Lao ASEAN Leasing Public Company

Financial Statements

For the year ended 31 December 2021



Lao ASEAN Leasing Public Company

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Lao ASEAN Leasing Public Company

GENERAL INFORMATION

THE COMPANY

Lao ASEAN Leasing Public Company ("the Company"), formerly known as Lao ASEAN Leasing Company Limited, is a public company incorporated in Lao PDR in accordance with Enterprise Registration No.081/ELSD issued by the Enterprise Licensing and Supervision Department, Ministry of Industry and Commerce on 5 February 2015 and the latest amendment which is Enterprise Registration No. 0222/ELSD dated 19 February 2019. The Company was granted approval from the Bank of Lao PDR (the "BOL") on 2 February 2015 and the latest amendment on 14 September 2017 for conducting its leasing activities. On 9 September 2019, the Company received the Certificate of Initial Public Offering (IPO) completion issued by Lao Securities Commission Office. The total 301,500,000 shares of the Company (under the ticker "LALCO") have been officially listed on Lao Securities Exchange since 19 August 2019.

The principal business operation of the Company is to provide hire-purchase services through providing credit line for individual and corporate customers to buy motorcycles and cars.

Paid-up capital

The Company's registered paid-up capital as at 31 December 2021 is LAK 30,150,000,000 (31 December 2020 is LAK 30,150,000,000).

Location

The Company's head office is located at 2nd Floor, NNN building, Phonsinuan Village, Sisattanak District, Vientiane Capital, Lao PDR.

THE BOARD OF DIRECTORS

Members of the Board of Directors as at the date of this report are as follows:

Name	*Position*	*Date of appointment/resignation*
Mrs. Yuki Scott	Chairwoman	Appointed on 19 December 2019
Mr. Mitsuteru Nagaya	Vice-chairman	Appointed on 15 September 2021
Ms. Makiko Oikawa	Vice-chairman	Appointed on 19 December 2019 Resigned on 15 September 2021
Mr. Shingo Yamanaka	Member	Appointed on 15 September 2021
Mr. Hirofumi Inada	Member	Appointed on 15 September 2021
Mr. Tomofumi Suematsu	Member	Appointed on 19 December 2019 Resigned on 15 September 2021
Mr. Tomohiro Yoshida	Member	Appointed on 19 December 2019 Resigned on 15 September 2021
Mrs. Harumi Ide	Member	Appointed on 19 December 2019

MANAGEMENT

Members of the Management during the year 2021 and at the date of this report are as follows:

Name	*Position*	*Date of appointment/resignation*
Mr. Shingo Yamanaka	General Director	Appointed on 15 September 2021
Ms. Risa Yamaguchi	General Director	Appointed on 9 January 2020 Resigned on 15 September 2021

GENERAL INFORMATION (continued)

LEGAL REPRESENTATIVE

The legal representative of the Company from 1 January 2021 to 14 September 2021 is Ms. Risa Yamaguchi – General Director.

The legal representative of the Company from 15 September 2021 to the date of this report is Mr. Shingo Yamanaka – General Director.

AUDITORS

The auditor of the Company is Ernst & Young Lao Co., Ltd.

Lao ASEAN Leasing Public Company

REPORT OF MANAGEMENT

The Management of Lao ASEAN Leasing Public Company ("the Company") is pleased to present its report and the Company's financial statements as at and for the year ended 31 December 2021.

MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

Management is responsible for the financial statements of each financial year which give a true and fair view of the financial position of the Company and its operational results and cash flows for the year. In preparing those financial statements, management is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue its business.

Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Company and to ensure that the accounting records comply with an appropriate accounting framework. It is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Management confirmed that it has complied with the above requirements in preparing the accompanying financial statements.

STATEMENT BY MANAGEMENT

Management does hereby state that, in its opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of the results of its operations, its changes in equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

For and on behalf of Management:

Mr. Shingo Yamanaka
General Director

Vientiane Capital, Lao PDR

22 April 2022

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Reference: 61235186/22823133

INDEPENDENT AUDITORS' REPORT

To: The shareholders of Lao ASEAN Leasing Public Company

Opinion

We have audited the financial statements of Lao ASEAN Leasing Public Company ("the Company"), which comprise the statement of financial position as at 31 December 2021, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance, its changes in equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements in Lao PDR, and we have fulfilled our other ethical responsibilities in accordance these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matters

We draw attention to:

Note 19 to the financial statements which disclosed: (i) there was a difference of profit tax payable as at 31 December 2020 between the amount recognised in the financial statements and the Tax Inspection Conclusion; and (ii) the Company has not declared and fully paid profit tax for the year end 31 December 2021. These matters may result in future obligations levied by the Tax Authority.

Our opinion is not modified in respect of this matter.

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. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

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Allowance for impairment of hire-purchase receivables

Critical accounting estimates and judgements in Note 6, and allowance for impairment of hire-purchases receivables in Note 16 of the financial statements. As at 31 December 2021, the Company had LAK 917 billion of hire purchase receivables representing 96% of total assets, and the Company has recognized LAK 67 billion of allowances for Expected Credit Loss ("ECL") related to these hire-purchase receivables. This is a key audit matter as significant judgement is involved to determine the provisions for doubtful debts.

Key areas of judgement included:

- the interpretation of the requirements to determine impairment under application of IFRS 9 - Financial Instruments, which is reflected in the Company's expected credit loss model;
- the identification of exposures with a significant increases in credit risk;
- assumptions used in the expected credit loss model including, but not limited to, the financial condition of the counterparty, expected future cash flows and forward-looking macroeconomic factors (e.g. gross domestic product growth, etc); and
- the need to apply additional overlays to reflect current or future external factors that are not appropriately captured by the expected credit loss model.

In conjunction with Actuarial and IT specialists in areas that required specific expertise our procedures to address the key audit matter included:

- We assessed the modelling techniques/methodology against the requirements of IFRS 9-Financial Instruments.
- We assessed and tested the design and operating effectiveness of the controls over the:
  - the completeness and accuracy of data used to determine the allowance for ECL, including transactional data captured at hire-purchase origination, ongoing internal credit quality assessments, storage of data in data warehouses and interfaces to the expected credit loss model.
  - expected credit loss model, including model build and approval, ongoing monitoring/validation, model governance and mathematical accuracy.
- We assessed and tested the material modelling assumptions as well as overlays with a focus on the:
  - key modelling assumptions adopted by the Company including comparing to market and historic experience ;
  - basis for and data used to determine overlays; and
  - sensitivity of the collective provisions to changes in modelling assumptions.
- We examined a sample of exposures and performed procedures to evaluate the:
  - timely identification of exposures with a significant deterioration in credit quality; and
  - expected loss calculation for exposures assessed on an individual basis.
- In addition, we assessed the adequacy of the disclosures in the Financial Report against the requirements of the IFRSs.

We involved Actuarial and IT specialists in areas that required specific expertise (i.e. data reliability and the expected credit loss model).

Responsibilities of the Company's Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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Auditors' 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 skepticism 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 management.
- Conclude on the appropriateness of 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.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Company's management 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.

For and on behalf of Ernst & Young Lao Co., Ltd



Ha Phuong Dang
Partner
Audit Practising Registration Certificate No. 038/LCPAA-ATP-2021

Vientiane Capital, Lao PDR

22 April 2022

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Lao ASEAN Leasing Public Company

STATEMENT OF PROFIT OR LOSS
for the year ended 31 December 2021

	Notes	2021 LAK	2020 LAK
Interest income calculated using effective interest method		256,732,697,133	231,983,384,223
Other interest and similar income		15,346,119,135	19,326,467,950
Interest expenses calculated using effective interest method		(9,679,244,700)	(44,576,285,134)
Net interest income	**8**	**262,399,571,568**	**206,733,567,039**
Fees and commission income		-	-
Fees and commission expense	9	(8,398,444,393)	(9,784,019,312)
Net fees and commission income		**(8,398,444,393)**	**(9,784,019,312)**
Net foreign exchange gain		103,680,940,685	5,385,128,847
Other operating income	10	2,002,072,309	1,334,558,290
Total operating income		**359,684,140,169**	**203,669,234,864**
Change in allowance for impairment losses	11	(24,507,494,648)	10,166,696,685
NET OPERATING INCOME		**335,176,645,521**	**213,835,931,549**
Personnel expenses	12	(36,770,255,955)	(30,689,830,127)
Depreciation of property and equipment	18	(1,181,831,355)	(988,360,672)
Other operating expenses	13	(41,670,268,237)	(35,237,763,516)
TOTAL OPERATING EXPENSES		**(79,622,355,547)**	**(66,915,954,315)**
PROFIT BEFORE TAX		**255,554,289,974**	**146,919,977,234**
Current profit tax expense	21	(23,574,159,408)	(20,694,852,744)
NET PROFIT FOR THE YEAR		**231,980,130,566**	**126,225,124,490**

