOMMACHITH
Managing Director
Date: 22 November 2019

Mr. Anolay SIHARATH
Chief Financial Officer
Date: 22 November 2019

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Phousy Construction and Development Public Company

Statement of changes in equity
For the year ended 31 December 2018

	Notes	Share capital	Share premium	Legal reserve	Unappropriate retained earnings/(deficit)	Total
		Million LAK	Million LAK	Million LAK	Million LAK	Million LAK
Opening balance 1 January 2017		700,000	-	10,899	192,590	903,489
Increase in share capital	12	82,000	12,540	-	-	94,540
Decrease in share capital	12	(200,000)	-	-	-	(200,000)
Legal reserve	13	-	-	673	(673)	-
Profit for the year		-	-	-	6,725	6,725
Ending balance 31 December 2017		**582,000**	**12,540**	**11,572**	**198,642**	**804,754**
Opening balance 1 January 2018		582,000	12,540	11,572	198,642	804,754
Dividend paid	14	-	-	-	(2,473)	(2,473)
Loss for the year		-	-	-	(283,421)	(283,421)
Ending balance 31 December 2018		**582,000**	**12,540**	**11,572**	**(87,252)**	**518,860**

Mr. Sitha PHOMMACHITH
Managing Director
Date: 22 November 2019

Mr. Anolay SIHARATH
Chief Financial Officer
Date: 22 November 2019

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Phousy Construction and Development Public Company

Statement of cash flow
For the year ended 31 December 2018

	Notes	2018 Million LAK	2017 Million LAK
Cash flow from operating activities:			
Profit/(loss) before income tax for the year		(283,421)	7,814
Adjustments to reconcile net profit to net cash			
Foreign exchange loss		(2,029)	(1,001)
Depreciation charges	6	3,848	3,354
Amortisation charges		5	-
Interest expense	16	8,305	9,890
Allowance for doubtful account expenses	4,15	266,091	-
Impairment loss	6,15	1,299	-
Operating profit/(loss) before working capital changes		**(5,902)**	**20,057**
Changes in working capital:			
- Trade and other receivables		5,011	(142,729)
- Inventories		(300)	191
- Other current assets		(2,702)	3,222
- Other non-current assets		957	(89)
- Trade and other accounts payable		5,307	26,597
- Other current liabilities		6,095	5,107
Cash generated from operations		8,466	(87,644)
Income tax paid		(193)	(150)
Net cash generate from operating activities		**8,273**	**(87,794)**
Cash flows from investing activities :			
Purchase of fixed assets	6	(33)	(40)
Purchases of intangible assets		(10)	-
Net cash used in investing activities		**(43)**	**(40)**
Cash flows from financing activities :			
Proceeds from borrowing	9	10,585	135,631
Repayments of borrowings	9	(8,800)	(134,831)
Proceeds from issue of ordinary shares	12	-	94,540
Dividend paid	14	(611)	-
Interest paid		(9,890)	(7,762)
Net cash from financing activities		**(8,715)**	**87,578**
Net (decrease) in cash and cash equivalents		(486)	(256)
Cash and cash equivalent at the beginning of the year	3	540	803
Effect of exchange rate changes on cash and cash equivalent		-	(7)
Cash and cash equivalent at the end of the year	3	**54**	**540**
Significant non cash items			
Addition PPE from offset AR-Phousy Group	6	4,069	-
Accrued dividend for initiative shareholders	14	1,863	-
Repayment Loan with offset AR-GoL	9	2,578	-
Decrease share capital by non-cash		-	200,000
Paid account payable by motor vehicle		-	960

Phousy Construction and Development Public Company

Mr. Sitha PHOMMACHITH
Managing Director
Date: 22 November 2019

Mr. Anolay SIHARATH
Chief Financial Officer
Date: 22 November 2019

The accompanying notes on pages 10 to 24 from an integral part of these financial statements.

1. General information

Phousy Construction and Development Public Company is a public company. The address of the Company's registered office is at Continental Plaza Hotel, Nongbuathong-Tai Village, Sikhottabong District, Vientiane Capital, Lao PDR.

The principal businesses of the Company are construct, repair and maintenance road, bridge and others. There is only one customer which is Government of Lao PDR (GoL).

