

**SOUVANNY HOME CENTER PUBLIC COMPANY**



**FINANCIAL STATEMENTS**

**31 DECEMBER 2022**



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## **INDEPENDENT AUDITOR'S REPORT**

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

### **Our opinion**

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

### **What we have audited**

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2022;
- the statement of income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

### **Basis for opinion**

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

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

### **Independence**

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

### **Emphasis of Matter - Basis of accounting**

We draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements have been prepared in accordance with the Company's accounting policies which the accounting basis used in the preparation of these financial statements may differ from International Financial Reporting Standards (IFRSs). The readers should therefore be aware that the accompanying financial statements are not intended to present the financial position and its financial performance and cash flows in accordance with IFRS. Our opinion is not modified in respect to this matter.



## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. We determine one key audit matter: Valuation of inventories. The matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Key audit matter	How our audit addressed the key audit matter
<p><b>Valuation of inventories</b></p> <p>Refer to Note 4 'Critical accounting estimates, assumptions and judgements' and Note 7 'Inventories, net' to the financial statements.</p> <p>As at 31 December 2022, the balance of inventories before allowance for impairment of inventory was amounting to LAK 409,531 million, representing 29% of the total assets of the Company and the allowance for slow moving and obsolete inventories was amounting to LAK 7,067 million. These inventories were mainly kept at the showrooms and warehouses.</p> <p>As at 31 December 2022, the Management reviewed the allowance for slow moving and obsolete inventories, taking into account both historical data including the physical condition of inventories from the counting of inventories. Management assessed the movement of inventories and identified categories of products with slow-moving and obsolete indicators. Management then set up an allowance for slow-moving and obsolete inventories by applying the difference percentage for non-movement of six months or over, and also considered with the related historical data.</p> <p>Also, the Company remeasured the inventory value at the lower of cost or net realisable value (NRV). Management estimated the net realisable value from the estimated selling prices in the ordinary course of business, less applicable variable selling expenses.</p> <p>We focussed on this area because estimating the value of inventories involves a significant level of judgement by management to determine a reasonable percentage when setting up an allowance for non-movement inventories and the estimated selling price, to consider the inventory valuation is appropriate.</p>	<p>We evaluated the appropriateness of the inventory valuation by:</p> <ul style="list-style-type: none"> <li>• obtain an understanding of the Company's policy with respect to the measurement of the value of inventories and reviewing the process of data collection to ensure the accuracy and completeness of related data being used.</li> <li>• test internal controls over the procurement and payment cycles including purchase requisition, purchase orders, goods received, payments, and recording, to reflect the accuracy of the cost of inventory.</li> <li>• analyse inventory movement and comparing this with the management's estimates of slow moving and obsolete inventories.</li> <li>• observe the physical count of inventories to assess the physical condition of those inventories and considering the allowance, particularly for obsolete and damaged inventories.</li> <li>• challenge management on the appropriateness of estimated selling price per unit using in calculation of NRV by randomly testing the selling prices after the year end and other related supporting evidence.</li> </ul> <p>Based on the procedures above, we found that the management's estimation of allowances for slow-moving and obsolete inventories and NRV were reasonable.</p>





### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

### **Responsibilities of the directors for the financial statements**

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

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

The audit committee assists the directors in discharging their responsibilities for overseeing the Company's financial reporting process.

### **Auditor's responsibilities for the audit of the financial statements**

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



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

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

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

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.





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

For PricewaterhouseCoopers (Lao) Sole Company Limited



By Apisit Thientrongpinyo  
Partner

Vientiane Capital, Lao PDR  
Date: 14 February 2023

SOUVANNY HOME CENTER PUBLIC COMPANY

STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2022

	Notes	2022 LAK	2021 LAK
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	38,288,451,914	3,285,274,048
Trade and other receivables, net	6	6,217,863,819	12,497,867,185
Inventories, net	7	402,463,937,243	289,175,467,358
Other current assets	8	20,547,738,684	7,159,850,423
<b>Total current assets</b>		<b>467,517,991,660</b>	<b>312,118,459,014</b>
<b>Non-current assets</b>			
Property, plant and equipment, net	9	904,691,252,324	637,484,068,573
Other non-current assets	8	20,355,868,711	-
Intangible assets, net	10	116,392,238	41,679,842
<b>Total non-current assets</b>		<b>925,163,513,273</b>	<b>637,525,748,415</b>
<b>Total assets</b>		<b>1,392,681,504,933</b>	<b>949,644,207,429</b>

