ບົດລາຍງານປະຈຳໄຕມາດ3 2016

The Third Quarter Report



ສຸວັນນີ
SOUVANNY
Home center

ບໍລິສັດ ສຸວັນນີ ໂຮມເຊັນເຕີ ມະຫາຊົນ
SOUVANNY HOME CENTER PUBLIC COMPANY
PHONGTONGSAVAT RD., BAN PHONGTONGSAVAT, CHANTHABULY DISTRICT, VTE., LAO PDR
OFFICE TEL: (85621) 415645, FAX / TEL: (85621) 262 984, WEBSITE:SOUVANNY.COM

ລາຍລະອຽດ/Contents

- ປະຫວັດຄວາມເປັນມາຂອງ ສຸວັນນີ/ History of Souvanny
- ການດຳເນີນທຸລະກິດ ແລະ ຜົນການດຳເນີນງານປະຈຳໄຕມາດ 3 ປີ 2016 / Summary Business Operation of the third quarter 2016
- ວຽກງານດ້ານການຕະຫຼາດ/ Marketing
- ວຽກງານດ້ານບຸກຄະລາກອນ/ Human Resourcet
- ວຽກງານດ້ານຍຸດທະສາດອົງກອນ/ Strategy of the Company

ໂຄງຮ່າງການຈັດຕັ້ງ ສະມາຊິກສະພາ
ບໍລິຫານ
ບໍລິສັດ ສຸວັນນີ ໂຮມເຊັ້ນເຕີ ມະຫາຊົນ
Board of Directors of SVN



ທ່ານ ອຸ່ນ ຫລ້າສຸກັນ
Mr. Ounh lasoukanh
ປະທານສະພາບໍລິຫານ
Chairman/chairman of Audit Committee



ທ່ານ ວັດດານາ ສຸຄະບັນດິດ
Mr. Waddana Soukbandith
ຮອງປະທານ ສະພາບໍລິຫານ
Vice Chairman / CEO



ທ່ານ ພັນໂນລາ ສຸຄະບັນດິດ
Mr. Phannola Soukbandith
ຮອງປະທານ ສະພາບໍລິຫານ
Vice Chairman/CFO



ທ່ານ ຄຳກົ້ງ ລ່ຽມ ພະຈັນ
Mr. khamkong Liemphrachanh
ສະມາຊິກສະພາ ບໍລິຫານ
Board Members



ທ່ານ ປະດິດ ວົງເສນາ
Mr. padith Vongsena
ສະມາຊິກສະພາ ບໍລິຫານ
Board Members



ທ່ານ ກິດສະດາ ສຸຄະບັນດິດ
Mr. kotsada Soukbandith
ສະມາຊິກສະພາ ບໍລິຫານ
Board Members / COO



ທ່ານ ວິທູນ ສຸຣິຍະວະນາກຸນ
Mr. Witoon Suriyawanakunl
ສະມາຊິກສະພາ ບໍລິຫານ
Board Members



ທ່ານ ວະຣິດ ຈິນຕະນາວັນ
Mr. Varith Chintanawan
ສະມາຊິກສະພາ ບໍລິຫານ
Board Members



ທ່ານ ນາງ ປະພັດສອນ ສຸຄະບັນດິດ
Ms. Paphatsone Soukbandith
ສະມາຊິກສະພາ ບໍລິຫານ
Board Members

The Third Quarter Report 2016

Vision

To become a leading modern construction materials and home decoration company in Lao PDR and connecting to ASEAN market.

Mission

To develop products and services to have high quality and keep them modern with the best on services. To train employees to gain their knowledge and to be more professional in order to become more responsibility. To expand the business all over the country in order to get the opportunities to connect with China and ASEAN as a part to support social and economic development of the country.

History of Souvanny

Souvanny Home Center Public Company ("the Company" or "SVN") operates one-stop shopping home center which provides both services and full-ranged products from construction material to home supplies and decoration such as, tile, sanitary ware, paint, home and office decoration material, furniture under the brand "Modernform", and being a sole distributor of Mitsubishi Electric's elevator and escalator in Lao PDR. Moreover, the Company also has services including the products recommendation to customers, interior design for kitchen and restroom, and product delivery. Most of the imported products of the Company are high quality with well-known brands easily recognized. There are over 400 brands with more than 30,000 products, effectively managed by modern computer system, focusing on distribution and warehouse system. The products can be separated into 7 categories (17 groups of products) vary to the customers' need under the slogan that "improving products and services to high quality, delivering full-range products with on time basis, satisfying customers, and continuous development". The Company's distribution channel is to sell through its own modern trade showrooms under the Lao PDR.'s top brand "Souvanny".