In 2016, the Company changed its status from a sole company to a public company, changed its name to "Phousy Construction and Development Public Company" and increase its share capital from LAK 10,000 million to LAK 700,000 million.

On 9 May 2017, the Lao Securities and Exchange Commission Office (LSCO) issued notification No. 220/LSCO to the company to decrease of par value from LAK 2,000 to LAK 1,000 per share, and decrease their registered share capital from LAK 700,000 million to LAK 582,000 million. In this regard the share capital for IPO is decrease from LAK 300,000 million to LAK 82,000 million. The Company registered the revised share capital with Ministry of Industry and Commerce on 02 October 2017.

The Company was listed on the Lao Securities Exchange (LSX) market on 10 October 2017.

The Company is suspense their operation during the year 2018 (Note 2.1).

These financial statements were authorised for issue by managing director on 22 November 2019.

2. Accounting policies

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

2. Accounting policies (Continued)

2.1 Basis of preparation

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.

Going concern assumption

For the year ended 31 December 2018, Company incurred net loss from the operation of LAK 283,421 million. In addition, the Company is in negotiation new payment term with the government then they suspense their business in 2018. Although the Company won new opportunity in 2019, however, it will not recover all expenses then operating result will make loss.

The related party and major shareholder issue letter of support to the Company by accepts responsibility of providing and undertakes to provide sufficient financial assistance and postpone payment schedule to Company as and when it is needed to enable the Company to continue its operations and fulfil all of its financial obligations now and in the future until the Company will have sufficient financial position. Therefore, these financial statements are prepared on going concern basis.

2.2 Foreign currency transactions

Items included in the financial statements are recorded using Lao Kip ("LAK").

Foreign currency transactions are translated into LAK using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated into LAK at the exchange rates prevailing at the balance sheet date. Gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income.

2.3 Cash and cash equivalents

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

2. Accounting policies (Continued)

2.4 Trade and other receivables

Trade accounts receivable are carried at the original invoice amount and subsequently measured at the remaining amount less any allowance for doubtful receivables based on a review of all outstanding amounts at the year-end. Management consider provision for allowance for doubtful account when the outstanding balance is over 3 years.

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

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the h the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to statement of income during the financial period in which they are incurred.

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

Asset types	Years
Building	10
Vehicle	10
Office equipment	5
Furniture and fixture	5

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

2. Accounting policies (Continued)

2.7 Borrowings

Borrowings are recognised at the original value of 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.

All borrowing costs are recognised in statement of income in the period in which they are incurred.

2.8 Revenue recognition

Revenue comprises the invoice value net of rebates and discounts, if any. Revenue from the construction and services are recognised when the goods or services are transferred or delivered and accepted by the buyer.

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.

2.9 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 for temporary differences. Currently there are vary tax practices in Lao PDR. Income tax expenses may are recognised based on the operating result for the year after adjustments for non-deductible expenses and other transactions under the related Lao Tax Law at the relevant tax rate or revenue from sale or service multiplied with pre-determined profit rate and profit tax rate. According to the practice of tax payment between the Company and tax authority, profit tax is calculated by base on second option (Note 17).

In Lao PDR, income tax returns are reviewed in details by the relevant authorities on a regular basis. Tax issues raised during the reviews may require judgments and interpretations by the relevant authority. Tax reviews may result in additional tax payments or refunds as necessary. Such additional payment or refund is recognised as income tax expenses in the year in which the reviews are completed.

2.10 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 2.11.

2. Accounting policies (Continued)

2.11 Employee benefits

According to the Lao Labor Law, when staff retire and meet the certain criteria as mentioned in Lao Labor Law. Therefore, the Company has obligation to pay to the staff for retirement expenses.

Provisions for employee benefits are not accrued in each year. The liability recognised in the statement of financial position and related expenses are recognised in the income statement based on actual amount due at the time of employees retire.

3. Cash and cash equivalents

	2018 Million LAK	2017 Million LAK
Cash on hand	12	15
Deposits held at call with financial institutions	42	525
	54	**540**

Cash on hand includes petty cash for day to day operation.

Deposits held at call with financial institutions represents cash deposited with reputable local banks in currencies, US dollars, Thai baht and Lao kip in current accounts with none interest.