Waddana SOUKHABANDITH  
Chief Executive Officer  
Date: 14 February 2023

Phannora SOUKHABANDITH  
Chief Financial Officer  
Date: 14 February 2023

**SOUVANNY HOME CENTER PUBLIC COMPANY**

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2022**

	Notes	2022 LAK	2021 LAK
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	11	51,745,048,229	59,803,233,466
Bank overdraft and short-term borrowings	12	84,934,340,351	85,686,567,355
Current portion of long-term borrowings	12	20,671,002,986	13,820,250,486
Profit tax payable	13	11,564,148,709	4,066,651,565
Deposits from customers	14	2,003,390,891	2,129,487,607
Other current liabilities	15	14,345,115,421	14,747,214,631
<b>Total current liabilities</b>		<b>185,263,046,587</b>	<b>180,253,405,110</b>
<b>Non current liabilities</b>			
Long-term borrowings from financial institution	12	58,329,409,126	9,671,632,212
<b>Total non current liabilities</b>		<b>58,329,409,126</b>	<b>9,671,632,212</b>
<b>Total liabilities</b>		<b>243,592,455,713</b>	<b>189,925,037,322</b>
<b>Equity</b>			
Share capital	16	330,000,000,000	330,000,000,000
Premium on share capital		24,735,724,722	24,735,724,722
Retained earnings			
Appropriated - legal reserve	17	14,102,046,968	8,440,875,640
Appropriated - other reserve	17	13,852,046,968	8,190,875,640
Unappropriated		217,954,979,089	180,915,608,468
Translation adjustments		548,444,251,473	207,436,085,637
<b>Total equity</b>		<b>1,149,089,049,220</b>	<b>759,719,170,107</b>
<b>Total liabilities and equity</b>		<b>1,392,681,504,933</b>	<b>949,644,207,429</b>



Waddana SOUKHABANDITH  
Chief Executive Officer  
Date: 14 February 2023

Phannola SOUKHABANDITH  
Chief Financial Officer  
Date: 14 February 2023



**SOUVANNY HOME CENTER PUBLIC COMPANY**

**STATEMENT OF INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Notes	2022 LAK	2021 LAK
Revenue from sales		647,161,515,668	455,188,800,941
Cost of sales	18	(485,502,857,955)	(358,083,962,107)
<b>Gross profit</b>		<b>161,658,657,713</b>	<b>97,104,838,834</b>
Other incomes		2,561,646,580	1,541,717,834
Selling expenses	18	(53,069,064,227)	(35,015,267,862)
Administrative expenses	18	(43,132,823,609)	(31,639,110,135)
Finance costs		(8,124,604,117)	(4,989,577,589)
Foreign exchange gain		6,662,858,647	1,610,145,798
<b>Profit before income tax expense</b>		<b>66,556,670,987</b>	<b>28,612,746,880</b>
Income tax expense	19	(9,944,957,710)	(3,943,260,210)
<b>Net profit for the year</b>		<b>56,611,713,277</b>	<b>24,669,486,670</b>
<b>Earnings per share</b>			
Basic earnings per share		343	150



Waddana SOUKHABANDITH  
Chief Executive Officer  
Date: 14 February 2023



Phannola SOUKHABANDITH  
Chief Financial Officer  
Date: 14 February 2023

SOUVANNY HOME CENTER PUBLIC COMPANY

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2022

Notes	Issued and paid-up ordinary shares LAK	Premium on share capital LAK	Legal reserve LAK	Other reserve LAK	Unappropriated retained earnings LAK	Translation adjustments LAK	Total equity LAK
<b>Opening balance 1 January 2021</b>	330,000,000,000	24,735,724,722	5,973,926,973	5,723,926,973	164,542,719,132	172,891,823,493	703,868,121,293
Legal reserve	-	-	2,466,948,667	-	(2,466,948,667)	-	-
Other reserve	-	-	-	2,466,948,667	(2,466,948,667)	-	-
Net profit for the year	-	-	-	-	24,669,486,670	-	24,669,486,670
Dividend paid	-	-	-	-	(3,362,700,000)	-	(3,362,700,000)
Translation adjustments	-	-	-	-	-	34,544,262,144	34,544,262,144
<b>Ending balance 31 December 2021</b>	<b>330,000,000,000</b>	<b>24,735,724,722</b>	<b>8,440,875,640</b>	<b>8,190,875,640</b>	<b>180,915,608,468</b>	<b>207,436,085,637</b>	<b>759,719,170,107</b>
<b>Opening balance 1 January 2022</b>	330,000,000,000	24,735,724,722	8,440,875,640	8,190,875,640	180,915,608,468	207,436,085,637	759,719,170,107
Legal reserve	-	-	5,661,171,328	-	(5,661,171,328)	-	-
Other reserve	-	-	-	5,661,171,328	(5,661,171,328)	-	-
Net profit for the year	-	-	-	-	56,611,713,277	-	56,611,713,277
Dividend paid	-	-	-	-	(8,250,000,000)	-	(8,250,000,000)
Translation adjustments	-	-	-	-	-	341,008,165,836	341,008,165,836
<b>Ending balance 31 December 2022</b>	<b>330,000,000,000</b>	<b>24,735,724,722</b>	<b>14,102,046,968</b>	<b>13,852,046,968</b>	<b>217,954,979,090</b>	<b>548,444,251,473</b>	<b>1,149,089,049,220</b>



