SOUVANNY HOME CENTER PUBLIC COMPANY

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FINANCIAL STATEMENTS

31 DECEMBER 2021



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INDEPENDENT AUDITOR'S REPORT

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

Our opinion

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

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2021;
- 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 significant accounting policies and other explanatory information.

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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Emphasis of Matter - Basis of accounting

We draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements have been prepared in accordance with the Company's accounting policies which the accounting basis used in the preparation of these financial statements may differ from International Financial Reporting Standard (IFRS). 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 IFRS. Our opinion is not modified in respect to this matter.

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. We determine one key audit matter: Valuation of inventories. The matter was 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 the matter.

Key audit matter	How our audit addressed the key audit matter
Valuation of inventories Refer to Note 5 'Critical accounting estimates, assumptions and judgements' and Note 8 'Inventories, net' to the financial statements. As at 31 December 2021, the balance of inventories before allowance for impairment of inventory was amounting to LAK 292,865 million, representing 31% of the total assets of the Company and the allowance for slow moving and obsolete inventories was amounting to LAK 3,690 million. These inventories were mainly kept at the showrooms and warehouses. As at 31 December 2021, 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 categories of products 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: • obtain 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. • test 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. • analyse inventory movement and comparing this with the management's estimates of slow moving and obsolete inventories. • observe the physical count of inventories to assess the physical condition of those inventories and considering the allowance, particularly for obsolete and damaged inventories. • challenge 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 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 to revise and re-release the report.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation 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.

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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, actions taken to eliminate threats or safeguards applied.

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 Capital, Lao PDR
18 February 2022

SOUVANNY HOME CENTER PUBLIC COMPANY

STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 LAK	2020 LAK
Assets			
Current assets			
Cash and cash equivalents	6	3,285,274,048	3,734,536,186
Trade and other receivables, net	7	12,497,867,185	11,221,223,619
Inventories, net	8	289,175,467,358	244,475,544,506
Other current assets	9	7,159,850,423	7,373,681,890
Total current assets		**312,118,459,014**	**266,804,986,201**
Non-current assets			
Property, plant and equipment, net	10	637,484,068,573	603,046,157,185
Intangible assets, net	11	41,679,842	38,975,565
Total non-current assets		**637,525,748,415**	**603,085,132,750**
Total assets		**949,644,207,429**	**869,890,118,951**

Waddana SOUKHABANDITH
Chief Executive Officer
Date:18 February 2022

Phannola SOUKHABANDITH
Chief Financial Officer
Date:18 February 2022

The accompanying notes on pages 12 to 30 are an integral part of financial information.

SOUVANNY HOME CENTER PUBLIC COMPANY

STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 LAK	2020 LAK
Liabilities			
Current liabilities			
Bank overdraft and short-term borrowings	13	85,686,567,355	85,933,290,928
Trade and other payables	12	59,803,233,466	43,605,028,476
Current portion of long-term borrowings	13	13,820,250,486	9,068,667,781
Profit tax payable	14	4,066,651,565	740,792,797
Deposits from customers	15	2,129,487,607	1,130,450,932
Other current liabilities	16	14,747,214,631	16,545,347,976
Total current liabilities		**180,253,405,110**	**157,023,578,890**
Non current liabilities			
Long-term borrowings from financial institution	13	9,671,632,212	8,998,418,768
Total non current liabilities		**9,671,632,212**	**8,998,418,768**
Total liabilities		**189,925,037,322**	**166,021,997,658**
Equity			
Share capital			
Authorised share capital			
Ordinary shares 165 million shares at par value of LAK 2,000	17	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	18	8,440,875,640	5,973,926,973
Appropriated - other reserve	18	8,190,875,640	5,723,926,973
Unappropriated		180,915,608,468	164,542,719,132
Translation adjustments		207,436,085,637	172,891,823,493
Total equity		**759,719,170,107**	**703,868,121,293**
Total liabilities and equity		**949,644,207,429**	**869,890,118,951**

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SOUVANNY HOME CENTER PUBLIC COMPANY

STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 LAK	2020 LAK
Revenue from sales		455,188,800,941	396,712,890,643
Cost of sales	19	(358,083,962,107)	(326,144,236,331)
Gross profit		**97,104,838,834**	**70,568,654,312**
Other incomes		1,541,717,834	2,112,328,028
Selling expenses	19	(35,015,267,862)	(31,813,074,596)
Administrative expenses	19	(31,639,110,135)	(28,552,983,777)
Finance costs		(4,989,577,589)	(4,684,273,425)
Foreign exchange gain/(loss), net		1,610,145,798	5,076,201,776
Profit before income tax expense		**28,612,746,880**	**12,706,852,318**
Income tax expense	20	(3,943,260,210)	(697,394,936)
Net profit for the year		**24,669,486,670**	**12,009,457,382**
Earnings per share			
Basic earnings per share		150	73

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SOUVANNY HOME CENTER PUBLIC COMPANY

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	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 2020		330,000,000,000	24,735,724,722	4,772,981,235	4,522,981,235	157,575,153,226	105,400,043,455	627,006,883,873
Legal reserve		-	-	1,200,945,738	-	(1,200,945,738)	-	-
Other reserve		-	-	-	1,200,945,738	(1,200,945,738)	-	-
Net profit for the year		-	-	-	-	12,009,457,382	-	12,009,457,382
Dividend paid	21	-	-	-	-	(2,640,000,000)	-	(2,640,000,000)
Translation adjustments		-	-	-	-	-	67,491,780,038	67,491,780,038
Ending balance 31 December 2020		**330,000,000,000**	**24,735,724,722**	**5,973,926,973**	**5,723,926,973**	**164,542,719,132**	**172,891,823,493**	**703,868,121,293**
Opening balance 1 January 2021		330,000,000,000	24,735,724,722	5,973,926,973	5,723,926,973	164,542,719,132	172,891,823,493	703,868,121,293
Legal reserve		-	-	2,466,948,667	-	(2,466,948,667)	-	-
Other reserve		-	-	-	2,466,948,667	(2,466,948,667)	-	-
Net profit for the year		-	-	-	-	24,669,486,670	-	24,669,486,670
Dividend paid	21	-	-	-	-	(3,362,700,000)	-	(3,362,700,000)
Translation adjustments		-	-	-	-	-	34,544,262,144	34,544,262,144
Ending balance 31 December 2021		**330,000,000,000**	**24,735,724,722**	**8,440,875,640**	**8,190,875,640**	**180,915,608,468**	**207,436,085,637**	**759,719,170,107**

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SOUVANNY HOME CENTER PUBLIC COMPANY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 LAK	2020 LAK
Cash flow from operating activities:			
Net profit before income tax for the year		28,612,746,880	12,706,852,318
Adjustments for:			
Depreciation	10	18,280,657,823	16,947,511,588
Amortisation	11	26,848,512	43,159,625
(Gain)/Loss from disposes of property, plant and equipment		(26,915,457)	(11,657,267)
(Gain)/Loss on exchange rate		(507,670,338)	(3,545,406,395)
Interest expense		4,989,577,589	4,684,286,868
Inventories provision		73,117,833	39,528,134
Trade and other receivables provision		588,643,401	374,657,127
Allowance for sale return		130,957,064	102,605,704
Operating profit before working capital changes		52,167,963,307	31,341,537,702
Changes in operating assets and liabilities			
- Trade and other receivables		(1,454,749,302)	6,258,775,324
- Inventories		(32,972,704,626)	(14,988,004,227)
- Other current assets		569,744,061	1,625,047,249
- Trade and other accounts payable		12,501,743,628	(6,172,300,403)
- Deposits from customers		944,472,113	155,415,983
- Other current liabilities		(2,756,303,782)	(3,692,671,662)
Cash generated from operations		29,000,165,399	14,527,799,966
Interest paid		(4,830,017,364)	(4,643,196,115)
Income tax paid	14	(699,394,936)	(325,885,700)
Net cash used in operating activities		23,470,753,099	9,558,718,151
Cash flows from investing activities :			
Purchases of plant and equipments		(22,689,529,359)	(11,051,303,440)
Purchases of computer software		(28,511,654)	(7,960,427)
Proceeds from disposals of property, plant and equipments		125,517,385	140,789,700
Net cash used in investing activities		(22,592,523,628)	(10,918,474,167)