4. Trade and other receivables

	2018 Million LAK	2017 Million LAK
Trade account receivables	316,013	325,889
Less: Allowance for doubtful debt	(266,091)	-
Trade accounts receivable, net (a)	49,922	325,889
Amount due from Phousy Group (Note 19)	63,285	50,516
Short-term borrowing to to Phousy Group (Note 19)	71,979	86,531
Other receivable	402	400
	185,588	**463,336**

4. Trade and other receivables (Continued)

(a) The outstanding trade receivable balance as at 31 December is aged as follows:

	2018 Million LAK	2017 Million LAK
Not yet due	-	47,670
Overdue:		
0-3 months	-	2,252
3-6 months	-	-
6-12 months	47,670	-
Over 1 year	2,252	97,967
Over 2 years	158,506	112,016
Over 3 years	107,585	65,984
Trade and other receivables, net	316,013	325,889
Less Allowance for doubtful debts*	(266,091)	-
	49,922	**325,889**

*The Company has only a customer, GoL, which will consider provision for doubtful account in some certain criteria. Although there was no default payment from GoL in the past however management considered to set up allowance for doubtful account 100% for outstanding balance over 3 years for conservative in 2018.

5. Other current assets

	2018 Million LAK	2017 Million LAK
Interest receivable from related party*	3,981	-
Office rental	41	265
Advance to supplier	6	1,029
Advance to staff	45	77
	4,073	**1,371**

* Interest receivable from related party – related from loan to Phousy Group in Note 4.

6. Property, plant and equipment, net

	Land	Building	Motor vehicles	Furniture and fixture	Computer and office equipment	Total
	Million LAK	Million LAK	Million LAK	Million LAK	Million LAK	Million LAK
At 31 December 2017						
Cost	466,000	18	36,874	2,799	442	506,133
Less Accumulated depreciation	-	(6)	(23,391)	(2,587)	(392)	(26,376)
Net book amount	**466,000**	**12**	**13,483**	**212**	**50**	**479,757**
Opening net book amount	**466,000**	**12**	**13,483**	**212**	**50**	**479,757**
Additions	-	-	4,080	17	5	4,102
Depreciation charge	-	(2)	(3,753)	(78)	(15)	(3,848)
Impairment charge	-	-	(1,299)	-	-	(1,299)
Closing net book amount	**466,000**	**10**	**12,511**	**151**	**40**	**478,712**
At 31 December 2018						
Cost	466,000	18	40,954	2,816	447	510,235
Less Accumulated depreciation	-	8)	(27,144)	(2,665)	(407)	(30,224)
Provision for impairment	-	-	(1,299)	-	-	(31,523)
Net book amount	**466,000**	**10**	**12,511**	**151**	**40**	**478,712**

Land LAK 48,968 million are secured for borrowings (Note 9).

Impairment loss on motor vehicles was recognise when the selling price after deduct selling expense is lower than net book value.

7. Long-term borrowing to related party and other

	2018 Million LAK	2017 Million LAK
Borrowings to:		
-Third party	-	1,615
-Related party (Note 19) b)	861	203
	861	**1,818**

8. Trade and other payables

	2018 Million LAK	2017 Million LAK
Trade payable – third party	16,424	24,655
Other payable - related party (Note 19) b)	31,726	18,354
	48,150	**43,009**

9. Borrowings, net

	2018 Million LAK	2017 Million LAK
Financial institution	38,422	41,000
Related parties (Note 19) b)	15,085	13,300
Total	**53,507**	**54,300**

	2018 Million LAK	2017 Million LAK
Current	41,622	39,800
Non-current	11,885	14,500
Total	**53,307**	**54,300**

9. Borrowings, net (continued)

The movement in borrowings can be analysed as follows:

	2018 Million LAK	2017 Million LAK
Opening balance 1 January	54,300	53,500
Additions during the year	10,585	135,631
Repayment of borrowings during the year	(11,378)	(134,831)
As at 31 December	**53,507**	**54,300**

Borrowing from financial institution:

The Company signed a borrowing agreement amount LAK 36,000 million with local financial institution for working capital for road construction with interest rate of 17% per annum since 29 May 2015. This borrowing is guarantee by land of the Company (Note 6) and land of related parties. The Company is required to repay principal within 3 years after the first drawdown on annually, basis emceeing from 20 June 2015 to 20 June 2018 and interest is payable on monthly.