Souvanny's shop was established by Mrs. Souvanny Soukbandith (Mrs. Souvanny), Mr. Waddana Soukbandith (Mr. Waddana), and Mr. Phannola Soukbandith (Mr. Phannola). Nowadays, there are 4 branches in Vientiane, Lao PDR, consisting of Phontong branch (Head Office), Thongkhankham branch, Sikhai branch, and Thongtoum branch.

Year	Events
1988	➢ Souvanny shop was established from the vision of Ms. Souvanny seeing economic growth opportunity in Lao PDR, construction and infrastructure industries in particular, together with Mr. Waddana who just graduated in architecture and had a lot of experiences in construction. At this time was also the period of Government support to promote the enomony. As such, they decided to start distribution

Year	Events
	business of construction materials in a shop house (approximately area 50 sq.m) at Sisawat Village, Chanthabuly District, Vientiane Lao PDR. However, currently it becomes a sub-branch (Thongkhankham branch) with the registered capital LAK 3,250,000.
1993	➢ According to the rapid growth in the construction industry in Lao PDR, need of construction material products was increased, causing higher competition in the industry, leading the Company lost track on cost management. However, the Company eventually found the ways to directly buy the products from the suppliers in a time that the Government promote international trades on Thai-Lao border, leading the Company to be able to overcome its competitors. ➢ To improve the Company structure, the Company was registered as Souvanny Trading Export-Import Sole Company Limited with registered capital LAK 100,000,000.
1995	➢ The Company had changed product strategy from construction materials such as, steel and cement to decoration products such as, tile, sanitary ware, water tap, and others. This was because of slow growth, the high competition as well as inflexibility of product differentiation on construction material. At first, the decoration products were not done well because product trend is fast-changing, hard to manage. However, as the Company management did not give up on the problem, they had change the policy by creating product differentiation and improving trend management on styles of products to respond to the customers' need.
2000	➢ This was the beginning point of the Company rapid growth as the need in construction materials has increased, together with Mr. Kotsada Soubandith (Mr. Kotsada) graduating from abroad and coming to help manage the Company business. In this year, the Company opened Phontong branch operating the first one-stop shopping home center which provides both services and full-ranged products from construction materials to home supplies and decorations in modern trade showroom with shopping area of 1,500

Year	Events
	sq.m., warehouse space of 2,000 sq.m, and parking space of 20 units. Besides, the head office was moved from Thongkhankham branch to Phongtong branch (currently head office), the Thongkhankham branch become to a shop for the paints and equipments.
2004	➢ During this year, LaoPDRhad opened investment opportunitytoprepare for the host of the 25th Southeast Asian Games in 2009. As such, the Company decided to open Sikhai branch at Nahae Village, Sikhottabong District, Vientiane Lao PDRto operate the biggest one-stop shopping home center which provides both services and full-ranged products from construction materials to home supplies and decoration on the shopping space of 2,000 sq.m., warehouse space of 5,000 sq.m. and parking of 60 units.
2011	➢ In order to handle with the modern lifestyle, product variety of more than 30,000 products, the Company decided to renovate Phontong branch by adding more showroom space from 1,500 sq.m. to 4,320 sq.m., warehouse space from 2,000 sq.m. to 3,053 sq.m. and parking space from 20 units to 60 units, completed in 2013.
2012	➢ During this year, Lao PDR hosted the 9th Asia-Europe Meeting (ASEM) and Lao government approved many investment projects such as, building projects, shopping center projects, and etc. Therefore, the Company signed the agreement with Mitsubishi acting as a dealer and a services provider for elevators and escalators under Mitsubishi's brand, selling at a new branch at Thongtoum Village, Chanthabury District, Vientiane Lao PDR (Thongtoum branch)
2013	➢ The Company renovated Sikhai branch by adding more showroom space from 2,000 sq.m. to 6,520 sq.m., warehouse space from 5,000 sq.m to 12,230 sq.m. and parking space from 60 units to 130 units, completed in 2014.