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Chief Executive Officer  
Date: 14 February 2023

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Chief Financial Officer  
Date: 14 February 2023



**SOUVANNY HOME CENTER PUBLIC COMPANY**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Notes	2022 LAK	2021 LAK
<b>Cash flow from operating activities:</b>			
Net profit before income tax for the year		66,556,670,987	28,612,746,880
Adjustments for:			
Depreciation	9	23,011,152,048	18,280,657,823
Amortisation	10	6,694,689	26,848,512
(Gain) from disposals of property, plant and equipment		(341,145,801)	(26,915,457)
(Gain)/Loss on exchange rate		10,898,529,381	(507,670,338)
Interest expense		8,124,604,117	4,989,577,589
Inventories provision		1,507,680,606	73,117,833
Trade and other receivables provision		3,660,182,750	588,643,401
Allowance for sale return		800,697,550	130,957,064
Operating profit before working capital changes		114,225,066,327	52,167,963,307
Changes in operating assets and liabilities			
- Trade and other receivables		7,318,076,794	(1,454,749,302)
- Inventories		12,438,560,104	(32,972,704,626)
- Other current assets		(30,593,484,562)	569,744,061
- Trade and other accounts payable		(33,568,273,843)	12,501,743,628
- Deposits from customers		(1,063,052,890)	944,472,113
- Other current liabilities		(6,949,828,997)	(2,756,303,782)
Cash generated from operations		61,807,062,933	29,000,165,399
Interest paid		(8,065,521,527)	(4,830,017,364)
Income tax paid	13	(3,951,260,210)	(699,394,936)
Net cash generated from operating activities		49,790,281,196	23,470,753,099
<b>Cash flows from investing activities:</b>			
Purchases of plant and equipments		(14,489,151,307)	(22,689,529,359)
Purchases of computer software		(63,068,285)	(28,511,654)
Proceeds from disposals of property, plant and equipments		550,065,950	125,517,385
Net cash used in investing activities		(14,002,153,642)	(22,592,523,628)



Waddana SOUKHABANDITH  
Chief Executive Officer  
Date: 14 February 2023

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Chief Financial Officer  
Date: 14 February 2023

SOUVANNY HOME CENTER PUBLIC COMPANY

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 LAK	2021 LAK
<b>Cash flows from financing activities:</b>			
Proceeds from short-term borrowing		496,320,013,715	405,638,543,748
Repayment on borrowings from bank		(489,601,287,323)	(405,480,357,342)
Dividend paid	20	(8,250,000,000)	(3,362,700,000)
Net cash used in financing activities		(1,531,273,608)	(3,204,513,594)
<b>Net increase/(decrease) in cash and cash equivalents</b>			
Cash and cash equivalent at the beginning of the year	5	3,285,274,048	3,734,536,186
Effect of exchange rate changes on cash and cash equivalent		746,323,920	1,877,021,985
<b>Cash and cash equivalent at the end of the year</b>		<b>38,288,451,914</b>	<b>3,285,274,048</b>
<b>Significant non-cash items</b>			
Other payables from purchases of plant and equipment		789,048,267	1,591,866,396
Interest payable		68,702,138	159,560,225



Waddana SOUKHABANDITH  
Chief Executive Officer  
Date: 14 February 2023

Phannola SOUKHABANDITH  
Chief Financial Officer  
Date: 14 February 2023



**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**1. General information**

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

The registered address of the Company headquarters is number 366 Ban Phonetongsavath, Chanthaburi District, Vientiane Capital, Lao PDR. The Company has seven branches in Lao PDR: Phonetongsavath, Srikai, Xokyai, Paksan, Thakhaek, Savannakhet and Paskse.

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

These financial statements were authorised for issue by the Board of Directors on 14 February 2023.