Mr. Shingo Yamanaka
General Director

Mr. Adnan Ghani
Chief Finance Officer

Vientiane Capital, Lao PDR

22 April 2022

Lao ASEAN Leasing Public Company

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2021

	Notes	2021 LAK	2020 LAK
NET PROFIT FOR THE YEAR		**231,980,130,566**	**126,225,124,490**
Other comprehensive income		-	-
TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**231,980,130,566**	**126,225,124,490**
Earnings per share			
Basic, profit for the year attributable to ordinary equity holders	22	769	419

Mr. Shingo Yamanaka
General Director

Mr. Adnan Ghani
Chief Finance Officer

Vientiane Capital, Lao PDR

22 April 2022

Lao ASEAN Leasing Public Company

STATEMENT OF FINANCIAL POSITION
as at 31 December 2021

	Notes	31 December 2021 LAK	31 December 2020 LAK	1 January 2020 LAK
ASSETS				
Current assets				
Cash and cash equivalents	14	81,964,873,900	92,900,530,090	336,866,272,315
Deposit with Bank of the Lao PDR ("BOL")	15	1,968,900,000	1,968,900,000	1,667,400,000
Hire purchase receivables – current portion	16	701,029,640,354	470,747,714,292	296,845,940,995
Loan to related parties	24	-	5,233,900,000	-
Other current assets	17	18,591,620,393	11,404,014,665	19,815,434,179
Total current assets		**803,555,034,647**	**582,255,059,047**	**655,195,047,489**
Non-current assets				
Hire purchase receivables – non-current portion	16	149,230,910,050	146,793,146,336	331,597,361,828
Property and equipment	18	2,464,006,612	2,228,114,389	2,713,928,693
Other non current assets		1,338,916,081	203,975,082	292,466,164
Total non-current assets		**153,033,832,743**	**149,225,235,807**	**334,603,756,685**
TOTAL ASSETS		**956,588,867,390**	**731,480,294,854**	**989,798,804,174**
LIABILITIES				
Current liabilities				
Statutory obligations	19	107,675,829,407	88,170,186,528	75,855,488,988
Short-term borowings	20	3,904,187,334	9,277,676,355	5,812,911,034
Other current liabilities		7,380,336,747	4,746,003,449	2,844,791,336
Total current liabilities		**118,960,353,488**	**102,193,866,332**	**84,513,191,358**
Non-current liabilities				
Long-term borrowings	20	80,347,080,421	105,301,306,355	501,168,757,172
Due to related parties	24	1,316,180,748	-	6,356,857,967
Total non-curent liabilities		**81,663,261,169**	**105,301,306,355**	**507,525,615,139**
TOTAL LIABILITIES		**200,623,614,657**	**207,495,172,687**	**592,038,806,497**
EQUITY				
Registered paid-up capital	23	30,150,000,000	30,150,000,000	30,150,000,000
Share premium	23	155,497,646,314	155,497,646,314	155,497,646,314
Other capital		290,000,000	290,000,000	290,000,000
Retained earnings		570,027,606,419	338,047,475,853	211,822,351,363
TOTAL EQUITY		**755,965,252,733**	**523,985,122,167**	**397,759,997,677**
TOTAL LIABILITIES AND EQUITY		**956,588,867,390**	**731,480,294,854**	**989,798,804,174**

Mr. Shingo Yamanaka
General Director

Mr. Adnan Ghani
Chief Finance Officer

Vientiane Capital, Lao PDR

22 April 2022

Lao ASEAN Leasing Public Company

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2021

	Registered paid-up capital LAK	*Share premium LAK*	*Other capital LAK*	*Retained earnings LAK*	*Total LAK*
Balances as at 1 January 2020	**30,150,000,000**	**155,497,646,314**	**290,000,000**	**211,822,351,363**	**397,759,997,677**
Profit for the year	-	-	-	126,225,124,490	126,225,124,490
Balances as at 31 December 2020	**30,150,000,000**	**155,497,646,314**	**290,000,000**	**338,047,475,853**	**523,985,122,167**
Profit for the year	-	-	-	231,980,130,566	231,980,130,566
Balances as at 31 December 2021	**30,150,000,000**	**155,497,646,314**	**290,000,000**	**570,027,606,419**	**755,965,252,733**

Mr. Shingo Yamanaka
General Director

Mr. Adnan Ghani
Chief Finance Officer

Vientiane Capital, Lao PDR

22 April 2022

Lao ASEAN Leasing Public Company

STATEMENT OF CASH FLOWS
for the year ended 31 December 2021

	Notes	2021 LAK	2020 LAK
OPERATING ACTIVITIES			
Profit before tax		255,554,289,974	146,919,977,235
Adjustments for:			
Depreciation and amortization charges	18	1,181,831,355	988,360,672
Change in allowance for impairment losses	11	24,507,494,648	(10,166,696,685)
Interest expenses		9,679,244,700	44,576,285,134
Net foreign exchange (gain)/loss		(78,892,840,276)	(6,112,730,788)
Change in operating assets			
Net change in hire purchase receivable		(171,124,394,809)	38,166,896,437
Net change in loan to related parties		5,233,900,000	(5,233,900,000)
Net change in other assets		(7,187,605,727)	8,198,410,596
Change in operating liabilities			
Net change in due to related parties		1,316,180,748	-
Net change in other liabilities		(7,152,011,310)	(4,020,045,276)
Interest paid		(616,118,081)	(49,282,127,794)
Profit tax paid		(2,094,168,606)	(7,052,420,795)
Net cash flows from operating activities		**30,405,802,616**	**156,982,008,736**
INVESTING ACTIVITIES			
Acquisitions of property and equipment		(2,552,664,578)	(502,546,368)
Net cash flows used in investing activities		**(2,552,664,578)**	**(502,546,368)**
FINANCING ACTIVITIES			
Borrowing drawdown		55,230,000,000	17,912,000,000
Borrowing repayment		(94,018,794,228)	(418,357,204,593)
Net cash flows from/(used in) financing activities		**(38,788,794,228)**	**(400,445,204,593)**
Net change in cash and cash equivalents		**(10,935,656,190)**	**(243,965,742,225)**
Cash and cash equivalents at the beginning of the year	**14**	**92,900,530,090**	**336,866,272,315**
Cash and cash equivalents at the end of the year	**14**	**81,964,873,900**	**92,900,530,090**

Mr. Shingo Yamanaka
General Director

Mr. Adnan Ghani
Chief Finance Officer

Vientiane Capital, Lao PDR

22 April 2022

1. CORPORATE INFORMATION

Lao ASEAN Leasing Public Company ("the Company"), formerly known as Lao ASEAN Leasing Company Limited, is a public company incorporated in Lao PDR in accordance with Enterprise Registration No.081/ELSD issued by the Enterprise Licensing and Supervision Department, Ministry of Industry and Commerce on 5 February 2015 and the latest amendment which is Enterprise Registration No. 0222/ELSD dated 19 February 2019. The Company was granted approval from the Bank of Lao PDR (the "BOL") on 2 February 2015 and the latest amendment on 14 September 2017 for conducting its leasing activities. On 9 September 2019, the Company received the Certificate of Initial Public Offering (IPO) completion issued by Lao Securities Commission Office. The total 301,500,000 shares of the Company (under the ticker "LALCO") have been officially listed on Lao Securities Exchange since 19 August 2019.

The principal business operation of the Company is to provide hire-purchase services through providing credit line for individual and corporate customers to buy motorcycles and cars.

The registered paid-up capital as at 31 December 2021 is LAK 30,150,000,000 (31 December 2020 is LAK 30,150,000,000).

The Company's head office is located at 2nd Floor, NNN building, Phonsinuan Village, Sisattanak District, Vientiane Capital, Lao PDR.

Total number of employees of the Company as at 31 December 2021 is 656 people (2021: 593 people).

2. BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board "(IASB").

For all periods up to and including the year ended 31 December 2020, the Company prepared its special purpose financial statements in accordance with the accounting policies as described in Note 5 in which are primarily based on the IFRS as issued by International IAS but not a complete set of general-purpose financial statements prepared in accordance with IFRS. These financial statements for the year ended 31 December 2021 are the first time the Company has prepared a complete set of general-purpose financial statements in accordance with IFRS. Refer to Note 5.19 for information on how the Company adopted IFRS.

The Company maintains its accounting records in Lao Kip ("LAK") which is the Company's functional currency and presents its financial statements in Lao Kip.

