SOUVANNY HOME CENTER PUBLIC COMPANY



FINANCIAL STATEMENTS

31 DECEMBER 2019

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INDEPENDENT AUDITOR'S REPORT

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

Our opinion

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

What we've audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2019
- the statement of income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence

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

Emphasis of Matter - Basis of accounting and restriction on distribution and use

Without qualifying our opinion, we draw attention to Note 2 to the financial statements, which describe the basis of accounting. The accounting basis used in preparing these financial statements may differ from generally accepted accounting principles adopted in other countries and jurisdictions. The readers should therefore be aware that the accompanying financial statements aren't intended to present the financial position and its financial performance and cash flows in accordance with generally accepted accounting principles adopted in jurisdictions other than Lao PDR.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we don't provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of trade accounts receivable Refer to Note 4 'Critical accounting estimates, assumptions and judgements' and Note 6 'Trade and other receivables, net' to the financial statements. As at 31 December 2019, the Company had net trade accounts receivable totalling LAK 16,223 million, representing 2% of total assets, and the allowance for doubtful debts totalled LAK 1,046 million which was 7% of net trade account receivable. There were significant long-outstanding balances including an overdue balance more than six months of LAK 622 million and overdue balance more than twelve months of LAK 2,125 million. The Company has a policy to assess the collectability of outstanding accounts receivable and set up an appropriate allowance for doubtful accounts. Management focused on accounts receivables that were more than six months overdue which hadn't been collected after the period ended and assessed the allowance based on the historical payment of accounts receivable and expectations regarding the collectability of accounts receivable. We focused on this area due to the significance of trade accounts receivable and because allowance for doubtful accounts is a management's accounting estimate. The estimates are developed by management based on their judgment on assumptions concerning the customer's ability to repay and other related credit risks.	We evaluated the appropriateness of the allowance for doubtful debts by: • assessing and testing the design and operating effectiveness of the controls over related segregation of duties, credit review and approval, and systems access and limitations • testing the reliability of the accounts receivable aging report which was used when assessing the related allowance • challenging management on the appropriateness of related policies applied in setting up the allowance • comparing the allowance for doubtful accounts receivable to both historical bad debts and collection outcomes including movements of trading balances • considering the possibility of debt collection including the available financial position and the related allowance which might be required based on individual accounts receivable, and • testing the subsequent collection of significant accounts receivable up to the date of the auditor's report. As a result, we found that the allowance for doubtful debts was reasonable and consistent with historical collection data.

Key audit matter	How our audit addressed the key audit matter
Valuation of inventories Refer to Note 4 'Critical accounting estimates, assumptions and judgements' and Note 7 'Inventories, net' to the financial statements. As at 31 December 2019, the total of net inventories was LAK 207,366 million, representing 26% of the total assets of the Company. Net inventories included an allowance for impairment of inventory of LAK 3,080 million which was 2% of net inventory. These inventories were mainly kept at the showrooms and warehouses. As at 31 December 2019, the Management reviewed the allowance for slow moving and obsolete inventories, taking into account both historical data including the physical condition of inventories from the counting of inventories. Management assessed the movement of inventories and identified product groups with slow-moving and obsolete indicators. Management then set up an allowance for slow-moving and obsolete inventories by applying the difference percentage for non-movement of six months or over, and also considered with the related historical data. Also, the Company remeasured the inventory value at the lower of cost or net realisable value (NRV). Management estimated the net realisable value from the estimated selling prices in the ordinary course of business, less applicable variable selling expenses. We focussed on this area because estimating the value of inventories involves a significant level of judgement by management to determine a reasonable percentage when setting up an allowance for non-movement inventories and the estimated selling price, to consider the inventory valuation is appropriate.	We evaluated the appropriateness of the inventory valuation by: • obtaining an understanding of the Company's policy with respect to the measurement of the value of inventories and reviewing the process of data collection to ensure the accuracy and completeness of related data being used • testing internal controls over the procurement and payment cycles including purchase requisition, purchase orders, goods received, payments, and recording, to reflect the accuracy of the cost of inventory. • analysing inventory movement and comparing this with the management's estimates of slow moving and obsolete inventories • observing the physical count of inventories to assess the physical condition of those inventories and considering the allowance, particularly for obsolete and damaged inventories • challenging management on the appropriateness of estimated selling price per unit using in calculation of NRV by randomly testing the selling prices after the year end and other related supporting evidence Based on the procedures above, we found that the management's estimation of allowances for slow-moving and obsolete inventories and NRV were reasonable.