**2. Accounting policies**

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

**2.1 Basis of preparation**

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

According to the Accounting Law no. 47/NA issued on 26 December 2013, Public Interest Enterprises (PIEs) are required to apply IFRS. However, Ministry of Finance has issued announcement No. 1137/MoF issued on 27 April 2020 and from Lao Securities and Exchange Commission Office (LSCO) dated 25 May 2020, which provided options for listed companies to prepare action plan for adoption IFRS within four-year period. Therefore, listed companies must fully adopt IFRS as of 1 January 2026 onwards.

The management is presently preparing action plan for implementation IFRS in accordance with the announcement. The accounting principles applied may materially differ from International Financial Reporting Standards (IFRSs).

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

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**2. Accounting policies (Continued)**

**2.2 Foreign currency translation**

**(a) Functional and presentation currency**

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

**(b) Transactions and balances**

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

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

- Assets and liabilities for each statement of financial position presented are translated at the closing rate on the reporting date except for share capital, which is presented at historical cost.
- Income and expenses for each statement of income are translated at the average exchange rate during the year.
- All resulting exchange differences are recognised and presented under translation adjustments in statement of changes in equity.

**2.3 Cash and cash equivalents**

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

**2.4 Trade accounts receivables**

Trade accounts receivable are carried at the original invoice amount and subsequently measured at the remaining balance less any allowance for doubtful debts based on the review of all outstanding amounts at year end. The allowance is equal to the difference between the carrying amount of the receivable and the amount expected to be collectible. Bad debts are written-off during the year in which they are identified and recognised in profit or loss under administrative expenses.



**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**2. Accounting policies (Continued)**

**2.5 Inventories**

Inventories are stated at the lower of the purchase cost and net realisable value. The cost is determined using the weighted average method. The purchase cost comprises both the purchase price and costs directly attributable to the acquisition of the inventory, such as import duties and transportation charges, less all attributable discounts, allowances or rebates from suppliers. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Allowance is made, where necessary, for obsolete, slow-moving and defective inventories.

**2.6 Property, plant and equipment**

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

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

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

	<b>Years</b>
Buildings and land improvements	30, 20
Machinery and office equipment	3-5
Furniture and fixtures	2-10
Motor vehicles	3-5

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

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

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

**2.7 Intangible assets**

**2.7.1 Computer software**

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring the specific software into use. These costs are amortised over their estimated useful lives of three years. Costs associated with maintaining computer software programmes are recognised as an expense when incurred.

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**2. Accounting policies (Continued)**

**2.8 Borrowings**

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

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

**2.8.1 Borrowing costs**

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

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

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

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

**2.9 Provisions**

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



**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**2. Accounting policies (Continued)**

**2.10 Revenue recognition**

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

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

Revenue from maintenance services is recognised as revenue when the service is completed for customers.

Other income is recognised on the following basis:

- Interest income is recognised on a time-proportion basis, taking into account the principal outstanding and interest rate over the period to maturity, when it's determined that the income will be accrued to the Company.
- Other income is recognised on an accrual basis.

**2.11 Taxation**

The Company records corporate income tax on an accrual basis. The Company doesn't recognise corporate income tax payable or receivable in future periods in respect of temporary differences. Income tax expense is recognised based on the operating result for the year after adjusted non-deductible expenses and other transactions under the related Lao Tax Law and tax rate. Under Lao Tax Law, Lao Accounting Law and related privileges as a LSX listed company, tax expenses for the year are determined on the basis of the profit the Company has calculated (Note 19).

In Lao PDR, income tax returns are regularly reviewed in details by the relevant authorities. In addition, tax issues raised in the reviews may require substantive judgements and interpretation by the parties concerned. The reviews could therefore potentially result in additional tax payments or refunds being necessary which may be significant. This would result in the payment or refund being recognised as income tax expense in the year in which the reviews are completed.



**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**2. Accounting policies (Continued)**

**2.12 Employee benefits**

The Company makes contributions to the Social Security Fund as required by the Lao Labour Law dated 27 June 2018 and the Notification date 13 August 2018. The Company and its employees are required to contribute 6% and 5.5% of the employee's salary, respectively, to the Social Security Fund. The monthly salary of each employee used as a basis for the calculation and contributions are capped at LAK 4.5 million.

According to the Lao Labour Law, when staff retire and meet the criteria outlined in the Law, the Company has an obligation to pay the staff a retirement pension.

Provisions for employee retirement benefits are not accrued each year. The liability is recognised on the balance sheet and the related expenses are recognised in the statements of income based on the actual amount due at the time when employees retire.