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SOUVANNY HOME CENTER PUBLIC COMPANY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 LAK	2020 LAK
Cash flows from financing activities :			
Proceeds from short-term borrowing		405,638,543,748	373,688,462,850
Repayment on borrowings from bank		(405,480,357,342)	(374,492,428,216)
Dividend paid	21	(3,362,700,000)	(2,640,000,000)
Net cash used in financing activities		(3,204,513,594)	(3,443,965,366)
Net decrease in cash and cash equivalents		(2,326,284,123)	(4,803,721,382)
Cash and cash equivalent at the beginning of the year	6	3,734,536,186	3,740,207,940
Effect of exchange rate changes on cash and cash equivalent		1,877,021,985	4,798,049,628
Cash and cash equivalent at the end of the year		**3,285,274,048**	**3,734,536,186**
Significant non-cash items			
Other payables from purchases of plant and equipment		1,591,866,396	554,738,341
Interest payable		159,560,225	41,090,752

Waddana SOUKHABANDITH
Chief Executive Officer
Date:18 February 2022

Phannola SOUKHABANDITH
Chief Financial Officer
Date:18 February 2022

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1. General information

Souvanny Home Center Public Company is a public company which is listed on the Lao Securities Exchange (LSX) and is incorporated and domiciled in Lao PDR. The Company principally 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 seven branches in Lao PDR: Phonetongsavath, Srikai, Xokyai, Paksan, Thakhaek, Savannakhet and Paskse.

These financial statements were authorised for issue by the Board of Directors on 18 February 2022.

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 no. 47/NA issued on 26 December 2013, Public Interest Enterprises (PIEs) are required to apply IFRS. However, Ministry of Finance has issued announcement No. 1137/MoF issued on 27 April 2020 and from Lao Securities and Exchange Commission Office (LSCO) dated 25 May 2020, which provided options for PIEs to prepare action plan for adoption IFRS within four-year period. The management is presently preparing action plan for implementation IFRS in accordance with the announcement. The accounting principles applied may materially differ from International Financial Reporting Standards (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. 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.

(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).

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 statement of changes in equity.

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 equipment	3-5
Furniture and fixtures	2-10
Motor vehicles	3-5

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.

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.

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.

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. The Company's policy to sell its products to the end customer with a right of return within 30 days. Therefore, a refund liability (included in trade and other payables) and a right to the returned goods (included in other current assets) are recognised for the products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level by applying expected value method. Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

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 20).

In Lao PDR, income tax returns are regularly reviewed in details 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. Accounting policies (Continued)

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 on 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. Significant events during the current period

The COVID-19 infections in Lao increased significantly during April of 2021 leading to the lockdown of Vientiane Capital and all provinces of Laos. This significant increase of infections is described as the second wave where stricter measures taken by various governments to contain the virus have affected the economic activity.

Management reviewed the effect from those events to their business, according to Lao environment which number of inflections is limited and can be controlled then this issue has not effect to their business. Management considered that there is no significant effect from Covid-19.

Management will continue to monitor the ongoing development and regularly assess the financial impact in respect for the valuation of assets, provisions and contingent liabilities.

4. 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.

4. Financial risk management (Continued)

4.1 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 2021, 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.

4.2 Credit risk

Credit risk arises mainly from sale on credit to company and individual customers. Management therefore carefully manages its exposure to credit risk. The Company's credit risk principles are as follow:

- Management always reviews and follow up all trade accounts receivables aged more than six months.
- Management assign team to involved in dealing directly with clients.
- Management evaluates the allowance for doubtful debts is set up from the outstanding account receivable balances that have been overdue are more than six months by review the recent historical payments and expectations regarding the future collectability.

4.3 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.

4.4 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.

4. Financial risk management (Continued)

4.5 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.

5. 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.

5.1 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.