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Other information

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

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

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

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

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

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

In preparing the financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going concern basis of accounting unless the management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We've communicated with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We've also provided the audit committee with a statement that we've complied with relevant ethical requirements regarding independence, and to communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of that communication.

For PricewaterhouseCoopers (Lao) Sole Company Limited



Apisit Thiengtrongpinyo
Partner
Vientiane, Lao PDR
25 February 2020

Souvanny Home Center Public Company
Statement of Financial Position
As at 31 December 2019

	Notes	2019 LAK	2018 LAK
Assets			
Current assets			
Cash and cash equivalents	5	3,740,207,940	8,873,646,944
Trade and other receivables, net	6	16,223,470,257	15,759,344,828
Inventories, net	7	207,366,001,254	192,544,408,281
Other current assets	8	8,129,892,874	5,789,722,614
Total current assets		235,459,572,325	222,967,122,667
Non-current assets			
Property, plant and equipment, net	9	550,085,847,112	490,347,457,551
Intangible assets, net	10	69,553,646	167,647,579
Other non-current assets		-	1,566,867,647
Total non-current assets		550,155,400,758	492,081,972,777
Total assets		785,614,973,083	715,049,095,444

Waddana SOUKHABANDITH
Chief Executive Officer
Date: 17 February 2020

Phannola SOUKHABANDITH
Chief Financial Officer
Date: 17 February 2020

The accompanying notes on pages 12 to 31 are an integral part of this financial statement.

Souvanny Home Center Public Company
Statement of Financial Position
As at 31 December 2019

	Notes	2019 LAK	2018 LAK
Liabilities and equity			
Liabilities			
Current liabilities			
Bank overdraft and short-term borrowings	12	70,121,900,273	57,561,798,309
Trade and other payables	11	44,470,100,376	44,053,148,989
Current portion of long-term borrowings	12	8,240,787,500	7,199,814,350
Profit tax payable	13	324,820,091	-
Deposits from customers	14	880,894,353	25,868,305,744
Other current liabilities	15	18,246,895,277	10,333,441,565
Total current liabilities		142,285,397,870	145,016,508,957
Non Current liabilities			
Long-term borrowings from financial institution	12	16,322,691,340	21,831,908,085
Total non current liabilities		16,322,691,340	21,831,908,085
Total liabilities		158,608,089,210	166,848,417,042
Equity			
Share capital			
Authorized share capital			
Ordinary shares 165 million shares at par value of LAK 2,000		330,000,000,000	330,000,000,000
Issued and paid-up share capital			
Ordinary shares 165 million shares at par value of LAK 2,000		330,000,000,000	330,000,000,000
Premium on share capital		24,735,724,722	24,735,724,722
Retained earnings			
Appropriated - legal reserve	17	4,772,981,235	3,652,027,345
Appropriated - Other reserve	17	4,522,981,235	3,402,027,345
Unappropriated		157,575,153,226	149,927,522,108
Translation adjustments		105,400,043,455	36,483,376,882
Total equity		627,006,883,873	548,200,678,402
Total liabilities and equity		785,614,973,083	715,049,095,444

Waddana SOUKHABANDITH
Chief Executive Officer
Date: 17 February 2020

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Chief Financial Officer
Date: 17 February 2020

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Souvanny Home Center Public Company
Statement of comprehensive income
For the year ended 31 December 2019

	Notes	2019 LAK	2018 LAK
Revenue from sales		384,272,694,949	333,881,394,225
Revenue from services		1,370,635,998	1,605,967,787
Cost of sales	18	(330,877,154,753)	(281,421,563,608)
Cost of services	18	(749,416,242)	(804,712,678)
Gross profit		**54,016,759,952**	**53,261,085,726**
Other incomes		15,137,736,762	5,603,556,218
Selling expenses	18	(30,829,541,798)	(28,865,208,947)
Administrative expenses	18	(27,533,139,575)	(24,284,445,657)
Finance costs		(5,369,603,263)	(4,491,330,120)
Foreign exchange loss, net		6,113,412,520	1,966,904,355
Profit before income tax expense		**11,535,624,598**	**3,190,561,575**
Profit tax expense	19	(326,085,700)	-
Net profit for the year		**11,209,538,898**	**3,190,561,575**
Earnings per share			
Basic earnings per share		68	20