**3. Financial risk management**

**Financial risk factors**

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

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

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

**3.1 Foreign exchange risk**

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

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

As at 31 December 2022, management hadn't established formal policies. Also management doesn't use any financial instruments or derivatives to manage the foreign exchange risk from trading and borrowing in Thai baht. However, management monitors the movement of foreign exchange rates regularly and may use financial instruments or derivatives to manage this risk if it considers it necessary in the future. Consequently, significant fluctuations in exchange rates could have a material adverse effect on the Company's business, results of operations, financial conditions and prospects.



**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**3. Financial risk management (Continued)**

**3.2 Credit risk**

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

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

**3.3 Interest rate risk**

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

**3.4 Liquidity risk**

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

**3.5 Capital risk management**

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

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

**4. Critical accounting estimates, assumptions and judgements**

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

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

**SOUVANNY HOME CENTER PUBLIC COMPANY**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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

**4.1 Impairment of trade receivables**

The Company has established the allowance for doubtful accounts to reflect the impairment of trade receivables, related to the provision of loss from unbillable customers. The allowance for doubtful accounts is the effect of the Company's estimation of future cash inflow, with that assessment being based on the consideration of historical collection experience, known and identified instances of default and consideration of market trends.

**4.2 Allowance for a decrease in the value of inventories**

The Company has established an allowance for the decrease in value of inventories to reflect the net realisable value from inventories. The allowance for a decrease in the value of inventories is the effect of the Company's analysis of obsoleted inventories and forecasts of future sales. The balance of inventories will be written-off once the inventories are obsolete and are unable to be sold

**5. Cash and cash equivalents**

	<b>2022 LAK</b>	<b>2021 LAK</b>
Cash on hand	1,547,393,028	637,529,904
Deposits held at call with financial institutions	36,741,058,886	2,647,744,144
Cash and cash equivalents	<u>38,288,451,914</u>	<u>3,285,274,048</u>

Cash on hand includes petty cash and cash received from sales that is used for general purposes.

Deposits held at call with financial institutions represents cash deposited with reputable local banks in three currencies (US dollars, Thai baht and Lao kip) in current accounts with interest at 0.6% - 2.0 % per annum (2021: 1.75% - 2.0% per annum), and in savings accounts with interest at 0.45% - 1.25% per annum.

**6. Trade and other receivables, net**

	<b>2022 LAK</b>	<b>2021 LAK</b>
Trade accounts receivable	12,191,152,544	12,905,664,740
<u>Less</u> Allowance for doubtful debts	<u>(6,266,253,522)</u>	<u>(1,395,937,031)</u>
Trade accounts receivable, net	<u>5,924,899,022</u>	<u>11,509,727,709</u>
Staff borrowings	188,935,487	196,184,144
Other receivables	104,029,310	791,955,332
	<u>292,964,797</u>	<u>988,139,476</u>
Trade and other receivables, net	<u>6,217,863,819</u>	<u>12,497,867,185</u>



**SOUVANNY HOME CENTER PUBLIC COMPANY**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**6. Trade and other receivables, net (continued)**

The outstanding trade accounts receivable balance as at 31 December 2022 is aged as follows:

	<b>2022 LAK</b>	<b>2021 LAK</b>
Not yet due	4,588,327,213	6,351,403,747
Overdue:		
1-3 months	1,330,605,896	1,845,543,058
3-6 months	5,965,782	141,087,731
6-12 months	611,402,541	101,794,992
Over 12 months	5,654,851,112	4,465,835,212
Trade and other receivables, net	12,191,152,544	12,905,664,740
<u>Less</u> Allowance for doubtful debts	(6,266,253,522)	(1,395,937,031)
Trade accounts receivable, net	<u>5,924,899,022</u>	<u>11,509,727,709</u>

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

**7. Inventories, net**

	<b>2022 LAK</b>	<b>2021 LAK</b>
Inventories	409,531,257,556	292,865,882,718
<u>Less</u> : Allowance for slow moving and obsolete	(6,748,748,957)	(3,500,789,509)
Allowance for diminution in the value of inventories	(318,571,356)	(189,625,851)
Inventories, net	<u>402,463,937,243</u>	<u>289,175,467,358</u>

The change in inventories recognised as an expense in the cost of sales in this year is LAK 485,502 million (2021: LAK 358,083 million).

As at 31 December 2022, management reassessed and reviewed the related allowance for slow-moving and obsolete inventories, Related allowance for slow-moving and a decrease in the value of inventory has been revised up to LAK 7,067 million (2021: LAK 3,690 million), as slow-moving inventories can be actually sold at a lower turnover. As a result, the related allowance and cost of goods sold has been adjusted up to be consistent with recent facts and analysis.