5.2 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

6. Cash and cash equivalents

	2021 LAK	2020 LAK
Cash on hand	637,529,904	544,964,444
Deposits held at call with financial institutions	2,647,744,144	3,189,571,742
Cash and cash equivalents	3,285,274,048	3,734,536,186

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 1.75% - 2 % per annum (2019: 1.75% - 2.0% per annum).

7. Trade and other receivables, net

	2021 LAK	2020 LAK
Trade accounts receivable	10,628,677,359	11,252,147,774
Less Allowance for doubtful debts	(1,395,937,031)	(1,556,532,035)
Trade accounts receivable, net	9,232,740,328	9,695,615,739
Staff borrowings	196,184,144	12,090,950
Other receivables	3,068,942,713	1,513,516,930
	3,265,126,857	1,525,607,880
Trade and other receivables, net	12,497,867,185	11,221,223,619

The outstanding trade accounts receivable balance as at 31 December 2021 is aged as follows:

	2021 LAK	2020 LAK
Not yet due	4,074,416,366	4,210,619,066
Overdue:		
1–3 months	1,845,543,058	1,315,949,505
3-6 months	141,087,731	110,693,640
6-12 months	101,794,992	375,471,140
Over 12 months	4,465,835,212	5,239,414,423
Trade and other receivables, net	10,628,677,359	11,252,147,774
Less Allowance for doubtful debts	(1,395,937,031)	(1,556,532,035)
Trade accounts receivable, net	9,232,740,328	9,695,615,739

Trade accounts receivables aged more than six months are mainly receivables which are still trading actively. The allowance for doubtful debts is set up from the outstanding account receivable balances that have been overdue are more than six months and management's evaluation, based on recent historical payments of accounts receivable and expectations regarding the future collectability of accounts receivable.

8. Inventories, net

	2021 LAK	2020 LAK
Tiles and construction materials	109,890,212,695	81,710,695,044
Sanitary wares and faucets	29,025,548,974	28,798,727,764
Elevators and escalator parts	688,369,603	656,673,321
Roofs and decorations	33,803,249,621	30,254,654,905
Paints, tools and electrical equipment	116,282,368,939	95,758,442,493
Others	3,176,132,886	10,747,088,400
Less: Allowance for slow moving and obsolete	(3,500,789,509)	(2,617,492,376)
Allowance for diminution in the value of inventories	(189,625,851)	(833,245,045)
Inventories, net	289,175,467,358	244,475,544,506

The change in inventories recognised as an expense in the cost of sales in this year is LAK 358,083 million (2020: LAK 326,144 million).

As at 31 December 2021, 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 up to LAK 3,690 million (2020: LAK 3,451 million), as slow-moving inventories can be actually sold at a lower turnover. As a result, the related allowance and cost of goods sold has been adjusted up to be consistent with recent facts and analysis.

9. Other current assets

	2021 LAK	2020 LAK
Advance payments to suppliers	2,936,838,606	375,464,353
Prepaid insurance premium	150,125,591	119,393,895
Accrued rebate from suppliers (i)	2,228,267,751	5,132,920,784
Others (ii)	1,844,618,475	1,745,902,858
Other current assets	7,159,850,423	7,373,681,890

(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 2021 will be settled within the first quarter of 2022.

(ii) Others mainly consist of prepaid rental.