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Date: 17 February 2020

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Souvanny Home Center Public Company
Statement of changes in equity
For the year ended 31 December 2019

	Notes	Issued and paid-up ordinary shares LAK	Premium on share capital LAK	Legal reserve LAK	Other reserve LAK	Unappropriated retained earnings LAK	Translation adjustments LAK	Total equity LAK
Opening balance 1 January 2018		330,000,000,000	24,735,724,722	3,332,971,187	3,082,971,187	149,025,072,849	12,759,549,711	522,936,289,656
Legal reserve		-	-	319,056,158	-	(319,056,158)	-	-
Other reserve		-	-	-	319,056,158	(319,056,158)	-	-
Net profit for the period		-	-	-	-	3,190,561,575	-	3,190,561,575
Dividend paid	20	-	-	-	-	(1,650,000,000)	-	(1,650,000,000)
Translation adjustments		-	-	-	-	-	23,723,827,171	23,723,827,171
Ending balance 31 December 2018		330,000,000,000	24,735,724,722	3,652,027,345	3,402,027,345	149,927,522,108	36,483,376,882	548,200,678,402
Opening balance 1 January 2019		330,000,000,000	24,735,724,722	3,652,027,345	3,402,027,345	149,927,522,108	36,483,376,882	548,200,678,402
Legal reserve		-	-	1,120,953,890	-	(1,120,953,890)	-	-
Other reserve		-	-	-	1,120,953,890	(1,120,953,890)	-	-
Net profit for the period		-	-	-	-	11,209,538,898	-	11,209,538,898
Dividend paid	20	-	-	-	-	(1,320,000,000)	-	(1,320,000,000)
Translation adjustments		-	-	-	-	-	68,916,666,573	68,916,666,573
Ending balance 31 December 2019		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

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Date: 17 February 2020

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Chief Financial Officer
Date: 17 February 2020

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Souvanny Home Center Public Company
Statement of Cash flows
For the year ended 31 December 2019

	Notes	2019 LAK	2018 LAK
Cash flow from operating activities:			
Net profit before income tax for the period		11,535,624,598	3,190,561,575
Adjustments for:			
Depreciation	9	14,170,930,520	11,902,241,767
Amortisation	10	98,569,624	308,434,261
Loss from disposes of property, plant and equipment		181,668,387	(104,097,362)
Gain/Loss on exchange rate		2,439,777,229	150,443,621
Interest expense		5,369,603,263	4,491,330,120
Allowance for slow moving and obsolete inventories (reversal)	18	427,345,393	(2,337,256,219)
Trade and other receivables provision (reversal)		(169,773,658)	(1,088,932,900)
Allowance for sale return of trade receivable		680,721,442	-
Operating profit before working capital changes		34,734,466,798	16,512,724,863
Changes in operating assets and liabilities			
- Trade and other receivables		990,778,325	3,920,693,630
- Inventories		8,769,428,219	(35,801,673,698)
- Other current assets		(1,617,948,922)	2,329,484,549
- Other non-current assets		1,762,321,786	(96,658,441)
- Trade and other accounts payable		(6,777,273,248)	(1,188,129,022)
- Deposits from customers		(28,214,274,512)	19,647,584
- Other current liabilities		6,624,439,973	3,462,234,731
Cash generated from operations		16,271,938,419	(10,841,675,804)
Interest paid		(5,369,603,263)	(4,302,064,709)
Profit tax paid	13	(1,300,000)	(154,000,000)
Net cash generated from/(used in) operating activities		10,901,035,156	(15,297,740,513)
Cash flows from investing activities :			
Purchases of plant and equipments	9	(12,086,507,778)	(21,057,619,375)
Purchases of intangible asset		-	(16,395,198)
Proceeds from disposals of property, plant and equipments		101,413,568	104,090,768
Net cash used in investing activities		(11,985,094,210)	(20,969,923,805)

Waddana SOUKHABANDITH
Chief Executive Officer
Date: 17 February 2020

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Chief Financial Officer
Date: 17 February 2020

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Souvanny Home Center Public Company
Statement of Cash flows
For the year ended 31 December 2019