Year	Events
	➢ To prepare for ASEAN Economic Community (AEC) which can intensify competition in Lao PDR and cause an increase in the apartments and office buildings, the Company signed the agreement with Modernform Group Public Company Limited to be a furniture dealer under Modernform's brand.
2015	➢ In 2015, the Company has transformed the business from Souvanny Trading Export-Import Sole Company Limited to Souvanny Trading Export-Import Company Limited with the registered capital LAK 500,000,000. ➢ Extraordinary General Shareholder's Meeting No. 1/2015, on 28th July, 2015 has approved the important issues as follow: ➢ Changing the par value from LAK 50,000 per share to LAK 2,000 per share ➢ Approving an increase in registered capital from LAK 500,000,000 to LAK 280 billion, total 140,000,000 shares. ➢ The Company was invested by Global House International Company Limited, a joint venture company between Siam Global House Public Company Limited and Siam Cement Public Company Limited, who provides both services and full-ranged products from construction materials to home supplies and decoration in Thailand, expecting to obtain business operation know-how to improve the Company business. ➢ Extraordinary General Shareholder's Meeting No. 3/2015, on 13th September, 2015, has agreed on the important issues as follow: ➢ Transforming the Company to public company and changing the company name to Souvanny Home Center Public Company ➢ Approving an increase in registered capital for Initial Public Offering (IPO) LAK 50 billion by issuing 25,000,000 ordinary shares, with par value of LAK 2,000 per share to respond to economic growth and become a listed company in Lao Securities Exchange (LSX).

Year	Events
2016	➢ The Company's share, SVN, was listed in LSX and first trading day on 11 December 2015. ➢ On 22/04/2016 Souvanny Home Center Public company mass meeting of Shareholders first place in the stock market's 8th floor 14:00 -15:45 participants all 118 people on their own 30 and 88 authorized total number of shares 157,729,900 shares ➢ On 12/08/2016, Souvanny Home Center Public company hold the board meeting in second at Souvanny Home Center Public company on 4th floor at 16:00-17:45 by joining 8 people

Marketing

The second quarter In 2016, the Company focused on the marketing department by setting the Marketing Research Department on 24 July, 2015 which had the duties to support the process of sale products and process of purchase products in order to reach the customers' need. Marketing Research Department consists of 14 people which has 7 women and 7 men, and divided in to 3 teams as follow:

a. New product research team: research and find new products to sell by following the steps: research the detail of products, the price, the need, and the purchasing power
b. Existing product analysis team: counting the products and preparing the slow-moved products to set the promotion in order to decrease inventories.
c. Statistic team: collecting data in the Company such as, the data of the supplier, the products and the price.

Moreover, the Company have marketing strategies as follow:

- **Product Strategy**: The Company chooses to procure products from suppliers with international standard in order to be able to provide high quality and various products to customers. Now, the Company has over 400 brands with 30,000 products, and in 2015 the Company has increase 23 new brands with more than 300 products in order to respond the customer's need, the detail as follow:

No.	Brand	Type
1	LONGWELL	Welding
2	HAUS	Bath Box, Basin Set
3	IYA	Silicone
4	BOJ	Knot
5	CROCODILE	Cement Grout
6	GREEN U PVC	Bathroom Door frame
7	KNK	Cart Cement

No.	Brand	Type
8	EVE	Gas Stove, Cooker hood
9	GATA	Lamp
10	THE THREE	Heat Reflector
11	GOLDEN HOME	Water Tap
12	SEKURE	Knob, Hinge
13	YIP & JACK	Tools
14	HI-TOP	Tools
15	HYGIENIC	Hand Dryer
16	MAZUMA	Water Heater
17	VANNACHAI	Door, Wood Flooring
18	BCG	Cement
19	TECNOGAS	Kitchen Furniture
20	BOSCH	equipment tools
21	SIAMPLAN	Knot and Furniture Equipment
22	NIPPON PAINT	Combined paints
23	STARMARK	Kitchen Furniture