As at reporting date, the Company is in negotiation process for new term and condition of payment with lender and the lender do not take any action to the Company according to this default.

During the year 2018 the Company has additional loan amount LAK 10,585 million from related parties (Note 19) interest rate of 9.75%-11.13% per annum respectively.

The aging analysis of these borrowings is as follows:

	2018 Million LAK	2017 Million LAK
Less than one year	41,622	39,800
More than one year but not over 5 years	11,885	14,500
Over 5 years	-	-
	53,507	**54,300**

10. Profit tax payable

According to the profit tax payment practice between tax authority and the Company, profit tax is calculated by assessed taxes at pre-determined profit rates multiplied by profit tax rate and revenue from construction. The profit tax will off-set when Government of Laos make payment to the Company.

As at 31 December 2018, profit tax payable presented profit tax payable from construction revenue before 2018.

11. Other current liabilities

	2018 Million LAK	2017 Million LAK
VAT payable	30,275	31,173
Interest payable from related	4,985	2,186
Advance received from sub-contractor	2,010	1,186
Advance received from Government	-	893
Dividend payable	1,863	-
Others	1,253	527
Accrued salary	231	142
	40,617	**36,107**

12. Share capital and premium on share capital

	Number of shares Million Shares	Ordinary shares Million LAK	Share Premium Million LAK	Total Million LAK
At 1 January 2017	350	700,000	-	700,000
Change par value	-	(350,000)	-	(350,000)
Issued of shares	232	150,000	-	150,000
Initial Public Offering	-	82,000	12,540	94,540
At 31 December 2017	**582**	**582,000**	**12,540**	**594,540**
At 1 January 2018	582	582,000	12,540	594,540
Issued of shares	-	-	-	-
At 31 December 2018	**582**	**582,000**	**12,540**	**594,540**

On 9 May 2017, the Lao Securities Commission office has issued a letter no. 220/LSCO to Phousy Construction and Development Public Company to reduce par value from LAK 2,000 per share to LAK 1,000 per share and increase new share which resulted in the reduction of the registered capital amount from LAK 700,000 million to LAK 582,00 million. The altered register capital amount was reflected in the business registration issued by Ministry of industry and Commerce on 27 June 2017.

On 10 October 2017, the Company offered 82,000,000 ordinary shares with par value of LAK 1,000 per share totalling LAK 82,000 million to investors inside and outside of the Lao PDR. The 2,000,000 shares were offered to employee of the Company under employee Stock Options (ESOP) with selling price of LAK 1,100 per share and another 80,000,000 shares were offered to the public through public offering (PO) with selling price of LAK 1,200 per share.

The Company incures premium on share which is charged against the premium on share capital. Then, the net premium on share capital is LAK 12,540 million capital totalling LAK 16,200 million and related issuance share costs of LAK 3,660 million.

As at 31 December 2018, the Company has share 582,000,000 shares with a par value of LAK 1,000 per share. As at issued shares were fully paid.

13. Legal reserve

	2018 Million LAK	2017 Million LAK
Opening balance	11,572	10,899
Addition during the year	-	673
	11,572	**11,572**

The legal reserve is set up in accordance with required by the Enterprise Law of the Lao PDR, which requires that at least 10% of the annual net profit be set aside as a legal reserve until such reserve reaches 50% of the authorised share capital.

14. Dividend

At the Annual General Meeting of Shareholders held on 8 May 2018, the shareholders approved a resolution to declare a dividend payment from unappropriated retained earnings after legal reserve and other reserve allocation and from the net profit from 1 January 2017 to 31 December 2017 of LAK 7.45 per share for general shareholder and initiative 9 shareholders for foundation make payment on the rate of dividend equivalent to 50% of the rate of dividend per share which is determined for making payment to general shareholder and totalling LAK 2,473 million. The dividend was paid on 25 May 2018 to the shareholders.