	Notes	2019 LAK	2018 LAK
Cash flows from financing activities :			
Proceeds from a short-term borrowing		104,268,805,265	11,786,479,304
Repayment on a borrowings from bank		(106,978,792,266)	28,397,439,363
Dividend paid	20	(1,320,000,000)	(1,650,000,000)
Net generated from/(used in) financing activities		(4,029,987,001)	38,533,918,667
Net increase/ (decrease) in cash and cash equivalents		(5,114,046,055)	2,266,254,350
Cash and cash equivalent at the beginning of the period	5	8,873,646,944	6,419,034,448
Effect of exchange rate changes on cash and cash equivalents		(19,392,949)	188,358,146
Cash and cash equivalent at the end of the year		**3,740,207,940**	**8,873,646,944**
Significant non cash items			
Other payables from purchases of property plant and equipments		1,698,948,553	574,895,993
Interest payable		-	189,265,411

Waddana SOUKHABANDITH
Chief Executive Officer
Date: 17 February 2020

Phannola SOUKHABANDITH
Chief Financial Officer
Date: 17 February 2020

The accompanying notes on pages 12 to 31 are an integral part of this financial statement.

1. General information

Souvanny Home Center Public Company is a public company which is listed on the Lao Securities Exchange (LSX) and is incorporated and domiciled in Lao PDR. The Company principally trades in a full range of goods and materials for construction, additions, refurbishment, renovation and the improvement of buildings, houses and residences, and provides related services.

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

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

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

In 1 July 2019, the Company closed Thong Toum Branch located in Vientiane Capital, Lao PRD. This branch mainly operated for selling of elevator and escalator.

These financial statements were authorised for issue by the Board of Directors on 17 February 2020.

2. Accounting policies

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

2.1 Basis of preparation

The accompanying financial statements have been prepared in accordance with the Company's principal accounting policies as described below and have been prepared generally under the historical cost convention.

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

The preparation of financial statements requires management to make estimates and assumptions that affect the reported assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the revenues and expenses in the reported periods. Although these estimates are based on management's knowledge of current events and actions, actual results may materially differ from those estimates.

2. Accounting policies (Continued)

2.2 Foreign currency translation

(a) Functional and presentation currency

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

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

(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 shareholders' 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 equipments	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.

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

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

2.8.1 Borrowing costs

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

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

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

2.9 Provisions

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

2. Accounting policies (Continued)

2.10 Revenue recognition

Revenue comprises the invoice value of goods sold net of rebates and discounts. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods are transferred or delivered to the buyer. 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 13).

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. Financial risk management

Financial risk factors

The Company's activities expose it to certain financial risks: market risk (including currency risk, cash flow interest rate risk and price risk) credit risk and liquidity risk.

The Company's management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance in a cost-effective manner.

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

3.1 Foreign exchange risk

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

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

As at 31 December 2019, management hadn't established formal policies. Also management doesn't use any financial instruments or derivatives to manage the foreign exchange risk from trading and borrowing in Thai baht. However, management monitors the movement of foreign exchange rates regularly and may use financial instruments or derivatives to manage this risk if it considers it necessary in the future. Consequently, significant fluctuations in exchange rates could have a material adverse effect on the Company's business, results of operations, financial conditions and prospects.

3. Financial risk management (Continued)

3.2 Credit risk

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

3.3 Interest rate risk

The Company has no significant interest-bearing assets. But interest rate risk arises from borrowings which are issued at floating rates, as these expose the Company to cash flow interest rate risk. The company mitigated the risk with short-term borrowings. Management believes that the effect of the interest rate fluctuation will not affect the Company significantly.

3.4 Liquidity risk

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

3.5 Capital risk management

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

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

4. Critical accounting estimates, assumptions and judgements

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

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

4.1 Impairment of trade receivables

The Company has established the allowance for doubtful 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.

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

4.2 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

5. Cash and cash equivalents

	2019 LAK	2018 LAK
Cash on hand	792,983,112	891,617,104
Deposits held at call with financial institutions	2,947,224,828	7,982,029,840
Cash and cash equivalents	3,740,207,940	8,873,646,944

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%-2.0% per annum (2018: 1.89%-2.0% per annum).

In 2019, the Company closed bank account at Thong Toum Branch which was foreign bank in Lao PDR.