- **Place Strategy**

The Company focuses on suitable and convenience places to build showrooms for each branch. For future plan, the Company will expand the branches in big cities in order to respond to increase demand of customers and potential growth in construction sector. The Company are also increase the advertisement to update the news of the Company such as, the information about the new products, the promotion and the drew lot to get the prize. The Company has divided the advertising in to 3 types as follow:

d. Printed matter such as, Newspaper, Magazine, Brochure, and others

e. Boarding such as, street sign board, and Led board

f. Electronic such as, internet, radio, TV, others application

Moreover, the Company participated in others events such as, the Architecture and the Engineer event at Lao ITEC, YEAL Expo 2015 at

National Convention Center at 5th K.M, Investment Gateway at LSX, and Product Expo of Ministry of Industry and Commerce at Lao ITEC. Moreover, the Company support for Social Project such as, blood donation project, support Judo athletes to the international competition, Vientiane Rescue project, building school project for children in the rural area, collecting about the donation on flood at Luang Prabang Province and others projects which use total budget of LAK 55,812,000

- **Promotion Strategy**

The Company had more policy for setting promotion that suitable for each group of product, and the Company focused on the New product, slow-moved product, and the products that had promotion from supplier as follow:

- Discounted price promotion in each festival such as, Lao New Year, New Year and other festivals.
- Discount and giving the premium from supplier such as, COTTO, BEGER, HAFELE, WOODTECT, GATA, KOHLER, and others.
- Lucky draw for rewards such as 100 pieces of 32" Samsung LCD TV and 2 bath of gold necklaces rewards.

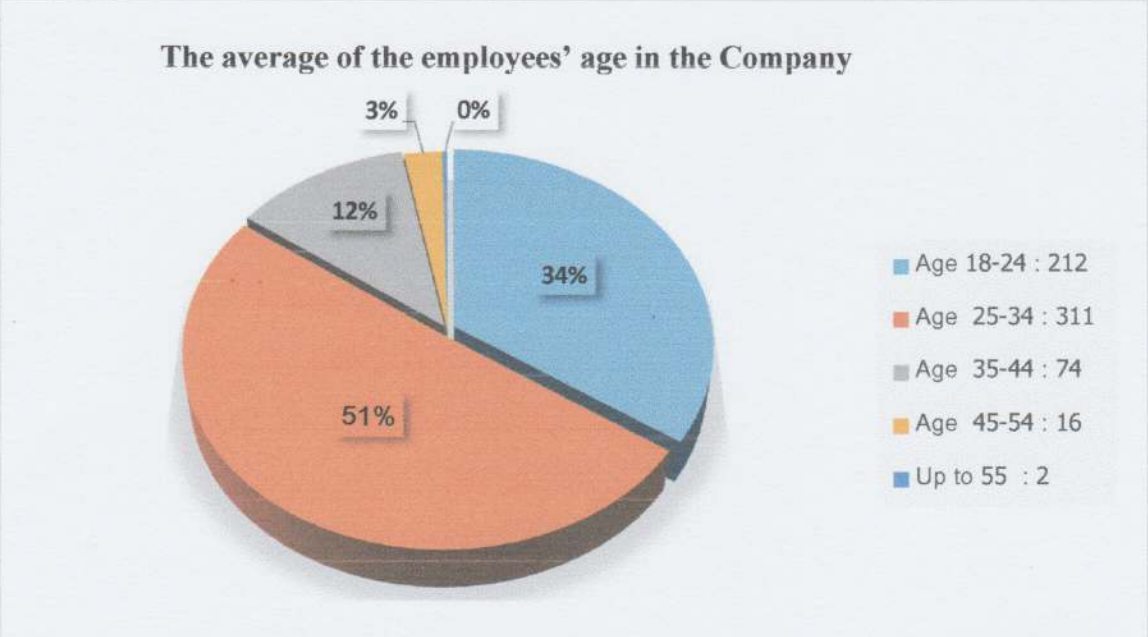
Human Resource

In 2015, the Company also focused on the strategy, and improving the organization by transforming from company limited to public company in order to comply the qualification and condition required by LSX's regulation.

In 2015, the Company had increase welfare by giving 3 vehicles to management, giving 121 tour packages for the good performance of employees.