10. 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 2020							
Cost	267,896,239,572	150,644,994,413	5,736,689,295	33,810,598,797	14,529,147,764	21,774,965,409	494,392,635,250
Foreign exchange translation difference	64,824,101,466	30,349,372,168	459,099,999	3,369,084,188	1,571,249,410	9,793,478,389	110,366,385,620
Less Accumulated _Depreciation	-	(27,015,756,180)	(3,938,458,398)	(13,703,038,978)	(10,015,920,202)	-	(54,673,173,758)
Reclassify	-	(247,223)	72,589,053	(178,119,077)	107,265,682	(1,488,435)	-
Net book amount	**332,720,341,038**	**153,978,363,178**	**2,329,919,949**	**23,298,524,930**	**6,191,742,654**	**31,566,955,363**	**550,085,847,112**
For the year ended 31 December 2020							
Opening net book amount	332,720,341,038	153,978,363,178	2,329,919,949	23,298,524,930	6,191,742,654	31,566,955,363	550,085,847,112
Foreign exchange translation difference	35,557,602,395	16,841,706,621	71,357,620	2,886,524,355	276,965,740	2,796,722,648	58,430,879,379
Additions	-	15,059,382	659,979,033	1,458,698,980	875,036,511	8,597,300,808	11,606,074,714
Transfers in (out)	-	12,613,977,628	-	4,885,117,133	1,868,405	(17,500,963,166)	-
Disposals – net	-	(2,901,634)	(42,467,773)	(83,761,780)	(1,245)	-	(129,132,432)
Depreciation charge	-	(6,707,974,082)	(877,595,862)	(6,224,491,857)	(3,137,449,787)	-	(16,947,511,588)
Closing net book amount	**368,277,943,433**	**176,738,231,093**	**2,141,192,967**	**26,220,611,761**	**4,208,162,278**	**25,460,015,653**	**603,046,157,185**
As at 31 December 2020							
Cost	267,896,239,572	163,271,129,789	6,272,815,082	39,873,046,920	15,009,016,541	12,869,814,616	505,192,062,520
Foreign exchange translation difference	100,381,703,861	47,191,078,789	530,457,619	6,255,608,543	1,848,215,150	12,590,201,037	168,797,264,999
Less Accumulated _Depreciation	-	(33,723,977,485)	(4,662,079,734)	(19,908,043,702)	(12,649,069,413)	-	(70,943,170,334)
Net book amount	**368,277,943,433**	**176,738,231,093**	**2,141,192,967**	**26,220,611,761**	**4,208,162,278**	**25,460,015,653**	**603,046,157,185**

10. 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 2021							
Cost	267,896,239,572	163,271,129,789	6,272,815,082	39,873,046,920	15,009,016,541	12,869,814,616	505,192,062,520
Foreign exchange translation difference	100,381,703,861	47,191,078,789	530,457,619	6,255,608,543	1,848,215,150	12,590,201,037	168,797,264,999
Less Accumulated Depreciation	-	(33,723,977,485)	(4,662,079,734)	(19,908,043,702)	(12,649,069,413)	-	(70,943,170,334)
Net book amount	**368,277,943,433**	**176,738,231,093**	**2,141,192,967**	**26,220,611,761**	**4,208,162,278**	**25,460,015,653**	**603,046,157,185**
For the year ended 31 December 2021							
Opening net book amount	368,277,943,433	176,738,231,093	2,141,192,967	26,220,611,761	4,208,162,278	25,460,015,653	603,046,157,185
Foreign exchange translation difference	17,776,025,429	8,304,052,891	72,133,051	1,043,708,968	110,952,367	1,228,902,895	28,535,775,601
Additions	-	-	511,075,937	1,060,548,987	428,830,002	22,281,146,450	24,281,601,376
Transfers in (out)	-	11,888,972	121,276,275	3,170,810,610	9,524,198	(3,313,500,055)	-
Disposals – net	-	-	(38,877,123)	(59,929,948)	(695)	-	(98,807,766)
Depreciation charge	-	(7,246,045,817)	(997,655,059)	(7,091,542,781)	(2,945,414,166)	-	(18,280,657,823)
Closing net book amount	**386,053,968,862**	**177,808,127,139**	**1,809,146,048**	**24,344,207,597**	**1,812,053,984**	**45,656,564,943**	**637,484,068,573**
As at 31 December 2021							
Cost	267,896,239,572	163,283,018,761	6,752,322,407	43,883,776,851	15,162,256,741	31,837,461,011	528,815,075,343
Foreign exchange translation difference	118,157,729,290	55,495,131,680	602,590,670	7,299,317,511	1,959,167,517	13,819,103,932	197,333,040,600
Less Accumulated Depreciation	-	(40,970,023,302)	(5,545,767,029)	(26,838,886,765)	(15,309,370,274)	-	(88,664,047,370)
Net book amount	**386,053,968,862**	**177,808,127,139**	**1,809,146,048**	**24,344,207,597**	**1,812,053,984**	**45,656,564,943**	**637,484,068,573**

10. Property, plant equipment, net (continued)

The total additions of LAK 24,281 million consisted of cash transactions of LAK 22,689 million and non-cash transactions of LAK 1,592 million. All construction in progress was for the construction of new branches at Savannakhet province.