15. Expenses by nature

	2018 Million LAK	2017 Million LAK
Staff cost	3,365	4,801
Sub-contractor expenses	965	4,005
Consult expenses	471	3,823
Depreciation expense (Note 6)	3,848	3,354
Amortisation charges	5	-
Supplies	170	2,404
Commission fee	-	2,170
Travelling cost	450	792
Repair and maintenance expenses	184	422
Allowance for doubtful account expenses (Note 4)	266,091	-
Impairment loss (Note6)	1,299	-
Others expenses	1,813	4,571
	278,661	**26,342**

16. Interest expenses

	2018 Million LAK	2017 Million LAK
Interest expenses from borrowing		
- financial institutions	6,750	6,903
- related parties (Note 19)	1,555	2,987
	8,305	**9,890**

17. Profit tax expense

According to the profit tax payment practice between tax authority and the Company as described in (Note 10), profit tax expense presented profit tax from construction revenue during the year but GoL do not make payment.

Under the tax privileges given to the listed companies at the LSX, the Company is subject to a further reduction to the rate of 5% during an initial period of 4 years. The Company plan to utilise this benefit start from 2020.

18. Basic earnings (loss) per share

Basic earnings (loss) 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.

	2018	2017
Weighted average number of ordinary shares (million shares)	582	406
Net profit (loss) for the year attributable to shareholders (million LAK)	(283,421)	6,725
Basic earnings (loss) per share (LAK)	**(486.98)**	**16.56**

19. 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. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

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

As at 31 December 2018, the Company is controlled by the Phommachith family, who own 86% of the Company's shares (2017: 86%). The remaining 16% of the share are widely held. The Company's ultimate controlling party is Mr. Sithong Phommachith. He is management of Phousy Group Sole Company Limited (Phousy Group).

Significant related party transactions during the year can be summarised as follows:

a) Purchase of goods or services and others

	2018 Million LAK	2017 Million LAK
Fuel expenses	314	926
Material cost	-	288
Rental	180	330
Interest expense (Note 16)	1,555	2,987
Interest income from Phousy Group (Note 5)	3,981	-
	2,049	**4,531**

b) Outstanding balances with related parties

	2018 Million LAK	2017 Million LAK
Amounts due from related parties (Note 4) (1)	63,285	50,516
Short-term borrowing to Phousy Group (Note 4) (2)	71,979	86,531
Long-term borrowing to related party (Note 7)	861	203
Other payable – Phousy Group (Note 8)	31,726	18,354
Long-term borrowings (Note 9) (3)	15,085	13,300

19. Related party transactions (continued)

b) Outstanding balances with related parties (continued)

(1) This is consisting of amounts due from Phousy Group Sole Company Limited, Sinthana Company, Phousy Lao Petroleum for working capital with no interest and call on demand.

(2) On 27 December 2017, the Company entered into short-term loan agreement LAK 86,531 million with Phousy Group for investment in development of new town project at Luang Prabang with interest rate 5% per annum, no collateral.

(3) Movement of borrowings can be analysis as below:

	2018 Million LAK	2017 Million LAK
Opening balance	13,300	12,500
Additions	10,585	6,600
Repayments	(8,800)	(5,800)
Ending balance	**15,085**	**13,300**

Borrowings from related parties with interest average 9.75% per annum to 11.13% per annum and using for operating in the Company. The repayment term is 1 to 4 years, on annual basis, start from 2016 to 2021.

Borrowings are denominated in Lao Kip (LAK) and aging analysis of these borrowings is as follows:

	2018 Million LAK	2017 Million LAK
Less than one year	3,200	3,800
More than one year but not over 5 years	11,885	9,500
Over 5 years	-	-
	15,085	**13,300**

20. Commitments and significant agreements

	2018 Million LAK	2017 Million LAK
Subcontractor for road construction	-	10,380
Explore and Design fee	51	51
Office rental commitment (1)	1,440	1,620
Advisory service	688	-
	2,179	**12,051**

(1) The Company leases land and offices under non-cancellable operating lease agreements. The lease term is 10 years, and the majority of lease agreements are renewable at the end of the lease period at an agreed date.

21. Events after the reporting period

On 27 May 2019, the Company signed the construction contract totally LAK 10,570 million for repair and maintenance at Luangprabang province with Department of Public work of Luangprabang. This project is expected to complete in 2019.