- **Overview of the performance of the third quarter in 2016**

  - As at 31 December, 2015 the Company had total employees: 6 1 5 people,
  - New employees: 68 people, and replacement 15 people.
  - The Resignation of employee: 15 people or equivalent to 4 %
  - The termination of employee: 0 person
  - The Promotion of employee: 0 people (19 people in 2015).



- **Salary and welfare**

- Increasing the rate of salary of 10 %
- Giving the commission to employees 6 times a year
- Total budget for social security is LAK 234,765,600

- Total amount of Medical checkup is LAK 62,275,000
- Supporting for new born-baby LAK 7,505,000
- Supporting for employee and employee's relatives dead LAK 14,400,000

- **Activities for employees**

- Employees' outing 6 times a year
- Playing sport for harmony

- **Special policy**

- The Company will have the allowance for employees who hardworking and never leave work

Strategy of the Company

For the strategy in 2015, the Company is follow by the slogan that "improving the products and services to high quality, deliver full-range Products with on time basis, satisfying customers, and continuous development". Recently, the Company has received an international certificate from United Kingdom Accreditation Service (UKAS) which is ISO 9001:2008 Quality Management System, and the Company intends to get ISO 2015 every branches of the Company.

TAX

After the company Souvanny Home Center mass registration Stock Exchange Laos late 2015 the company was taken under the law of the Lao P.D.R. particular law Tax strictly seen from the performance bond tax state such as VAT 10% tax salaries tax, profits tax etc.

The state tax in Q3 2016

Item	Details	units	total value(kip)
1	Advance income tax		23,732,014,433
2	Salaries tax		615,294,719
3	Income tax		1,742,965,245
	Tatol		**26,090,274,397**

Summary of Business Operation Q3 2016

Finamcial Statemants

30 September 2016



ສຸວັນນີ
SOUVANNY
Home center

ບໍລິສັດ ສຸວັນນີ ໂຮມເຊັນເຕີ ມະຫາຊົນ
SOUVANNY HOME CENTER PUBLIC COMPANY
PHONGTONGSAVAT RD., BAN PHONGTONGSAVAT, CHANTHABULY DISTRICT, VTE., LAO PDR
OFFICE TEL: (85621) 415645, FAX / TEL: (85621) 262 984, WEBSITE.SOUVANNY.COM

Souvanny Home Center Public Company
Statement of financial position
As at 30 September 2016

	Note	30 September 2016 LAK	31 December 2015 LAK
Assets			
Current assets			
Cash and cash equivalents		42,036,545,443	96,575,616,427
Trade and other receivables, net		53,910,493,787	28,794,539,438
Inventories, net		96,858,397,449	73,244,828,356
Other current assets		6,914,142,391	3,070,175,100
Total current assets		199,719,579,070	201,685,159,321
Non-current assets			
Property, plant and equipment, net		333,419,180,734	320,523,942,056
Total non-current assets		333,419,180,734	320,523,942,056
Total assets		533,138,759,804	522,209,101,377

Waddana Soukabandith
Managing director
Date: 12 November 2016

Phannola Soukabandith
Deputy manging director
Date: 12 November 2016

The accompanying notes on pages 9 to 25 are an integral part of these financial statements.

Souvanny Home Center Public Company
Statement of financial position
As at 30 September 2016

	30 September 2016 LAK	31 December 2015 LAK
Liabilities and shareholders' equity		
Current liabilities		
Trade and other accounts payable, net	26,666,955,913	26,105,097,350
Current portion of long-term borrowings from financial institutions	252,010,000	252,957,748
Income tax payable	96,652,892	4,171,949,502
Other current liabilities	24,861,490,031	25,729,291,057
Total current liabilities	51,877,108,836	56,259,295,657
Non Current liabilities		
Long-term borrowings from financial institutions	672,205,396	885,352,182
Total non current liabilities	672,205,396	885,352,182
Total liabilities	52,549,314,232	57,144,647,839
Shareholders' equity		
Share capital		
Authorised share capital		
Ordinary shares 165 million shares at par value of LAK 2,000 (2014 : no par value and number of shares)	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 (2014 : no par value and number of shares)	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	2,940,819,647	2,092,819,578
Appropriated - Other reserve	2,690,819,647	1,842,819,578
Unappropriated	150,693,860,874	151,300,105,001
Translation adjustments	(30,471,779,318)	(44,907,015,341)
Total shareholders' equity	480,589,445,572	465,064,453,538
Total liabilities and shareholders' equity	533,138,759,804	522,209,101,377

Waddana Soukabandith
Managing director
Date: 12 November 2016

Phannola Soukabandith
Deputy manging director
Date: 12 November 2016

The accompanying notes on pages 9 to 25 are an integral part of these financial statements.