The Company's fiscal years start on 1 January and end on 31 December.

3. STATEMENT OF COMPLIANCE

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB.

4. PRESENTATION OF FINANCIAL STATMENTS

The Company presents its statement of financial position in order of liquidity. Financial assets and financial liabilities are generally reported gross in the statement of financial position They are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognized amounts without being contingent on a future event, the parties also intend to settle on a net basic in all of the following circumstances:

- The normal course of business
- The event of default
- The event of insolvency or bankruptcy of the Company and/or its counterparties.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies applied by the Company in preparing its consolidated financial statements:

5.1 Foreign currency translation

Transactions in foreign currencies are initially recorded at the spot rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into LAK at the spot rate of exchange at the reporting date (see list of exchange rates of applicable foreign currencies against LAK on 31 December 2021 and 31 December 2020 as presented in Note 32). Unrealized exchange differences arising from the translation of monetary assets and liabilities on the reporting date are recognized in the statement of profit or loss.

5.2 Recognition of interest income

5.2.1 The effective interest rate method ("EIR")

Under IFRS 9, interest income is recorded using the EIR method for all financial assets measured at amortised cost. Interest expense is also calculated using the EIR method for all financial liabilities held at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Company recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the hire purchase receivable. Hence, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations of fixed rate financial assets' or liabilities' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset or liability on the balance sheet with a corresponding increase or decrease in Interest revenue/expense calculated using the effective interest method.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.2 Recognition of interest income (continued)

5.2.2 Interest and similar income and expense

Net interest income comprises interest income and interest expense calculated using the effective interest method and other methods. These are disclosed separately on the face of the income statement for both interest income and interest expense.

Interest income/expense calculated using the effective interest method, the Company only includes interest on those financial instruments that are set out in Note 5.2.1.

The Company calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial asset.

When a financial asset becomes credit-impaired and is therefore regarded as 'Stage 3', the Company calculates interest income by applying the EIR to the net amortised cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Company reverts to calculating interest income on a gross basis.

5.3 Net loss on derecognition of financial assets measured at amortised cost

Net loss on derecognition of financial assets measured at amortised cost includes loss (or income) recognised on sale or derecognition of financial assets measured at amortised costs calculated as the difference between the book value (including impairment) and the proceeds received.

5.4 Financial instruments - initial recognition

5.4.1 Date of recognition

All financial assets and liabilities, with the exception of hire purchase receivables, are initially recognized on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. This includes "regular way trades" - purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Hire purchase receivables are recognised when funds are transferred to pay for the assets under hire purchase agreements.

5.4.2 Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in Notes 5.6.1.1 and Note 5.6.1.2. Financial instruments are initially measured at their fair value (as defined in Note 5.6), except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from, this amount. Financial receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Company account for the Day 1 profit or loss, as described below.

5.4.3 'Day 1' profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Company recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.4 *Financial instruments - initial recognition* (continued)

5.4.4 Measurement categories of financial assets and liabilities

The Company classifies all of its financial assets based on the business model for managing the assets and the assets' contractual terms, measured at either:

- Amortised cost, as explained in Notes 5.6.1;
- FVOCI (The Company has not got any financial assets classified at FVOCI);
- FVTPL (The Company has not got any financial assets classified at FVTPL).

Financial liabilities are measured at amortised cost or at FVTPL when they are held for trading or the fair value designation is applied (The Company has not got any financial liabilities classified at FVTPL).

5.5 *Determination of fair value*

The Company uses the valuation techniques commonly used by market participants to price financial instruments and techniques which have been demonstrated to provide reliable estimates of prices obtained in actual market transactions. In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as summarised below:

- Level 1 financial instruments – Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Company accesses to at the measurement date. The Company considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available at the reporting date.
- Level 2 financial instruments – Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Company will classify the instruments as Level 3.
- Level 3 financial instruments – Those that include one or more unobservable input that is significant to the measurement as whole.

The Company evaluates the levelling at each reporting period on an instrument-by-instrument basis and reclassify instruments when necessary based on the facts at the end of the reporting period.

5.6 *Financial assets and liabilities*

5.6.1 Due to other credit institutions, Hire purchase receivables, Advance to related parties at amortised cost

The Company only measures due to other credit institutions, hire purchase receivables, advance to related parties at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The details of these conditions are outlined below.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.6 *Financial assets and liabilities* (continued)

5.6.1.1 Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective:

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The expected frequency, value and timing of sales are also important aspects of the Company's assessment. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

5.6.1.2 The SPPI test

As a second step of its classification process the Company assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.7 Reclassification of financial assets

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

5.8 De-recognition of financial assets and financial liabilities

5.8.1 Derecognition due to substantial modification of terms and conditions

The Company derecognises a financial asset, such as hire purchase receivables, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new hire purchase receivables, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised hire purchase receivables are classified as Stage 1 for ECL measurement purposes.

When assessing whether or not to derecognise a hire purchase receivable, amongst others, the Company considers the following factors:

- Change in the currency of the hire purchase receivable;
- Change in counterparty; and
- If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, as set out below, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Company records a modification gain or loss, to the extent that an impairment loss has not already been recorded. For financial liabilities, the Company considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent (10%). For financial assets, this assessment is based on qualitative factors.

5.8.2 Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when the rights to receive cash flows from the asset have expired. The Company also derecognises the assets if it has both transferred the asset, and the transfer qualifies for derecognition.

The Company has transferred the asset if, and only if, either:

- The Company has transferred its contractual rights to receive cash flows from the asset; Or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement.

Pass-through arrangements are transactions when the Company retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when certain conditions are met. At 31 December 2021, the Company does not have financial assets which are subject to such arrangements. when all of the following three conditions are met:

- The Company has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances by the entity with the right of full recovery of the amount lent plus accrued interest;
- The Company cannot sell or pledge the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; and

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.8 De-recognition of financial assets and financial liabilities (continued)

5.8.2 Financial assets (continued)

- The Company has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Company is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents, including interest earned, during the short settlement period from the collection date to the date of required remittance to the eventual recipients.

A transfer only qualifies for de-recognition if either:

- The Company has transferred substantially all the risks and rewards of the asset; Or
- The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Company considers control to be transferred if, and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

When the Company has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset continues to be recognised only to the extent of the Company's continuing involvement, in which case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Company would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

5.8.3 Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

5.8.4 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Financial assets and financial liabilities are generally reported gross in the statement of financial position except when IFRS netting criteria are met.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.8 De-recognition of financial assets and financial liabilities (continued)

5.8.4 Offsetting of financial assets and financial liabilities (continued)

Other instruments are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event and the Company also intends to settle on a net basis in all the following circumstances:

- The normal course of business;
- The event of default;
- The event of insolvency or bankruptcy of the Company and/or its counterparties.

5.9 Impairment of financial assets

5.9.1 Overview of the ECL principles

The Company's hire purchase receivable loss impairment applied a forward-looking ECL approach. The Company has been recording the allowance for expected credit losses for all hire purchase receivables and other debt financial assets not held at FVTPL in this section all referred to as 'financial instruments' .

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss ("12mECL") as outlined in Note 5.9.2. The Company's policies for determining if there has been a significant increase in credit risk are set out in Note 29.1.

The 12-month ECL is the portion of life time ECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on a collective basis as each hire purchase receivable of the Company is immaterial to the financial statements of the Company. The Company classes the hire purchase receivables to customers based on the product types.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in Note 29.1.

Based on the above process, the Company groups its hire purchase receivables into Stage 1, Stage 2 and Stage 3, as described below:

- Stage 1 When hire purchase receivables are first recognised, the Company recognises an allowance based on 12m ECLs. Stage 1 hire purchase receivables also include facilities where the credit risk has improved and the hire purchase receivables has been reclassified from Stage 2.
- Stage 2 When a hire purchase receivables has shown a significant increase in credit risk since origination, the Company records an allowance for the life time ECLs. Stage 2 hire purchase receivables also include facilities, where the credit risk has improved and the hire purchase receivable has been reclassified from Stage 3.
- Stage 3 Hire purchase receivables considered credit-impaired (as outlined in Note 29.1). The Company records an allowance for the life time ECLs.

For financial assets for which the Company has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.9 *Impairment of financial assets* (continued)

5.9.2 The calculation of ECLs

The Company calculates ECLs based on a three probability-weighted scenarios to measure the expected cash shortfalls, discounted at the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- Probability of Default ("PD") — The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PDs is further explained in Note 29.1.
- Exposure at Default ("EAD") — The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, accrued interest from missed payments. The EAD is further explained in Note 29.1.
- Loss Given Default ("LGD") — The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive. It is usually expressed as a percentage of the EAD. The LGD is further explained in Note 29.1.