**SOUVANNY HOME CENTER PUBLIC COMPANY**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**8. Other current assets**

	<b>2022 LAK</b>	<b>2021 LAK</b>
<b>Current assets</b>		
Advance payments to suppliers	773,039,615	2,936,838,606
Prepaid insurance premium	137,934,712	150,125,591
Accrued rebate from suppliers (i)	3,897,621,436	2,228,267,751
Prepaid rental (Note 21,2) (ii)	13,404,352,054	-
Others	2,334,790,867	1,844,618,475
<b>Non-current assets</b>		
Prepaid rental (Note 21,2) (ii)	20,355,868,711	-
Other current assets	40,903,607,395	7,159,850,423

- (i) Rebate from suppliers represents a confirmed amount of rebate to be received from suppliers and is settled by netting with the invoices when the Company makes payments to those suppliers, most of the accrued rebate from the suppliers as of 31 December 2022 will be settled within the first quarter of 2023.
- (ii) Prepaid rental is from the land rental for contact period 3 – 5 years, which fully paid during the year, the remaining balance was classified in non-current assets.



SOUVANNY HOME CENTER PUBLIC COMPANY

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

9. Property, plant and equipment, net

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

SOUVANNY HOME CENTER PUBLIC COMPANY

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

9. Property, plant and equipment, net (continued)

	Land LAK	Buildings and Land improvements LAK	Machineries and Office equipment LAK	Furniture and fixtures LAK	Motor vehicles LAK	Construction in progress LAK	Total LAK
<b>As at</b>							
<b>1 January 2022</b>							
Cost	267,896,239,572	163,283,018,761	6,752,322,407	43,883,776,851	15,162,256,741	31,837,461,011	528,815,075,343
Foreign exchange translation difference	118,157,729,290	55,495,131,680	602,590,670	7,299,317,511	1,959,167,517	13,819,103,932	197,333,040,600
Less Accumulated depreciation	-	(40,970,023,302)	(5,545,767,029)	(26,838,886,765)	(15,309,370,274)	-	(88,664,047,370)
<b>Net book amount</b>	<b>386,053,968,862</b>	<b>177,808,127,139</b>	<b>1,809,146,048</b>	<b>24,344,207,597</b>	<b>1,812,053,984</b>	<b>45,656,564,943</b>	<b>637,484,068,573</b>
<b>For the year ended</b>							
<b>31 December 2022</b>							
Opening net book amount	386,053,968,862	177,808,127,139	1,809,146,048	24,344,207,597	1,812,053,984	45,656,564,943	637,484,068,573
Foreign exchange translation difference	169,860,415,376	76,442,143,679	613,472,205	9,172,269,899	564,127,224	20,088,494,387	276,740,922,770
Additions	-	-	1,231,430,617	784,112,985	534,295,538	11,136,494,038	13,686,333,178
Transfers in (out)	-	63,521,664,990	23,424,468	6,520,204,104	1,932,487,190	(71,997,780,752)	-
Disposals – net	-	-	(27,765,101)	(181,154,547)	(501)	-	(208,920,149)
Depreciation charge	-	(11,005,711,062)	(1,121,123,816)	(9,452,260,784)	(1,432,056,386)	-	(23,011,152,048)
<b>Closing net book amount</b>	<b>555,914,384,238</b>	<b>306,766,224,746</b>	<b>2,528,584,421</b>	<b>31,187,379,254</b>	<b>3,410,907,049</b>	<b>4,883,772,616</b>	<b>904,691,252,324</b>
<b>As at</b>							
<b>31 December 2022</b>							
Cost	267,896,239,572	226,804,683,751	7,979,412,391	51,006,939,393	17,629,038,968	4,883,772,616	576,200,086,691
Foreign exchange translation difference	288,018,144,666	131,937,275,359	1,216,062,875	16,471,587,410	2,523,294,741	-	440,166,365,051
Less Accumulated depreciation	-	(51,975,734,364)	(6,666,890,845)	(36,291,147,549)	(16,741,426,660)	-	(111,675,199,418)
<b>Net book amount</b>	<b>555,914,384,238</b>	<b>306,766,224,746</b>	<b>2,528,584,421</b>	<b>31,187,379,254</b>	<b>3,410,907,049</b>	<b>4,883,772,616</b>	<b>904,691,252,324</b>

The total additions of LAK 13,686 million consisted of cash transactions of LAK 13,119 million and non-cash transactions of LAK 789 million,



**SOUVANNY HOME CENTER PUBLIC COMPANY**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**10. Intangible assets, net**