Souvanny Home Center Public Company
Statement of income
For the three-month period ended 30 September 2016

	30 September 2016 LAK
Revenue from sales	69,517,339,400
Revenue from services	320,481,011
Cost of sales	(58,192,124,713)
Cost of services	(3,795,235)
Gross profit	11,641,900,463
Other incomes	3,088,357,154
Selling expenses	(431,184,778)
Administrative expenses	(9,883,562,014)
Foreign exchange (loss)/gain, net	367,753,374
Profit before income tax expense	4,783,264,199
Income tax expense	(729,235,787)
Net profit for the period	4,054,028,412
Earnings per share	
Basic earnings per share	25

Waddana Soukabandith
Managing director
Date: 12 November 2016

Phannola Soukabandith
Deputy manging director
Date: 12 November 2016

The accompanying notes on pages 9 to 25 are an integral part of these financial statements.

Souvanny Home Center Public Company
Statement of income
For the three-month period ended 30 September 2016

	30 September 2016 LAK
Revenue from sales	210,697,049,774
Revenue from services	718,596,312
Cost of sales	(182,631,642,775)
Cost of services	(354,938,231)
Gross profit	28,429,065,080
Other incomes	4,356,193,601
Selling expenses	(1,298,011,456)
Administrative expenses	(21,686,888,044)
Foreign exchange (loss)/gain, net	51,842,544
Profit before income tax expense	9,852,201,725
Income tax expense	(1,372,201,032)
Net profit for the period	8,480,000,693

Earnings per share

Basic earnings per share	51

Waddana Soukabandith
Managing director
Date: 12 November 2016

Phannola Soukabandith
Deputy manging director
Date: 12 November 2016

The accompanying notes on pages 9 to 25 are an integral part of these financial statements.

Souvanny Home Center Public Company
Statement of changes in shareholder's equity
For the three-month period ended 30 September 2016

	Note	Issued and paid-up ordinary shares	Premium on share capital	Legal reserve	Other reserve	Unappropriated retained earnings	Translation adjustments	Total
		Million LAK	Million LAK	Million LAK	Million LAK	Million LAK	Million LAK	Million LAK
Opening balance 1 January 2015		500,000,000	-	250,000,000	-	136,557,548,375	(225,706,519)	137,081,841,856
Proceeds from shares issued		329,500,000,000	-	-	-	-	-	329,500,000,000
Premium on share capital		-	24,735,724,722	-	-		-	24,735,724,722
Legal reserve		-	-	1,842,819,578		(1,842,819,578)	-	-
Other reserve					1,842,819,578	(1,842,819,578)	-	-
Net profit for the year		-	-	-	-	18,428,195,782	-	18,428,195,782
Translation adjustments		-	-	-	-	-	(44,681,308,821)	(44,681,308,821)
Ending balance 31 December 2015		330,000,000,000	24,735,724,722	2,092,819,578	1,842,819,578	151,300,105,001	(44,907,015,340)	465,064,453,539
Opening balance 1 January 2016		330,000,000,000	24,735,724,722	2,092,819,578	1,842,819,578	151,300,105,001	(44,907,015,340)	465,064,453,539
Legal reserve		-	-	848,000,069	-	(848,000,069)	-	-
Other reserve					848,000,069	(848,000,069)	-	-
Net profit for the year		-	-	-	-	8,480,000,693	-	8,480,000,693
Dividend paid	12	-	-	-	-	(7,390,244,681)	-	(7,390,244,681)
Translation adjustments		-	-	-	-	-	14,435,236,022	14,435,236,022
Ending balance 31 March 2016		330,000,000,000	24,735,724,722	2,940,819,647	2,690,819,647	150,693,860,875	(30,471,779,318)	480,589,445,573

Waddana Soukabandith
Managing director
Date: 12 November 2016

Phannola Soukabandith
Deputy manging director
Date: 12 November 2016

The notes to the financial statements on pages 7 to 22 form an integral part of these financial statements.