When estimating the ECLs, the company calculates a weighted average of the macroeconomic forecasts from external sources. From there, the company takes into accounts the impact of economic factors to through-the-circle PD using expert judgments.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The mechanics of the ECL method are summarised below:

- Stage 1 — The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by the original EIR. PD calculation is made for each of the three scenarios, as explained above.
- Stage 2 — When a hire purchase receivables has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by the original EIR.
- Stage 3 — For hire purchase receivables considered credit-impaired, the Company recognises the lifetime expected credit losses for these hire purchase receivables. The method is similar to that for Stage 2 assets, with the PD set at 100%.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.9 Impairment of financial assets (continued)

5.9.3 Forward looking information

In its ECL models, the Company relies on a range of forward-looking information as economic inputs, such as:

- GDP growth;
- Foreign exchange rate.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

5.10 Write-offs

Financial assets are written off when the Company has no reasonable expectation of recovering a financial asset. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to other income.

5.11 Cash and cash equivalents

Cash in the statement of financial position comprise cash at banks with original matury of 3 months or less and cash on hand.

5.12 Property and equipment

Property and equipment is stated at cost excluding the costs of day–to–day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated using the straight–line method to write down the cost of property and equipment to their residual values over their estimated useful lives.

The following are annual rates used:

Computer equipment	20%
Furniture and fixtures	20%
Vehicles	20%

Property and equipment is derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in 'Other operating income' in the statement of profit or loss in the year the asset is derecognized.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.13 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

5.13.1 Company as a leasee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

5.14 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit ("CGU")'s fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre–tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.14 *Impairment of non-financial assets* (continued)

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

5.15 *Employee benefits*

Post-employment benefits

Post-employment benefits are paid to retired employees of the Company by the Social Security Fund Department which belongs to the Ministry of Labor and Social Welfare. The Company is required to contribute to these post-employment benefits by paying social insurance premium to the Social Insurance Agency at the rate of 6.00% of employee's basic salary on a monthly basis. The Company has no further obligation concerning post-employment benefits for its employees other than this.

Termination benefits

In accordance with Article 82 of the Amended Labour Law No. 43/NA approved by the President of the Lao People's Democratic Republic on 28 January 2014, the Company has the obligation to pay allowance for employees who are terminated by dismissal in the following cases:

- The worker lacks specialised skills or is not in good health and thus cannot continue to work;
- The employer considers it necessary to reduce the number of workers in order to improve the work within the labour unit.

For the termination of an employment contract on any of the above-mentioned grounds, the employer must pay a termination allowance which is calculated on the basis of 10% of the basic monthly salary earned before the termination of work. As at 31 December 2021, there is no employee of the Company who was dismissed under the above-mentioned grounds; therefore the Company has not made a provision for termination allowance in the financial statements.

5.16 *Provisions*

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the effect of the time value of money is material, the Company determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement in other operating expenses.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.17 Profit tax

Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it becomes probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred taxes are recognised as income tax benefits or expenses in the statement of profit or loss except for tax related to the fair value remeasurement of available-for-sale assets, foreign exchange differences and the net movement on cash flow hedges, which are charged or credited to OCI. These exceptions are subsequently reclassified from OCI to the statement of profit or loss together with the respective deferred loss or gain. The Company also recognises the tax consequences of payments and issuing costs, related to financial instruments that are classified as equity, directly in equity.

The Company only off-sets its deferred tax assets against liabilities when there is both a legal right to offset and it is the Company's intention to settle on a net basis.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.18 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 Annual Improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual period in which it will first apply the amendment and does not expect this will result in a material impact on its financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Company.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.19 First-time adoption of IFRS

These financial statements, for the year ended 31 December 2021, are the first the Company has prepared a complete set of general-purpose financial statements in accordance with IFRS. For periods up to and including the year ended 31 December 2020, the Company prepared its special purpose financial statements in accordance with the accounting policies as described in Note 5 to the prior years' financial statements which are primarily based on IFRS but not a complete set of general-purpose financial statements prepared in accordance with IFRS.

Accordingly, the Company has prepared financial statements that comply with IFRS applicable as at 31 December 2021, together with the comparative period data for the year ended 31 December 2020, as described in the summary of significant accounting policies. In preparing the financial statements, the Company's opening statement of financial position was prepared as at 1 January 2020, the Company's date of transition to IFRS. There is no significant difference, including the statement of financial position as at 1 January 2020 and the financial statements as of, and for, the year ended 31 December 2020 between these financial statements with the special purpose financial statements for the year ended 31 December 2020 which are primarily based on IFRS.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying the Company's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Company's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

6.1 Impairment losses on financial assets

The measurement of impairment losses both under IFRS 9 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

6.1 *Impairment losses on financial assets* (continued)

The Company's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Company's internal credit quality assesment, which assigns PDs to the individual grades;
- The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL or elements of ECL are is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as GDP growth, CPI index and the overdue rate, and the effect on PDs;
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It has been the Company's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

6.2 *Going concern*

The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

6.3 *Effective Interest Rate ("EIR") method*

The Company's EIR methodology, as explained in Note 5.2.1, recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of hire purchase receivables and borrowings and recognises the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges). This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, as well expected changes to other fee income/expense that are integral parts of the instrument.

6.4 *Fair value of financial instruments*

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfera liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

6.4 Fair value of financial instruments (continued)

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility. For further details about determination of fair value please see Note 5.5 and Note 31.

6.5 Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the tax losses can be utilised. Although in Laos tax losses can be utilised indefinitely, judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax-planning strategies.

When the Company can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Company records a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed. However, when the Company is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Company does not include detailed, case-specific disclosers in its financial statements.

Given the subjectivity and uncertainty of determining the probability and amount of losses, the Company takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

6.6 Provisions and other contingent liabilities

The Company operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in various litigation, arbitration and regulatory investigations and proceedings, arising in the ordinary course of the Company's business.

7. SEGMENT INFORMATION

A segment is a component determined separately by the Company which is engaged in providing products or related services (business segment) or providing products or services in a particular economic environment (geographical segment), that is subject to risks and returns that are different from those of other segments.

The Company's principal activities per Business License are rovide hire-purchase services through providing credit line for individual and corporate customers to buy motorcycles and cars. In addition, these activities are only taking place within Lao PDR. Therefore, the Company's risks and returns are not impacted by the Company's services that the Company is providing or the locations where the Company is doing the business. As a result, the Company's management is of the view that there is only one segment for business and geography and therefore presentation of segmental information is not required.

8. NET INTEREST INCOME

	2021 LAK	2020 LAK
Interest and similar income calculated using effective interest method from:		
Hire purchase receivables	256,702,705,986	231,912,130,077
Saving deposit	29,991,147	71,254,146
Other interest and similar income	15,346,119,135	19,326,467,950
	272,078,816,268	**251,309,852,173**
Interest expenses calculated using effective interest method for:		
Long-termborrowings	(9,679,244,700)	(44,576,285,134)
Net interest income	**262,399,571,568**	**206,733,567,039**

9. FEES AND COMMISSION EXPENSE

	2021 LAK	2020 LAK
Fees and commission expense for		
Commision fees	2,960,266,727	1,417,136,715
Car/bike ownership changing fee	3,847,961,000	5,496,980,000
Other fees	1,590,216,666	2,869,902,597
	8,398,444,393	**9,784,019,312**

10. OTHER OPERATING INCOME

	2021 LAK	2020 LAK
Other operating income	2,002,072,309	1,334,558,290
	2,002,072,309	**1,334,558,290**

11. CHANGE IN ALLOWANCE FOR IMPAIRMENT LOSSES

The table below shows the ECL charges on financial instruments for the year ended 31 December 2021 recorded in the statement of profit or loss:

	Note	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents	14	-	-	-	-
Deposit with BOL	15	-	-	-	-
Hire purchase receivables	16	(379,312,294)	(3,966,843,382)	(20,161,338,972)	(24,507,494,648)
		(379,312,294)	**(3,966,843,382)**	**(20,161,338,972)**	**(24,507,494,648)**

11. CHANGE IN ALLOWANCE FOR IMPAIRMENT LOSSES (continued)

The table below shows the ECL charges on financial instruments for the year ended 31 December 2020 recorded in the statement of profit or loss:

	Note	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Cash and cash equivalents	14	-	-	-	-
Deposit with BOL	15	-	-	-	-
Hire purchase receivables	16	327,318,311	14,886,217,447	(5,046,839,073)	10,166,696,685
		327,318,311	**14,886,217,447**	**(5,046,839,073)**	**10,166,696,685**