<b>For the year ended 31 December 2021</b>	<b>LAK</b>
Opening net book amount	38,975,565
Foreign exchange translation difference	1,041,135
Additions	28,511,654
Amortisation charge	(26,848,512)
Closing net book amount	<u>41,679,842</u>
<b>As at 31 December 2021</b>	
Cost	896,612,394
Foreign exchange translation difference	95,662,692
<u>Less Accumulated amortisation</u>	<u>(950,595,244)</u>
Net book amount	<u>41,679,842</u>
<b>For the year ended 31 December 2022</b>	<b>LAK</b>
Opening net book amount	41,679,842
Foreign exchange translation difference	18,338,770
Additions (i)	63,068,315
Amortisation charge	(6,694,689)
Closing net book amount	<u>116,392,238</u>
<b>As at 31 December 2022</b>	
Cost	959,680,709
Foreign exchange translation difference	114,001,462
<u>Less Accumulated amortisation</u>	<u>(957,289,933)</u>
Net book amount	<u>116,392,238</u>

(i) Additions during the year is from cost of online shopping application.

**11. Trade and other payables**

	<b>2022 LAK</b>	<b>2021 LAK</b>
Trade payable – third parties	40,199,324,412	47,745,460,523
Trade payable – related parties (Note 21)	10,877,529,142	10,943,297,126
Other payable (i)	668,194,675	1,114,475,817
Trade and other payables	<u>51,745,048,229</u>	<u>59,803,233,466</u>

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

**SOUVANNY HOME CENTER PUBLIC COMPANY**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**12. Borrowings**

	<b>2022 LAK</b>	<b>2021 LAK</b>
<b>Current</b>		
Bank overdraft	1,547,005,498	5,088,905,747
Short-term borrowings	83,387,334,853	80,597,661,608
Current portion of long-term borrowings	20,671,002,986	13,820,250,486
<b>Non-current</b>		
Long-term borrowings	58,329,409,126	9,671,632,212
<b>Borrowings</b>	<u>163,934,752,463</u>	<u>109,178,450,053</u>

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

	<b>2022 LAK</b>	<b>2021 LAK</b>
<b>Borrowings</b>		
At fixed rates	158,461,996,044	104,155,141,145
At floating rates	5,472,756,419	5,023,308,908
<b>Borrowings</b>	<u>163,934,752,463</u>	<u>109,178,450,053</u>

- i) Short-term borrowing from local commercial bank for which the interest rate is the Low Rate Limit (LRL) plus a percentage of the margin per annum, The repayments are required within five months after drawdown, the facilities are secured by the shareholder's land and for the year ended 31 December 2022, there was an amount of LAK 49,396 million drawn down.
- ii) Short-term borrowing from local commercial bank for a contract amount of THB 30 million with an annual fixed interest of 6.05% per annum, the loan principle has been paid quarterly and the interest has to be paid monthly. The borrowing is secured by the shareholder's land. For the year ended 31 December 2022, there was an amount of LAK 287,800 million drawn down.
- iii) Short-term borrowing from oversea commercial bank for a contract amount of THB 250 million with an annual fixed interest of 4% per annum, the repayments are required within 150 days after the drawdown and the interest has to be paid monthly. The borrowing was secured by the shareholder's land. For the period ended 31 December 2022, there was an amount of LAK 112,432 million drawn down.



**SOUVANNY HOME CENTER PUBLIC COMPANY****NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022****12. Borrowings (continued)**

- iv) Long-term borrowing from local commercial bank for a contract amount of THB 50 million with an annual fixed interest of 5% per annum which is due in December 2025, the loan principle has been paid quarterly starting from June 2021 and the interest has to be paid monthly. The borrowing is secured by the shareholder's land. During the year ended 31 December 2022, the loan was fully drawn down.
- v) During the year, the Company entered into a new long-term loan from local commercial bank for contract amount of THB 145 million with an annual fixed interest of 5% per annum which is due on 31 May 2027. The loan principle has been paid quarterly starting from 31 August 2022. The borrowing is secured by the shareholder's land, the loan was fully drawn down in July 2022.

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

**13. Profit tax payable**

The movement of profit tax payable for 2022 is as below:

	<u>LAK</u>
As at 1 January 2022	4,066,651,565
Profit tax expense for the year (Note 19)	9,944,957,710
Paid during the year	(3,951,260,210)
Foreign exchange translation difference	1,503,799,644
Profit tax payable as at 31 December 2022	<u>11,564,148,709</u>

**14. Deposits from customers**

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

**15. Other current liability**

	<u>2022 LAK</u>	<u>2021 LAK</u>
Advance received from customers	5,812,926,314	2,463,480,925
Accrual related marketing activities	4,065,268,799	-
Accrual rental expense	-	2,594,224,470
Other liabilities	4,466,920,308	9,689,509,236
Other current liability	<u>14,345,115,421</u>	<u>14,747,214,631</u>