6. Trade and other receivables, net

	2019 LAK	2018 LAK
Trade accounts receivable	16,403,862,177	15,777,824,422
Less Allowance for doubtful debts	(1,045,710,145)	(1,088,932,900)
Trade accounts receivable, net	15,358,152,032	14,688,891,522
Staff borrowings	86,248,588	45,493,253
Other receivables	779,069,637	1,024,960,053
	865,318,225	1,070,453,306
Trade and other receivables, net	16,223,470,257	15,759,344,828

6. Trade and other receivables, net (continued)

The outstanding trade accounts receivable balance as at 31 December 2019 is aged as follows:

	2019 LAK	2018 LAK
Not yet due	4,788,775,093	3,813,529,908
Overdue:		
1–3 months	4,195,607,493	6,422,471,137
3-6 months	4,672,336,873	448,036,210
6-12 months	621,748,002	2,152,090,284
Over 12 months	2,125,394,716	2,941,696,883
Trade and other receivables, net	16,403,862,177	15,777,824,422
Less Allowance for doubtful debts	(1,045,710,145)	(1,088,932,900)
Trade accounts receivable, net	15,358,152,032	14,688,891,522

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 over due are more than six months and management's evaluation, base on recent historical payments of accounts receivable and expectations regarding the future collectability of accounts receivable.

7. Inventories, net

	2019 LAK	2018 LAK
Tiles and construction materials	67,494,498,893	52,071,257,040
Sanitary wares and faucets	40,737,822,842	34,257,653,349
Elevators and escalator parts	627,643,940	32,739,267,081
Roofs and decorations	35,002,699,546	29,724,537,549
Paints, tools and electrical equipment	65,224,287,953	44,088,791,967
Others	1,358,574,985	2,000,157,513
Less: Allowance for slow moving and obsolete	(1,304,948,065)	(979,921,185)
Allowance for diminution in the value of inventories	(1,774,578,840)	(1,357,335,033)
Inventories, net	207,366,001,254	192,544,408,281

The change in inventories recognised as an expense in the cost of sales in this period is LAK 328,179 million (2018: LAK 248,468 million).

As at 31 December 2019, 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 3,080 million (2018: LAK 2,337 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.

6. Trade and other receivables, net (continued)

The outstanding trade accounts receivable balance as at 31 December 2019 is aged as follows:

	2019 LAK	2018 LAK
Not yet due	4,788,775,093	3,813,529,908
Overdue:		
1–3 months	4,195,607,493	6,422,471,137
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Over 12 months	2,125,394,716	2,941,696,883
Trade and other receivables, net	16,403,862,177	15,777,824,422
Less Allowance for doubtful debts	(1,045,710,145)	(1,088,932,900)
Trade accounts receivable, net	15,358,152,032	14,688,891,522

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Others	1,358,574,985	2,000,157,513
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8. Other current assets

	2019 LAK	2018 LAK
Advance payments to suppliers	1,463,345,042	453,845,505
Prepaid insurance premium	129,187,610	96,869,874
Accrued rebate from suppliers (i)	4,176,248,318	4,531,136,748
Others (ii)	2,361,111,904	707,870,487
Other current assets	8,129,892,874	5,789,722,614

(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 2019 will be settled within the first quarter of 2019.

(ii) Others mainly consist of prepaid rental.

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

9. 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 2019							
Cost	267,896,239,572	149,782,148,002	5,921,712,355	32,551,130,776	14,970,319,671	11,326,813,155	482,447,363,531
Foreign exchange translation difference	27,923,026,818	13,013,731,593	181,229,934	664,833,377	740,578,612	7,452,085,877	49,975,486,211
Less Accumulated depreciation	-	(21,331,973,136)	(3,538,666,505)	(9,358,705,878)	(7,846,046,672)	-	(42,075,392,191)
Net book amount	295,819,266,390	141,463,906,459	2,564,275,784	23,857,258,275	7,864,851,611	18,777,899,032	490,347,457,551
For the year ended 31 December 2019							
Opening net book amount	295,819,266,390	141,463,906,459	2,564,275,784	23,857,258,275	7,864,851,611	18,778,899,032	490,348,457,551
Foreign exchange translation difference	36,901,074,648	17,335,640,575	277,870,065	2,704,250,811	830,670,798	2,341,391,878	60,390,898,775
Additions	-	564,161,016	258,408,321	1,201,728,869	179,799,000	11,581,359,125	13,785,456,331
Transfers in (out)	-	298,685,395	4,816,216	817,718,660	11,986,600	(1,133,206,871)	-
Disposals – cost	-	-	(448,246,963)	(759,979,508)	(632,957,507)	-	(1,841,183,978)
Disposals – depreciation	-	-	368,227,453	624,619,029	580,302,471	-	1,573,148,953
Depreciation charge	-	(5,683,783,044)	(768,019,346)	(4,968,952,129)	(2,750,176,001)	-	(14,170,930,520)
Closing net book amount	332,720,341,038	153,978,610,401	2,257,331,530	23,476,644,007	6,084,476,972	31,568,443,164	550,085,847,112
As at 31 December 2019							
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)
Net book amount	332,720,341,038	153,978,610,401	2,257,330,896	23,476,644,007	6,084,476,972	31,568,443,798	550,085,847,112