A land amount of LAK 576 million has been used for security against short-term borrowing with a foreign bank in Lao PDR.

11. Intangible assets, net

For the year ended 31 December 2020	**LAK**
Opening net book amount	69,553,646
Foreign exchange translation difference	4,621,117
Additions	7,960,427
Amortisation charge	(43,159,625)
Closing net book amount	38,975,565
As at 31 December 2020	
Cost	868,100,740
Foreign exchange translation difference	94,621,557
Less Accumulated amortisation	(923,746,732)
Net book amount	38,975,565

For the year ended 31 December 2021	**LAK**
Opening net book amount	38,975,565
Foreign exchange translation difference	1,041,135
Additions	28,511,654
Amortisation charge	(26,848,512)
Closing net book amount	41,679,842
As at 31 December 2021	
Cost	896,612,394
Foreign exchange translation difference	95,662,692
Less Accumulated amortisation	(950,595,244)
Net book amount	41,679,842

12. Trade and other payables

	2021 LAK	2020 LAK
Trade payable – third parties	47,745,460,523	30,733,059,887
Trade payable – related party (Note 22)	10,943,297,126	11,922,576,283
Other payable (i)	1,114,475,817	949,392,306
Trade and other payables	59,803,233,466	43,605,028,476

(i) Other payable represent refund liability from sale return.

13. Borrowings

	2021 LAK	2020 LAK
Current		
Bank overdraft	5,088,905,747	20,614,113
Short-term borrowings	80,597,661,608	85,912,676,815
Current portion of long-term borrowings	13,820,250,486	9,068,667,781
Non-current		
Long-term borrowings	9,671,632,212	8,998,418,768
Borrowings	109,178,450,053	104,000,377,477

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

	2021 LAK	2020 LAK
Borrowings		
At fixed rates	104,155,141,145	91,621,962,704
At floating rates	5,023,308,908	12,378,414,773
Borrowings	109,178,450,053	104,000,377,477

i) Short-term borrowing from Bank of Ayudhya Public Company Limited in Laos for which the interest rate is the Low Rate Limit (LRL) plus a percentage of the margin per annum. The repayments are required within five months after drawdown. The facilities are secured by the shareholder's land, and for the year ended 31 December 2021, there was an amount of LAK 33,046 million drawn down.

13. Borrowings (continued)

ii) Short-term loan from KASIKORN THAI BANK Limited in Laos for a contract amount of THB 110 million with an annual fixed interest of 6 % per annum. The repayments are required within 150 days after the drawdown and the interest has to be paid monthly. The borrowing was secured by the shareholder's land. For the year ended 31 December 2021, there was an amount of LAK 268,891 million drawn down.

iii) Short-term borrowing from Export-Import Bank from Thailand, contract start on 26 March 2020 with a fixed interest rate of 4%. The repayments are required within five months after the drawdown. The facilities are secured by the shareholder's land, and for the year ended 31 December 2021, there was an amount of LAK 73,272 million drawn down.

iv) Long-term loan from KASIKORN THAI BANK Limited in Laos for a contract amount of THB 110 million with an annual fixed interest of 6% per annum which is due in December 2022. The loan principle has been paid quarterly starting from March 2019 and the interest has to be paid monthly. The borrowing is secured by the shareholder's land. The loan was fully drawn down during the year 2018.

v) Long-term loan from KASIKORN THAI BANK Limited in Laos for a contract amount of THB 50 million with an annual fixed interest of 5% per annum which is due in December 2025. The loan principle has been paid quarterly starting from June 2021 and the interest has to be paid monthly. The borrowing is secured by the shareholder's land. The loan was fully drawn down during the year 2021.