**SOUVANNY HOME CENTER PUBLIC COMPANY**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**16. Share capital**

	<b>Number of shares (Shares)</b>	<b>Ordinary Shares (LAK)</b>	<b>Share Premium (LAK)</b>	<b>Total (LAK)</b>
At 1 January 2021	165,000,000	330,000,000,000	24,735,724,722	354,735,724,722
Issue of shares	-	-	-	-
At 31 December 2021	165,000,000	330,000,000,000	24,735,724,722	354,735,724,722
Issue of shares	-	-	-	-
At 31 December 2022	165,000,000	330,000,000,000	24,735,724,722	354,735,724,722

As at 31 December 2022, the Company had a share capital of 165,000,000 authorised ordinary shares with a par value of LAK 2,000 per share, which were fully paid,

**17. Reserves**

**Legal reserve**

	<b>2022 LAK</b>	<b>2021 LAK</b>
At 1 January	8,440,875,640	5,973,926,973
Additions	5,661,171,328	2,466,948,667
At 31 December	14,102,046,968	8,440,875,640

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

**Other reserve**

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



# SOUVANNY HOME CENTER PUBLIC COMPANY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

### 18. Expenses by nature

Significant expenses classified by nature are as follows:

	2022 LAK	2021 LAK
Change in inventories	483,995,177,348	358,013,807,788
Salaries, wages and other employee benefits	37,799,096,100	27,101,793,060
Allowance for inventory	1,507,680,606	70,154,486
Depreciation and amortisation (Note 9,10)	23,017,846,737	18,307,506,335
Sales promotion and operation support expenses	2,379,328,674	2,245,418,154
Rental fees – offices and showrooms	11,699,614,268	6,279,312,895
Fuel expense	3,713,277,140	1,860,176,080
Repairs and maintenance expense	3,641,222,160	2,472,805,765
Utilities	2,966,892,544	2,687,347,230
Professional fees	2,886,659,559	1,921,649,415
Others	8,097,950,655	3,778,368,896
	<u>581,704,745,791</u>	<u>424,738,340,104</u>

### 19. Income tax expense

The Company doesn't recognise corporate income tax payable or receivable in future periods in respect of temporary differences, Income tax expense is recognised based on the operating result for the related period and the applicable tax rate,

	LAK
<i>Reconciliation between income tax expense and accounting profit:</i>	
Accounting profit before income tax	66,556,670,987
Non-deductible and reversal items for tax purpose (1)	(16,831,882,437)
Taxable income	49,724,788,550
Profit tax expense at the tax rate of 20%	<u>9,944,957,710</u>

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

### 20. Dividends

At the Annual General Meeting of Shareholders held on 5 April 2022, the shareholders approved a resolution to declare a dividend payment from unappropriated retained earnings after legal reserve and other reserve allocation and from the net profit from 1 January 2021 to 31 December 2021 of LAK 50 per share totalling LAK 8,250 million (2021: LAK 3,362 million), The dividend was paid in May 2022 to the shareholders.

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**21. Related-party transactions**

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

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

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

The nature and amounts of significant related-party transactions for the year ended 31 December 2022 are summarised below.

**21.1 Income and expenses**

	<b>2022 LAK</b>	<b>2021 LAK</b>
Purchases of goods from related parties	118,292,444,214	81,054,770,914
Rental expense	13,604,490,242	6,475,803,333

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

**21.2 Outstanding balances arising from related party transactions**

	<b>2022 LAK</b>	<b>2021 LAK</b>
Prepaid rental – Related parties	33,760,220,765	-
Trade accounts payable – Related parties	10,877,529,142	10,943,297,126
Accrued rental expense	-	2,594,224,397

**21.3 Key management compensation**

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

	<b>2022 LAK</b>	<b>2021 LAK</b>
Salaries	2,978,805,616	2,138,794,365



**SOUVANNY HOME CENTER PUBLIC COMPANY**

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**22. Commitments and significant agreements**

**Operating lease commitments - where the Company is the lessee**

The Company leases land and offices under non-cancellable operating lease agreements from shareholders. The lease term is five years, and the majority of lease agreements are renewable at the end of the lease period after the revaluation.

	<b>2022 LAK</b>	<b>2021 LAK</b>
No later than 1 year	6,994,972,670	1,250,349,754
1-5 years	34,309,820,146	2,504,125,123
Total	<u>41,304,792,816</u>	<u>3,754,474,877</u>

**23. Events after the reporting period**

There are no significant events occurring after the balance sheet date which require adjustments to or disclosures to be made in the financial statements for the year ended 31 December 2022.