Souvanny Home Center Public Company
Statement of cash flows
For the three-month period ended 30 September 2016

	Unaudited 30 September 2016 LAK
Cash flow from operating activities:	
Net profit before income tax for the period	9,852,201,725
Adjustments to reconcile net profit to net cash	
Depreciation	3,545,787,990
Translation Adjustment	(1,371,372,931)
Inventories provision	(1,784,014,383)
Trade and other receivable provision	(1,658,600,870)
Operating profit before working capital changes	8,584,001,531
Changes in working capital:	
- Trade and other receivables	(22,563,791,116)
- Inventories	(19,556,595,212)
- Other current assets	(3,748,692,528)
- Trade and other accounts payable	(248,244,079)
- Borrowings from related party	0
- Other current liabilities	(1,626,280,090)
- Income tax payable	0
Income tax paid	0
Cash generate from operating activities	(39,159,601,494)
Income tax paid	(4,171,949,502)
Net cash generate from operating activities	(43,331,550,996)
Cash flows from investing activities :	
Purchases of fixed asssets	(6,466,493,893)
Net cash used in investing activities	(6,466,493,893)
Cash flows from financing activities :	
Proceeds from a borrowing from bank	0
Proceeds from a short-term borrowing	
Repayment for bank overdraft	-
Repayment on a borrowing from bank	210,008,333
Interest paid	(39,961,423)
Dividend paid	(7,390,244,681)
Net cash from financing activities	(7,220,197,770)
Net increase/(decrease) in cash and cash equivalents	(57,018,242,660)
Cash and cash equivalent at the beginning of the period	96,575,616,427
Effect of exchange rate changes on cash and cash equivalent	2,479,171,676
Cash and cash equivalent at the end of the period	**42,036,545,444**
Significant non cash items	
Other payables from purchases of land and building	-

Waddana Soukabandith
Managing director
Date: 12 November 2016

Phannola Soukabandith
Deputy manging director
Date: 12 November 2016

The accompanying notes on pages 8 to 13 form part of this interim financial information.

Accounting policies

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

1. Basis of preparation

The accompanying financial statements have been prepared in accordance with the Company's principal accounting policies as described in Note 2 of these financial statements, which have been prepared generally under the historical cost convention.

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

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. Foreign currency translation

(a) Functional and presentation currency

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

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

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

- Assets and liabilities for each statement of financial position presented are translated at the closing rate on the reporting date except share capital, which is presented at historical cost.

- Income and expenses for each statement of income are translated at the average exchange rate during the year.

- All resulting exchange differences are recognised and presented under translation adjustments in shareholders' equity.

(b) Transactions and balances

Foreign currency transactions are translated into Thai Baht using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income under "foreign exchange gain (loss), net". The Exchange rate used are from Banque pour le Commerce Exterieur Lao Public (BCEL).

3. Property, plant and equipment

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

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

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

	Years
Building	20-30
Office equipment	3–5
Machineries	5
Furniture and fixtures	2–5
Motor vehicles	2–5

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

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

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

4. Cash and cash equivalents

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

5. 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.

6. 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.

7. Borrowings

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

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

8. 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.

9. Revenue recognition

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

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

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

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.

10. 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. Income tax expenses 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. Under the Lao Tax Law and accounting, tax expenses for the year are determined based on the profit calculated by the Company.

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.

11. Employee benefits

The Company was made contributions to the Social Security Fund as required by the Labour Law dated 24 December 2013. 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 is capped at LAK 2 million according to Article 56.

According to the Lao labour law, when staff retire and do not meet certain criterias as mentioned in the Law, therefore, the Company has obligation to pay to the staff for retirement expense.

Provisions for employee 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.

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

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

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.

10. 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. Income tax expenses 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. Under the Lao Tax Law and accounting, tax expenses for the year are determined based on the profit calculated by the Company.

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.

11. Employee benefits

The Company was made contributions to the Social Security Fund as required by the Labour Law dated 24 December 2013. 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 is capped at LAK 2 million according to Article 56.

According to the Lao labour law, when staff retire and do not meet certain criterias as mentioned in the Law, therefore, the Company has obligation to pay to the staff for retirement expense.

Provisions for employee 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.