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

14. Profit tax payable

The movement of profit tax payable for 2021 is as below:

	LAK
As at 1 January 2021	740,792,797
Profit tax expense for the year (Note 20)	3,943,260,210
Paid during the year	(699,394,936)
Foreign exchange translation difference	81,993,494
Profit tax payable as at 31 December 2021	4,066,651,565

15. Deposits from customers

Deposits are normally settled and cleared within 1-2 months, when the customers accept the delivery of goods.

16. Other current liability

The other current liability was accrued expenses which mainly consisted of accrued land rental. The accrued rental amount was LAK 2,594 million (2020: LAK 10,616 million) and other current liability amount LAK 12,153 million (2020: LAK 5,928 million).

17. Share capital

	Number of shares (Shares)	Ordinary Shares (LAK)	Share Premium (LAK)	Total (LAK)
At 1 January 2020	165,000,000	330,000,000,000	24,735,724,722	354,735,724,722
Issue of shares	-	-	-	-
At 31 December 2020	165,000,000	330,000,000,000	24,735,724,722	354,735,724,722
Issue of shares	-	-	-	-
At 31 December 2021	165,000,000	330,000,000,000	24,735,724,722	354,735,724,722

As at 31 December 2021, 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.

18. Reserves

Legal reserve

	2021 LAK	2020 LAK
At 1 January	5,973,926,973	4,772,981,235
Additions	2,466,948,667	1,200,945,738
At 31 December	8,440,875,640	5,973,926,973

The legal reserve is set up in accordance with the requirements in 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. Expenses by nature

Significant expenses classified by nature are as follows:

	2021 LAK	2020 LAK
Change in inventories	358,013,807,788	325,410,628,066
Salary, wages and other employee benefits	27,101,793,060	24,370,627,363
Allowance for inventory	70,154,486	733,608,265
Depreciation and amortisation (Note 10,11)	18,307,506,335	16,990,671,213
Sales promotion and operation support expenses	2,245,418,154	2,378,406,561
Rental fees – offices and showrooms	6,279,312,895	5,801,500,332
Fuel expense	1,860,176,080	1,620,128,876
Repairs and maintenance expense	2,472,805,765	1,649,244,465
Utilities	2,687,347,230	2,684,718,596
Professional fees	1,921,649,415	1,620,569,196
Others	3,778,368,896	3,250,191,771
	424,738,340,104	386,510,294,704

20. Profit tax expense

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.

	LAK
Reconciliation between income tax expense and accounting profit:	
Accounting profit before income tax	28,612,746,880
Non-deductible and reversal items for tax purpose (1)	(8,896,445,829)
Taxable income	19,716,301,051
Profit tax expense at the tax rate of 20% (2020:20%)	3,943,260,210

(1) Non-deductible and reversal items for tax purposes mainly comprise of the reversal of allowance from inventory and unrealised gained and gain/loss from revaluation of asset and liabilities in foreign currencies on closing date, depreciation on fixed assets that are in excess of the rate or term of life as defined in income tax.

21. Dividends

At the Annual General Meeting of Shareholders held on 9 April 2021, 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 2020 to 31 December 2020 of LAK 20.38 per share totalling LAK 3,362 million (2020: LAK 2,640 million). The dividend was paid in May 2021 to the shareholders.

22. 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 SOUKHABANDITH 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 2021 are summarised below.

22.1 Income and expenses

	2021 LAK	2020 LAK
Purchases of goods from related party	81,054,770,914	90,387,566,107
Rental expense	6,475,803,333	6,179,510,586

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.

22.2 Outstanding balances arising from related party transactions

	2021 LAK	2020 LAK
Accrued rental expense	2,594,224,397	10,616,396,603
Trade accounts payable – Related party	10,943,297,126	11,567,696,973

22.3 Key management compensation

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

	2021 LAK	2020 LAK
Salaries	2,138,794,365	1,818,024,116

23. 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.

	2021 LAK	2020 LAK
No later than 1 year	1,250,349,754	8,302,628,238
1-5 years	2,504,125,123	1,480,230,802
	3,754,474,877	9,782,859,040

24. Events after the reporting period

On 15 January 2022, the Company opened a new branch at Kaysone Phomvihan City, Savannakhet Province.

Aside from the events mention above, there are 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 2021.