9. Property, plant equipment, net (continued)

The total additions of LAK 13,786 million consisted of cash transactions of LAK 12,087 million and non-cash transactions of LAK 1,699 million. All construction in progress was for the construction of new branches: Savannakhet and Thakek.

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

10. Intangible assets, net

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

For the year ended 31 December 2019	**LAK**
Opening net book amount	167,647,579
Foreign exchange translation difference	15,521,987
Additions	-
Disposals and write-off	(36,430,390)
Disposals – amortisation	21,384,094
Amortisation charge	(98,569,624)
Closing net book amount	69,553,646
As at 31 December 2019	
Cost	860,140,313
Foreign exchange translation difference	90,000,440
Less Accumulated amortisation	(880,587,107)
Net book amount	69,553,646

11. Trade and other payables

	2019 LAK	2018 LAK
Trade payable – third parties	43,706,320,526	44,053,148,989
Trade payable – related parties (Note 21)	45,829,983	-
Other payable (i)	717,949,867	-
Trade and other payables	44,470,100,376	44,053,148,989

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

12. Borrowings

	2019 LAK	2018 LAK
Current		
Bank overdraft	2,733,472,138	4,366,357,930
Short-term borrowings	67,388,428,135	53,195,440,379
Current portion of long-term borrowings	8,240,787,500	7,199,814,350
Non-current		
Long-term borrowings	16,322,691,340	21,831,908,085
Borrowings	94,685,379,113	86,593,520,744

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

	2019 LAK	2018 LAK
Borrowings		
At fixed rates	66,294,842,781	81,950,945,865
At floating rates	28,390,536,332	4,642,574,879
Borrowings	94,685,379,113	86,593,520,744

i) Short-term borrowing from Krungsri bank 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 2019, there was an amount of LAK 68,011 million drawn down.

ii) Short-term borrowing from LaoViet bank in Laos at a fixed interest rate of 6.5%. 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 2019, there was an amount of LAK 43,808 million drawn down.

12. Borrowings (continued)

iii) Short-term loan from Kasikorn bank in Laos for a contract amount of THB 110 million with an annual fixed interest of 6.4% 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 2019, there was an amount of LAK 97,682 million drawn down.

iv) Long-term loan from Kasikorn bank from 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 in the year ended 2018.

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

13. Profit tax payable

The movement of profit tax payable for 2019 is as below:

	LAK
Profit tax expense for the year (Note 19)	326,085,700
Paid during the year	(1,300,000)
Foreign exchange translation difference	34,391
Profit tax payable as at 31 December 2019	324,820,091

14. Deposits from customers

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

15. Other current liability

The other current liability was accrued expenses which mainly consisted of accrued land rental. The accrued rental amount was LAK 11,033 (2018: LAK 6,597 million) and other current liability amount LAK 7,214 (2018: LAK 5,671 million)

16. Share capital

	Number of shares (Shares)	Ordinary Shares (LAK)	Share Premium (LAK)	Total (LAK)
At 1 January 2018	165,000,000	330,000,000,000	24,735,724,722	354,735,724,722
Issue of shares	-	-	-	-
At 31 December 2018	165,000,000	330,000,000,000	24,735,724,722	354,735,724,722
Issue of shares	-	-	-	-
At 31 December 2019	165,000,000	330,000,000,000	24,735,724,722	354,735,724,722

As at 31 December 2019, 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.