12. PERSONNEL EXPENSES

	2021 LAK	*2020 LAK*
Wages and salaries	30,738,735,616	24,851,275,198
Other staff costs	6,031,520,339	5,838,554,929
	36,770,255,955	**30,689,830,127**

13. OTHER OPERATING EXPENSES

	2021 LAK	*2020 LAK*
Marketing	54,125,400	117,838,908
Petrol	1,700,799,000	1,916,450,000
Supplies	4,025,907,138	3,429,653,629
Legal fees	233,077,000	468,611,620
Repairs and maintenance	1,400,921,137	1,251,873,346
Utilities	4,476,190,712	3,300,061,335
Insurance	110,900,969	119,333,676
Transportation and travel	3,661,646,288	2,605,009,068
Taxes and social insurance obligation	13,189,455,329	10,388,024,810
Rental expenses	5,987,715,761	4,648,390,111
Consultancy fee	3,856,770,815	3,221,850,901
Others	2,972,758,688	3,770,666,112
	41,670,268,237	**35,237,763,516**

14. CASH AND CASH EQUIVALENTS

	31 December 2021 LAK	*31 December 2020 LAK*	*1 January 2020 LAK*
Cash on hand	1,671,733,603	1,310,333,042	1,636,095,318
Demand/saving deposits at banks			
- in LAK	4,667,879,091	15,558,659,989	49,859,207,344
- in THB	603,256,838	2,930,974,327	9,701,950,668
- in USD	74,929,159,256	73,005,139,438	275,592,957,285
- in other currencies	92,845,112	95,423,294	76,061,700
Allowence for credit losses	-	-	-
	81,964,873,900	**92,900,530,090**	**336,866,272,315**

15. DEPOSIT WITH BANK OF THE LAO PDR ("BOL")

	31 December 2021 LAK	*31 December 2020 LAK*	*1 January 2020 LAK*
Registered capital reserve			
- in LAK	1,968,900,000	1,968,900,000	1,667,400,000
Allowence for credit losses	-	-	-
	1,968,900,000	**1,968,900,000**	**1,667,400,000**

Under regulations of the BOL, the Company is required to maintain a minimum balance of special deposit at the BOL which is at least 5% of the Company's registered capital and upon the notice of request from the BOL from time to time. This balance earns no interest.

16. HIRE PURCHASE RECEIVABLES

16.1 Hire purchase receivables

	31 December 2021 LAK	*31 December 2020 LAK*	*1 January 2020 LAK*
Hire purchase receivables	917,063,873,483	659,836,689,059	680,905,827,939
Allowance for impairment losses	(66,803,323,079)	(42,295,828,431)	(52,462,525,116)
	850,260,550,404	**617,540,860,628**	**628,443,302,823**
In which:			
Current portion	*701,029,640,354*	*470,747,714,292*	*296,845,940,995*
Non-current portion	*149,230,910,050*	*146,793,146,336*	*331,597,361,828*

Title of the goods is only transferred completely to the purchaser after the complete settlement of principal and interest. Each receivable is guaranteed by a third party who will be responsible for the payment in case the purchaser defaults.

16. HIRE PURCHASE RECEIVABLES (continued)

16.1 *Hire purchase receivables* (continued)

Interest rates for hire purchase receivables during the year are as follows:

	2021 % per month	*2020 % per month*
Hire purchase receivables from car product	0.00% - 5.15%	0.01% - 5.00%
Hire purchase receivables from bike product	1.80% - 10.00%	0.01% - 6.00%

Analysis by term

	31 December 2021 LAK	*31 December 2020 LAK*	*1 January 2020 LAK*
Short term	208,073,652,720	112,832,851,011	123,329,677,582
Medium term	649,975,864,727	488,033,014,402	473,756,799,730
Long term	59,014,356,036	58,970,823,646	83,819,350,627
	917,063,873,483	**659,836,689,059**	**680,905,827,939**

Analysis by currency

	31 December 2021 LAK	*31 December 2020 LAK*	*1 January 2020 LAK*
Hire purchase receivables denominated in LAK	17,053,216,717	17,572,356,110	13,399,170,836
Hire purchase receivables denominated in USD	851,667,268,695	611,330,013,731	644,749,594,476
Hire purchase receivables denominated in THB	48,343,388,071	30,934,319,218	22,757,062,627
	917,063,873,483	**659,836,689,059**	**680,905,827,939**

16.2 *Allowance for impairment losses*

The table below shows the credit quality and maximum exposure to credit risk based on the Company's stage classification. The amounts presented are gross of impairment allowances:

	31 December 2021			
Internal rating grade (Number of DPD)	*Stage 1 Collective LAK*	*Stage 2 Collective LAK*	*Stage 2 Collective LAK*	*Total LAK*
0 DPD	480,828,726,321		-	480,828,726,321
1 - 89 DPD	-	201,040,737,812	-	201,040,737,812
90+ DPD	-	-	235,194,409,350	235,194,409,350
	480,828,726,321	**201,040,737,812**	**235,194,409,350**	**917,063,873,483**

16. HIRE PURCHASE RECEIVABLES (continued)

16.2 Allowance for impairment losses (continued)

	31 December 2020			
Internal rating grade (Number of DPD)	*Stage 1 Collective LAK*	*Stage 2 Collective LAK*	*Stage 2 Collective LAK*	*Total LAK*
0 DPD	394,970,636,914		-	394,970,636,914
1 - 89 DPD	-	100,437,967,739	-	100,437,967,739
90+ DPD	-	-	164,428,084,406	164,428,084,406
	394,970,636,914	**100,437,967,739**	**164,428,084,406**	**659,836,689,059**

	31 December 2019			
Internal rating grade (Number of DPD)	*Stage 1 Collective LAK*	*Stage 2 Collective LAK*	*Stage 2 Collective LAK*	*Total LAK*
0 DPD	436,087,559,336		-	436,087,559,336
1 - 89 DPD	-	136,226,548,869	-	136,226,548,869
90+ DPD	-	-	108,591,719,734	108,591,719,734
	436,087,559,336	**136,226,548,869**	**108,591,719,734**	**680,905,827,939**

16. HIRE PURCHASE RECEIVABLES (continued)

16.2 Allowance for impairment losses (continued)

A reconciliation of changes in the gross carrying amount is as follows:

	Stage 1 Collective LAK	*Stage 2 Collective LAK*	*Stage 2 Collective LAK*	*Total LAK*
Gross carrying amount as at 01/01/2020	**436,087,559,336**	**136,226,548,869**	**108,591,719,734**	**680,905,827,939**
New assets originated or purchased	322,455,529,702	69,513,394,450	25,996,780,282	417,965,704,434
Payments and assets derecognised	(358,497,166,395)	(102,806,378,699)	(9,754,511,420)	(471,058,056,514)
Transfer to stage 1	15,000,705,905	(14,503,884,617)	(496,821,288)	-
Transfer to stage 2	(18,999,851,181)	19,676,390,735	(676,539,554)	-
Transfer to stage 3	(28,332,025,785)	(16,765,715,565)	45,097,741,350	-
Foreign exchange adjustment	27,255,885,332	9,097,612,566	(4,330,284,698)	32,023,213,200
As at 31/12/2020	**394,970,636,914**	**100,437,967,739**	**164,428,084,406**	**659,836,689,059**
New assets originated or purchased	395,648,060,708	137,384,489,161	28,698,732,381	561,731,282,250
Payments and assets derecognised	(335,141,386,099)	(70,675,784,994)	(16,462,017,067)	(422,279,188,160)
Transfer to stage 1	15,143,731,239	(14,755,796,318)	(387,934,921)	-
Transfer to stage 2	(47,815,875,654)	48,497,062,204	(681,186,550)	-
Transfer to stage 3	(24,890,990,384)	(17,493,118,932)	42,384,109,316	-
Foreign exchange adjustment	82,914,549,597	17,645,918,952	17,214,621,785	117,775,090,334
As at 31/12/2021	**480,828,726,321**	**201,040,737,812**	**235,194,409,350**	**917,063,873,483**

16. HIRE PURCHASE RECEIVABLES (continued)

16.2 Allowance for impairment losses (continued)

A reconciliation of changes in the corresponding ECL allowances is as follows:

	Stage 1 Collective LAK	*Stage 2 Collective LAK*	*Stage 2 Collective LAK*	*Total LAK*
Gross carrying amount as at 01/01/2020	**1,201,820,766**	**17,928,989,238**	**33,331,715,112**	**52,462,525,116**
New assets originated or purchased	660,592,171	2,025,817,982	1,945,027,040	4,631,437,193
Payments and assets derecognised	(913,894,619)	(16,423,180,677)	(8,555,942,550)	(25,893,017,846)
Transfer to stage 1	42,532,321	(41,201,930)	(1,330,391)	-
Transfer to stage 2	(90,426,635)	112,314,463	(21,887,828)	-
Transfer to stage 3	(117,458,352)	(2,345,115,777)	2,462,574,129	-
Foreign exchange adjustment	93,836,565	1,273,931,966	3,754,359,803	5,122,128,334
Impact on ECL of exposures transferred between stages during the period	-	511,216,526	7,353,487,235	7,864,703,761
Changes to models and inputs used for ECL calculations	(2,499,762)	-	(1,889,448,365)	(1,891,948,127)
Net movement of ECL allowances (Note 11)	*(327,318,311)*	*(14,886,217,447)*	*5,046,839,073*	*(10,166,696,685)*
Gross carrying amount as at 01/01/2020	**874,502,455**	**3,042,771,791**	**38,378,554,185**	**42,295,828,431**
New assets originated or purchased	952,355,403	4,591,941,328	2,008,598,266	7,552,894,997
Payments and assets derecognised	(634,642,146)	(2,421,079,391)	(4,026,033,641)	(7,081,755,178)
Transfer to stage 1	63,263,195	(62,416,225)	(846,970)	-
Transfer to stage 2	(147,663,091)	165,355,247	(17,692,156)	-
Transfer to stage 3	(100,508,652)	(670,888,344)	771,396,996	-
Foreign exchange adjustment	206,818,225	719,699,441	8,784,893,411	9,711,411,077
Impact on ECL of exposures transferred between stages during the period	(5,878,945)	1,525,752,112	9,410,259,388	10,930,132,555
Changes to models and inputs used for ECL calculations	45,568,305	118,479,214	3,230,763,678	3,394,811,197
Net movement of ECL allowances (Note 11)	*379,312,294*	*3,966,843,382*	*20,161,338,972*	*24,507,494,648*
As at 31/12/2021	**1,253,814,749**	**7,009,615,173**	**58,539,893,157**	**66,803,323,079**

17. OTHER ASSETS

	31 December 2021 LAK	*31 December 2020 LAK*	*1 January 2020 LAK*
Advances to related parties (Note 24)	12,198,471,068	96,591,650	-
Dividend tax advance	1,487,761,490	1,487,761,490	1,487,761,491
Advances to other parties	-	6,116,513,481	11,006,734,837
Other advances	1,023,296,577	291,818,469	756,507,869
Rental prepayment	2,359,759,843	2,338,968,613	2,242,209,206
Others	1,522,331,415	1,072,360,962	4,322,220,776
	18,591,620,393	**11,404,014,665**	**19,815,434,179**

18. PROPERTY AND EQUIPMENT

Movements of property and equipment for the year ended 31 December 2021 are as follows:

	Vehicles LAK	*Furniture and fixtures LAK*	*Computer equipment LAK*	*Total LAK*
Cost				
As at 1 January 2021	4,369,517,343	578,433,347	2,935,433,845	7,883,384,536
Additions	-	267,554,773	1,150,168,807	1,417,723,579
As at 31 December 2021	4,369,517,343	845,988,120	4,085,602,652	9,301,108,115
Accumulated depreciation				
As at 1 January 2021	3,963,444,172	287,953,011	1,403,872,963	5,655,270,147
Charge for the year 2021	140,771,014	110,994,043	930,066,300	1,181,831,355
As at 31 December 2021	4,104,215,186	398,947,054	2,333,939,263	6,837,101,503
Net book value				
As at 1 January 2021	406,073,171	290,480,336	1,531,560,882	2,228,114,389
As at 31 December 2021	265,302,157	447,041,066	1,751,663,389	2,464,006,612

18. PROPERTY AND EQUIPMENT (continued)

Movements of property and equipment for the year ended 31 December 2020 are as follows:

	Vehicles LAK	*Furniture and fixtures* LAK	*Computer equipment* LAK	*Total* LAK
Cost				
As at 1 January 2020	4,369,517,343	411,694,422	2,599,626,403	7,380,838,168
Additions	-	166,738,926	335,807,442	502,546,368
As at 31 December 2020	4,369,517,343	578,433,348	2,935,433,845	7,883,384,536
Accumulated depreciation				
As at 1 January 2020	3,656,270,556	185,053,457	825,585,462	4,666,909,475
Charge for the year 2020	307,173,616	102,899,555	578,287,501	988,360,672
As at 31 December 2020	3,963,444,172	287,953,012	1,403,872,963	5,655,270,147
Net book value				
As at 1 January 2020	713,246,787	226,640,965	1,774,040,941	2,713,928,693
As at 31 December 2020	406,073,171	290,480,336	1,531,560,882	2,228,114,389

19. STATUTORY OBLIGATIONS

	31 December 2021 LAK	*31 December 2020* LAK	*1 January 2020* LAK
Personal income taxes	404,976,126	404,976,125	5,413,787
Foreign contractor withholding taxes	2,547,423,695	8,490,226,552	10,217,523,299
Profit tax (*)	100,754,974,653	79,274,983,851	65,632,551,902
Other	3,968,454,933	-	-
	107,675,829,407	**88,170,186,528**	**75,855,488,988**

(*) Detail of profit tax payable are as follow:

	31 December 2021 LAK	*31 December 2020* LAK	*1 January 2020* LAK
Prior years (i)	77,480,815,245	58,680,131,107	27,443,966,079
Current year (ii)	23,274,159,408	20,594,852,744	38,188,585,823
	100,754,974,653	**79,274,983,851**	**65,632,551,902**

(i) This is the difference of profit tax payable between the amount recognised in the financial statements and the Tax Inspection Conclusion based on the Tax Inspection Minutes by the Tax Authority on the tax inspection results for the years 2015 – 2020.

(ii) This is the remaining profit tax payable for year 2021. The Company has not declared profit tax for the year ended 31 December 2021 with the total amount of LAK 23.6 billion and has just paid in advance the amount of LAK 300 millions for the profit tax obligation.

These matters may result in future obligations levied by the Tax Authority.

20. BORROWINGS

Borrowings as at 31 December 2021 are as follows:

Lender	*31 December 2021 LAK*	*31 December 2020 LAK*	*1 January 2020 LAK*
Banque Franco-Lao Bank	3,904,187,334	12,666,524,877	5,812,911,034
First Geneva	-	57,600,515,586	173,084,439,747
Varteni Investment Limited	80,347,080,421	44,311,942,247	328,084,317,425
	84,251,267,755	**114,578,982,710**	**506,981,668,206**
In which:			
Current portion	*3,904,187,334*	*9,277,676,355*	*5,812,911,034*
Non-current portion	*80,347,080,421*	*105,301,306,355*	*501,168,757,172*

21. PROFIT TAX

Current profit tax

The major components of income tax expense for the years ended 31 December 2021 and 31 December 2020 are:

	2021 LAK	*2020 LAK*
Current profit tax:		
Current income tax charge	33,222,057,697	19,099,597,040
Adjustment in respect of others	(9,647,898,289)	1,595,255,704
Income tax expense reported in the statement of profit or loss	**23,574,159,408**	**20,694,852,744**

In accordance with the Law on Profit Tax No.67/NA dated 18 June 2019 (replaced the Tax Law No.70/NA) which is effective for the periods from 1 January 2020, PT rate at 13% applies to the listed company in LSX for a period of fours years commencing from listed date and at 20% for the subsequent years. Accordingly, the Company's PT rate for the years from 2020 to 2022 is 13%.

Because the application of tax laws and regulations in many types of transactions is susceptible to varying interpretations, amounts reported in the financial statements could be changed at a later date upon final determination by the tax authorities.

22. EARNINGS PER SHARE

Basic Earnings per share ("EPS") is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

The following table reflects the income and share data used in the basic EPS calculations:

	2021 LAK	*2020 LAK*
Profit attributable to ordinary equity holders of the parent	231,980,130,566	126,225,124,490
Weighted average number of ordinary shares	301,500,000	301,500,000
Earnings per share	769	419

23. PAID UP CAPITAL

23.1 Ordinary shares

	31 December 2021		*31 December 2020*		*1 January 2020*	
	Quantity	*Amount (mLAK)*	*Quantity*	*Amount (mLAK)*	*Quantity*	*Amount (mLAK)*
Authorized shares						
Issued and paid-up shares						
Ordinary shares	301,500,000	30,150	301,500,000	30,150	301,500,000	30,150
Closing balance	**301,500,000**	**30,150**	**301,500,000**	**30,150**	**301,500,000**	**30,150**

On 9 September 2019, the Company received the Certificate of Initial Public Offering ("IPO") completion issued by Lao Securities Commission Office, according to which the Company has completed IPO process where 60,300,000 shares with par value of LAK 100 per share and selling prices of LAK 2,700 per share were issued.