17. Reserves

Legal reserve

	2019 LAK	2018 LAK
At 1 January 2019	3,652,027,345	3,332,971,187
Additions	1,120,953,890	319,056,158
At 31 December 2019	4,772,981,235	3,652,027,345

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

Other reserve

As well as the legal reserve, the Company also set aside 10% of net profit for the year as other reserve. This is in accordance with the Company's policies registered with the Ministry of Finance and dated 22 September 2017. The Other reserve is for unforeseeable events such as natural disasters. The Company will only use the reserve to recover its business' unforeseeable events

18. Expenses by nature

Significant expenses classified by nature are as follows:

	2019 LAK	2018 LAK
Change in inventories	329,699,145,166	283,843,535,834
Salary, wages and other employee benefits	25,691,831,018	27,943,556,205
Allowance for inventory (reversal) (Note 7)	427,345,393	(2,712,071,710)
Depreciation and amortisation (Note 9,10)	14,269,500,107	12,210,675,983
Sales promotion and operation support expenses	2,561,441,741	1,637,902,621
Rental fees – offices and showrooms	4,900,584,649	2,994,974,341
Fuel expense	1,688,599,843	1,479,115,164
Repairs and maintenance expense	1,204,089,278	774,663,957
Utilities	2,763,336,759	2,474,409,296
Professional fees	1,512,793,007	1,524,218,419
Others	5,270,585,407	3,204,950,780
	389,989,252,368	335,375,930,890

19. 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	11,535,624,482
Non-deductible and reversal items for tax purpose (1)	(10,176,934,259)
Taxable income (loss)	1,358,690,223
Profit tax expense at the tax rate of 24%	326,085,700

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

20. Dividends

At the Annual General Meeting of Shareholders held on 5 April 2019, it was resolved that dividend be paid to shareholders in respect of 2018 operating results at LAK 8 per share (2018 : LAK 10 per share), totalling LAK 1,320 million (2018: LAK 1,650 million). The dividend was paid in May 2019 to the shareholders.

In May 2018, the Company paid dividend in respect of 2017 operation to the shareholders at LAK 10 per share (2017: LAK 20 million), totalling LAK 1,650 million (2017: LAK 3,300 million).

21. Related-party transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by, or are under common control with, the Company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Company. Individuals owning, directly or indirectly, an interest in the voting rights in the Company that gives them significant influence over the enterprise, key management personnel, including Directors and officers of the company, and their immediate family members, and companies associated with these individuals, also constitute related parties.

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

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

The nature and amounts of significant related-party transactions for the year ended 31 December 2019 are summarised below.

21.1 Income and expenses

	2019 LAK	2018 LAK
Purchases of goods from related party	84,719,897,845	191,144,422
Rental expense	4,900,584,649	2,033,410,859

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

21.2 Outstanding balances arising from related party transactions

	2019 LAK	2018 LAK
Accrued rental expense	11,032,986,822	6,896,265,613
Trade accounts payable – Siam Global House Public Company Limited	12,267,503	-
Trade accounts payable – SCG Cement-Building Materials Company Limited	33,562,480	-

21. Related-party transactions (continued)

21.3 Key management compensation

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

	2019 LAK	2018 LAK
Salaries	1,650,440,000	1,794,825,000

22. Commitments and significant agreements

Operating lease commitments - where the Company is the lessee

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

	2019 LAK	2018 LAK
No later than 1 year	7,522,497,343	7,655,803,273
1-5 years	10,931,168,653	15,949,074,494
	18,453,665,996	23,604,877,767

23. The transferring of right to be a Mitsubishi elevator and escalator distributor

On 30 October 2019, the Company transferred its assets, properties, and rights as distributor of Mitsubishi elevator and escalator to MET and to its subsidiaries, wholly-owned by MET, in Lao PDR. The transfer includes sales contracts, employment contracts, inventories, spare parts and tools for maintenance, fix assets, and vehicles relating to sale of elevators and escalators. The selling price is USD 1.1 million (inclusive of value added tax), which is equivalent to LAK 9,513 million. As state in the Memorandum of Agreement between MET and the Company dated 30 October 2019, the Company paid for additional cost for incomplete project transferred amount THB 5.5 million, which is equivalent to LAK 1,648 million.

Related asset, properties and rights of the Company are as follow:

	2019 LAK
Inventory	622,214,550
Property, plant and equipment, net	268,035,659

24. Events after the reporting period

At the Board of Directors' meeting No.1/2020 held on 17 February 2020, the Board of Directors approved significant transaction as below

- Dividend payment from the business operation performance of the Company in 2019 at the rate of 30% of the total net profit after it is deducted for the reserves.

- Borrowing from banks and financial institutions both domestic and foreign to use for branch expansion and working capital of THB 250 million.

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 2019