The total 301,500,000 shares of the Company (under the ticker "LALCO") have been officially listed on Lao Securities Exchange since 19 August 2019. The par value of each share is LAK 100.

Details of owners' capital contribution are as below:

	31 December 2021		*31 December 2020*		*1 January 2020*	
	Total (mLAK)	*Number of ordinary shares*	*Total (mLAK)*	*Number of ordinary shares*	*Total (mLAK)*	*Number of ordinary shares*
O International Ltd. (i)	6,170	61,702,700	6,170	61,702,700	6,170	61,702,700
LALCO Holdings Pte Ltd. (ii)	23,618	236,174,800	23,618	236,174,800	23,618	236,174,800
Other public investors	362	3,622,500	362	3,622,500	362	3,622,500
	30,150	301,500,000	**30,150**	301,500,000	**30,150**	301,500,000

23. PAID UP CAPITAL (continued)

23.1 Ordinary shares (continued)

(i) O International Ltd. is a limited liability company incorporated in Cayman Islands in accordance with Company Registration No. 293031 issued on October 2014. The principal business operations of the O International Ltd. are investment, immovable industry and provision of consulting and financing services.

(ii) LALCO Holdings Pte Ltd. is a limited liability company incorporated in Singapore in accordance with Company Registration No. 201542276K issued on December 2015. The principal business operations of the LALCO Holdings Pte Ltd. are provision of management, technology and business support services and investment holding business.

23.2 Shares premium

Share premium resulted from the IPO amounting to LAK 155,497,646,314 is the difference between the issue price (LAK 162,810,000,000) and the par value of the shares (LAK 6,030,000,000) after deducting share issuing cost (LAK 1,282,353,686).

24. RELATED PARTY TRANSACTIONS

Related party transactions include all transactions undertaken with other parties to which the Company is related. A party is related to the Company if:

(a) directly, or indirectly through one or more intermediaries, the party:
- controls, is controlled by, or is under common control with, the Company (this includes parents, subsidiaries and fellow subsidiaries);
- has an interest in the Company that gives it significant influence over the Company; or
- has joint control over the Company.

(b) the party is a joint venture in which the Company is a venture;

(c) the party is a member of the key management personnel of the Company or its parent;

(d) the party is a close member of the family of any individual referred to in (a) or (c);

(e) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (d); or

(f) the party is a post-employment benefit plan for the benefit of employees of the Company, or of any entity that is a related party of the Company.

Related parties	*Relationship*
► O International Ltd.	Shareholder
► Bluebird Co., Ltd.	Shareholder before 1 January 2018
► BBHD Co., Ltd.	Shareholder before 1 January 2018
► Lalugo Group Hotel Sole Co., Ltd	Owned by the former General Director and member of Board of Directors
► Laluco Hotel 1 Sole Co., Ltd	Owned by the former General Director and member of Board of Directors
► Mekong Finance	Owned by the the General Director
► Ogisaka Co., Ltd.	Owned by the Genernal Director
► Pawn shop number one Individual Enterprise	Affiliate
► Lao Thongkeo leasing Company Limited	Owned by the Chief Operating Officer

24. RELATED PARTY TRANSACTIONS

24.1 Significant transactions with related parties

Related parties	*Transactions*	*2021 LAK*	*2020 LAK*
Bluebird Co., Ltd.	Net off other advance with payable to the related party	-	6,206,365,367
	Overpaid of loan from Bluebird Co., Ltd.	930,100,000	-
Lalugo Group Hotel Sole Co., Ltd	Payment on behalf of the related party	5,589,817	96,591,650
Ogisaka Co., Ltd.	Advance to related party	-	153,186,321
Pawn Shop Number One Individual Enterprise	Loan	-	900,000,000
	Payment on behalf of the related party	11,262,781,250	-
Lao Thongkeo Leasing Company Limited	Loan	-	4,333,900,000
	Net payment for current staff	1,316,180,748	-

24.2 Significant balances with related parties

24.2.1 Advance to related parties (Note 17)

	31 December 2021 LAK	*31 December 2020 LAK*	*1 January 2020 LAK*
Pawn Shop Number One Individual Enterprise	11,262,781,250	-	-
Lalugo Group Hotel Sole Co., Ltd	5,589,817	96,591,650	-
Bluebird Co., Ltd .	930,100,000	-	-
	12,198,471,068	**96,591,650**	**-**

24.2.2 Loans to related parties

	31 December 2021 LAK	*31 December 2020 LAK*	*1 January 2020 LAK*
Pawn shop number one Individual Enterprise	-	900,000,000	-
Lao Thongkeo leasing Company Limited	-	4,333,900,000	-
	-	**5,233,900,000**	**-**

25. RISK MANAGEMENT POLICIES

Introduction

Risk is inherent in the Company's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities.

The Company is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to various operating risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. The Company's policy is to monitor those business risks through the Company's strategic planning process.

Risk management structure

The Board of Management is responsible for the overall risk management approach and for approving the risk management strategies and principles.

The Board has appointed the Risk Management Committee which has the responsibility to monitor the overall risk process within the Company.

The Risk Management Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. The Risk Management Committee is responsible for managing risk decisions and monitoring risk levels and reports to the Board of Management.

26. CURRENCY RISK

Currency risk is the risk exposed to the Company due to changes in foreign exchange rates which adversely impact the Company's foreign currency positions. The Company has set limits on positions by currency, based on its internal risk assessment system and the BOL's regulations. Positions are monitored on a daily basis to ensure positions are maintained within the established limits. Breakdown of assets and liabilities which has been converted into LAK as at 31 December 2021 is as follows:

	In LAK LAK equivalent	*In USD LAK equivalent*	*In THB LAK equivalent*	*In JPY LAK equivalent*	*Total LAK equivalent*
ASSETS					
Cash and cash equivalents	4,778,589,091	76,511,666,739	628,952,717	45,665,353	81,964,873,900
Deposit with the Bank of Lao	1,968,900,000	-	-	-	1,968,900,000
Hire purchase receivables (*)	17,053,216,717	851,667,268,695	48,343,388,071	-	917,063,873,483
Other Asset	19,930,536,474	-	-	-	19,930,536,474
TOTAL ASSETS	**43,731,242,282**	**928,178,935,434**	**48,972,340,788**	**45,665,353**	**1,020,928,183,857**
LIABILITIES					
Long-term borrowings	-	84,251,267,755	-	-	84,251,267,755
Due to related parties	-	1,316,180,748	-	-	1,316,180,748
Other liabilities	7,380,336,746	-	-	-	7,380,336,746
TOTAL LIABILITIES	**7,380,336,746**	**85,567,448,503**	**-**	**-**	**92,947,785,249**
NET EXPOSURE	**36,350,905,536**	**842,611,486,931**	**48,972,340,788**	**45,665,353**	**927,980,398,608**

(*): This excludes allowance for impairment losses

On the assumptions that other variances are unchanged, the table below shows the sensitivity of profit before tax of the Company to changes occurring at suitable level of foreign exchange rates. Accordingly, the risk due to changes in foreign exchange rates of the Company is inconsiderable.

	Exchange rate increase 1.5%	*Exchange rate decrease 1.5%*
USD	12,639,172,304	(12,639,172,304)
THB	734,585,112	(734,585,112)
JPY	684,980	(684,980)
Total	**13,374,442,396**	**(13,374,442,396)**

27. INTEREST RATE RISK

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Company is exposed to interest rate risk as a result of mismatches of interest rate re-pricing time of assets and liabilities. The Company manages this risk by matching the re-pricing time of assets and liabilities through risk management strategies. The table below analyzes the interest rate risk for financial assets and financial liabilities of the Company. The Company presents assets and liabilities according to the book value and classified by interest rate repricing date or the closest maturity, which is the earlier:

		Re-pricing time bands					
	Total LAK	*Up to 3 months LAK*	*From 3 to 12 months LAK*	*From 1 to 5 years LAK*	*Over 5 years LAK*	*Non-performing Hire purchase receivables which are overdue more than 90 days LAK*	*Non-interest bearing LAK*
ASSETS							
Cash and cash equivalents	81,964,873,900	-	-	-	-	-	81,964,873,900
Deposit with the Bank of Lao	1,968,900,000	-	-	-	-	-	1,968,900,000
Hire purchase receivables (*)	917,063,873,483	804,637,219	171,254,439,235	506,586,116,528	3,224,271,151	234,461,374,698	733,034,652
Other assets	81,964,873,900	-	-	-	-	-	81,964,873,900
TOTAL ASSETS	**1,020,928,183,857**	**804,637,219**	**171,254,439,235**	**506,586,116,528**	**3,224,271,151**	**234,461,374,698**	**104,597,345,026**
LIABILITIES							
Long-term borrowings	84,251,267,755	2,919,416,378	984,770,956	80,347,080,421	-	-	-
Due to related parties	1,316,180,748	-	-	-	-	-	1,316,180,748
Other liabilities	7,380,336,746	-	-	-	-	-	7,380,336,746
TOTAL LIABILITIES	**92,947,785,249**	**2,919,416,378**	**984,770,956**	**80,347,080,421**	**-**	**-**	**8,696,517,494**
NET INTEREST SENSITIVITY GAP	**927,980,398,608**	**(2,114,779,159)**	**170,269,668,279**	**426,239,036,107**	**3,224,271,151**	**234,461,374,698**	**95,900,827,532**

(*): This excludes allowance for impairment losses

Assuming that all other variables unchanged, the fluctuation in interest rates as at 31 December 2021 that affect the pre-tax profit over the next 12 months period of the Company as at reporting date is as following:

Increase/(decrease) in basis points	*Sensitivity of profit before tax*
+ 100 bps	9,170,638,735
- 100 bps	(9,170,638,735)

28. LIQUIDITY RISK

Liquidity risk is defined as the risk that the Company might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. The table below summaries the maturity profile of the Company's financial assets and undiscounted cash flows of the financial and liabilities as at the end of the reporting date.

	Book value LAK	*Up to 3 months LAK*	*From 3 to 12 months LAK*	*From 1 to 5 years LAK*	*Over 5 years LAK*	*Non-performing Hire purchase receivables which are overdue more than 90 days LAK*
ASSETS						
Cash and cash equivalents	81,964,873,900	81,964,873,900	-	-	-	-
Deposit with the Bank of Lao	1,968,900,000	1,968,900,000	-	-	-	-
Hire purchase receivables (*)	917,063,873,483	804,637,219	171,254,439,235	506,586,116,528	3,224,271,151	235,194,409,350
Other assets	19,930,536,474	19,930,536,474	-	-	-	-
TOTAL ASSETS	**1,020,928,183,857**	**104,668,947,593**	**171,254,439,235**	**506,586,116,528**	**3,224,271,151**	**235,194,409,350**
LIABILITIES						
Long-term borrowings	119,944,025,172	1,980,514,662	1,980,514,662	115,982,995,848	-	-
Other liabilities	7,380,336,746	7,380,336,746	-	-	-	-
TOTAL LIABILITIES	**127,324,361,918**	**9,360,851,408**	**1,980,514,662**	**115,982,995,848**	**-**	**-**
NET LIQUIDITY GAP	**893,603,821,939**	**95,308,096,185**	**169,273,924,573**	**390,603,120,680**	**3,224,271,151**	**235,194,409,350**

(*): This excludes allowance for impairment losses

The Company assessed the concentration of risk with respect to refinancing its debts and concluded it to be low. The Company has access to a sufficient variety sources of funding and debt maturity within 12 months.

29. CREDIT RISK

Credit risk is the risk that the Company incurs a loss because its customers or counterparties fail to discharge their contractual obligations. The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and by monitoring exposures in relation to such limits.

Credit risk from balances with banks is managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Company's Board of Directors on an annual basis and may be updated throughout the year subject to approval of the Company's Risk Management Committee. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

The Company has established credit quality review processes to provide early identification of possible changes in the creditworthiness of counterparties. The credit quality review process aims to allow the Company to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

29.1 Impairment assessment

The references below show where the Company's impairment assessment and measurement approach is set out in this report. It should be read in conjunction with the Summary of significant accounting policies.

To apply the expected loss model for the recognition of losses on impaired financial assets for these financial statements, the Company developed its owned models to calculate the expected credit loss. The models incorporated historical data in the year since the Company's establishment, current conditions and forecasts of future economic conditions. According to the practices, the historical data applied for the model should be tracked in 5 – 7 years to ensure the meaningful statistical analysis. However, the IFRS 9 only requires the ECL to be measured in the way that reflects reasonable and supportable information that is available without undue cost or effort at the reporting date, the Company applied its own historical data and will update the model in the future.

Definition of default

The Company considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

Probability of default estimation process

The Company applied the over due date criterion to classify the customers to create the information sources for PD estimation. Based on historical data in the years of operations, the Company estimated the PD for each group of customers and then incorporate forward looking information to obtain the PDs for IFRS 9 ECL calculations.

Result of PD rates for the Company's hire-purchase receivables is as follow:

Group (Number of Day Past Due ("DPD"))	*Stage*	*12-month PD range*
0 DPD	Stage 1	2.30% to 10.98%
1 - 89 DPD	Stage 2	21.86% to 56.24%
90+ DPD	Stage 3	100.00%

29. CREDIT RISK (continued)

Exposure at default

The exposure at default ("EAD") represents the gross carrying amount of the financial instruments subject to the impairment calculation.

To calculate the EAD for a Stage 1 Hire purchase receivable, the Company assesses the possible default events within 12 months for the calculation of the 12mECL. However, if a Stage 1 Hire purchase receivable that is expected to default in the 12 months from the balance sheet date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2 and Stage 3 Hire purchase receivables, the exposure at default is considered for events over the lifetime of the instruments.

Loss given default

The Company applied historically collected loss data based on product type to construct the LGD rate for each group of financial instruments.

Significant increase in credit risk

The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument is subject to 12mECL or LTECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition. The Company considers that if contractual payments are more than 1 day past due, the credit risk is deemed to have increased significantly since initial recognition.

30. CAPITAL MANAGEMENT

Capital of the Company includes contributed equity.

The primary objective of the Company's capital management is to ensure that it maintains healthy capital in order to support its business.

For the purpose of the Company's capital management, capital includes issued capital, convertible preference shares, share premium and all other equity reserves attributable to the equity holders of the parent.

The primary objective of the Company's capital management is to maximize the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

	31 December 2021 LAK	*31 December 2020 LAK*
Total liabilities	201,486,426,384	207,495,172,687
Less: Cash	(81,964,873,900)	(92,900,530,090)
Net debt	119,521,552,484	114,594,642,597
Equity	755,102,441,006	523,985,122,167
Capital plus net debt	874,623,993,490	638,579,764,764
Gearing ratio	14%	18%

31. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value represents the amount at which an asset could be exchanged or a liability settled on an arms-length basis. As verifiable market prices are not available, market prices are not available for a significant proportion of the Company's financial assets and liabilities, fair values, therefore, have been based on management assumptions according to the profile of the asset and liability base. In the opinion of the Company's management, the carrying amount of the financial assets and liabilities included in the statement of financial position are a reasonable estimation of their fair values. In making this assessment, the Company's management assumes that hire purchase receivables are mainly held to maturity with fair values equal to their book value adjusted for allowance for impairment losses.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments which are measured at fair value by valuation technique:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

All fair values of financial assets and liabilities are calculated or estimated for disclosure purpose using Level 3 valuation techniques in both years as bellows:

		Fair value			
	Carrying value	*Level 1*	*Level 2*	*Level 3*	*Total*
Financial assets					
Cash and cash equivalents	81,964,873,900	81,964,873,900	-	-	81,964,873,900
Deposit with the Bank of Lao	1,968,900,000	1,968,900,000	-	-	1,968,900,000
Hire purchase receivables (*)	850,260,550,404	-	-	850,260,550,404	850,260,550,404
	934,194,324,304	**83,933,773,900**	**-**	**850,260,550,404**	**934,194,324,304**
Financial liabilities					
Long-term borrowings	84,251,267,755	-	-	84,251,267,755	84,251,267,755
	84,251,267,755	**-**	**-**	**84,251,267,755**	**84,251,267,755**

(*): This includes allowance for impairment losses

There have been no transfers between fair value levels during the reporting period.

32. EXCHANGE RATES OF APPLICABLE FOREIGN CURRENCIES AGAINST LAK AT REPORTING DATE

	31 December 2021 LAK	*31 December 2020 LAK*	*1 January 2020 LAK*
United State dollar ("USD")	11,046	9,280	8,868
Thai baht ("THB")	346	330.44	298.59

33. EVENTS AFTER THE REPORTING DATE

Other than as disclosed elsewhere in these financial statements, there is no other matter or circumstance that has arisen since 31 December 2021 that requires adjustment or disclosure in the financial statements of the Company.

Mr. Shingo Yamanaka
General Director

Mr. Adnan Ghani
Chief Finance Officer

Vientiane Capital, Lao PDR

22 April 2022