

SOUVANNY HOME CENTER PUBLIC COMPANY



FINANCIAL STATEMENTS

31 DECEMBER 2023



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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 2023;
- 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 (IFRS). The readers should therefore be aware that the accompanying financial statements are not intended to present the financial position and its financial performance and cash flows in accordance with IFRS. Our opinion is not modified in respect to this matter.



## 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 2023, the balance of inventories before allowance for impairment of inventory was amounting to LAK 491,108 million, representing 27% of the total assets of the Company and the allowance for slow moving and obsolete inventories was amounting to LAK 6,760 million. These inventories were mainly kept at the showrooms and warehouses.</p> <p>As at 31 December 2023, 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 one and half year 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 Thiengtrongpinyo  
Partner

Vientiane Capital, Lao PDR  
Date: 13 February 2024



SOUVANNY HOME CENTER PUBLIC COMPANY

STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2023

	Notes	2023 LAK	2022 LAK
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	97,622,510,973	38,288,451,914
Trade and other receivables, net	6	5,564,004,643	6,217,863,819
Inventories, net	7	484,347,770,402	402,463,937,243
Other current assets	8	38,424,118,275	20,547,738,684
<b>Total current assets</b>		<b>625,958,404,293</b>	<b>467,517,991,660</b>
<b>Non-current assets</b>			
Property, plant and equipment, net	9	1,171,299,214,767	904,691,252,324
Other non-current assets	8	8,730,500,190	20,355,868,711
Intangible assets, net	10	365,075,938	116,392,238
<b>Total non-current assets</b>		<b>1,180,394,790,895</b>	<b>925,163,513,273</b>
<b>Total assets</b>		<b>1,806,353,195,188</b>	<b>1,392,681,504,933</b>



Waddana SOUKHABANDITH  
Chief Executive Officer  
Date: 13 February 2024

Phannola SOUKHABANDITH  
Chief Financial Officer  
Date: 13 February 2024

**SOUVANNY HOME CENTER PUBLIC COMPANY**

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2023**

	Notes	2023 LAK	2022 LAK
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Trade and other payables	11	65,565,702,900	51,745,048,229
Bank overdraft and short-term borrowings	12	54,694,740,214	84,934,340,351
Current portion of long-term borrowings	12	26,353,809,980	20,671,002,986
Profit tax payable	14	12,359,633,801	11,564,148,709
Deposits from customers	15	2,952,230,119	2,003,390,891
Other current liabilities	16	19,538,533,683	14,345,115,421
<b>Total current liabilities</b>		<b>181,464,650,697</b>	<b>185,263,046,587</b>
<b>Non current liabilities</b>			
Long-term borrowings from financial institution	12	48,063,332,611	58,329,409,126
Long-term borrowings from debentures	13	62,116,071,600	-
<b>Total non current liabilities</b>		<b>110,179,404,211</b>	<b>58,329,409,126</b>
<b>Total liabilities</b>		<b>291,644,054,908</b>	<b>243,592,455,713</b>
<b>Equity</b>			
Share capital	17	330,000,000,000	330,000,000,000
Premium on share capital	17	24,735,724,722	24,735,724,722
Retained earnings			
Appropriated - legal reserve	18	20,181,970,566	14,102,046,968
Appropriated - other reserve	18	19,931,970,566	13,852,046,968
Unappropriated		250,094,367,876	217,954,979,089
Translation adjustments		869,765,106,550	548,444,251,473
<b>Total equity</b>		<b>1,514,709,140,280</b>	<b>1,149,089,049,220</b>
<b>Total liabilities and equity</b>		<b>1,806,353,195,188</b>	<b>1,392,681,504,933</b>



Waddana SOUKHABANDITH  
Chief Executive Officer  
Date: 13 February 2024

Phannola SOUKHABANDITH  
Chief Financial Officer  
Date: 13 February 2024



SOUVANNY HOME CENTER PUBLIC COMPANY

STATEMENT OF INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 LAK	2022 LAK
Revenue from sales		767,139,816,343	647,161,515,668
Cost of sales	19	(577,868,541,221)	(485,502,857,955)
<b>Gross profit</b>		<b>189,271,275,122</b>	<b>161,658,657,713</b>
Other incomes		3,775,988,159	2,561,646,580
Selling expenses	19	(68,779,390,380)	(53,069,064,227)
Administrative expenses	19	(44,395,469,247)	(43,132,823,609)
Finance costs		(9,440,438,865)	(8,124,604,117)
Foreign exchange gain		1,160,130,886	6,662,858,647
<b>Profit before income tax expense</b>		<b>71,592,095,675</b>	<b>66,556,670,987</b>
Income tax expense	20	(10,792,859,692)	(9,944,957,710)
<b>Net profit for the year</b>		<b>60,799,235,983</b>	<b>56,611,713,277</b>

Earnings per share

Basic earnings per share	368	343
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Waddana SOUKHABANDITH  
Chief Executive Officer  
Date:13 February 2024

Phannola SOUKHABANDITH  
Chief Financial Officer  
Date:13 February 2024

SOUVANNY HOME CENTER PUBLIC COMPANY

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2023

Notes	Issued and paid-up ordinary shares LAK	Premium on share capital LAK	Legal reserve LAK	Other reserve LAK	Unappropriated retained earnings LAK	Translation adjustments LAK	Total equity LAK
Opening balance 1 January 2022	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
Ending balance 31 December 2022	330,000,000,000	24,735,724,722	14,102,046,968	13,852,046,968	217,954,979,090	548,444,251,473	1,149,089,049,220
Opening balance 1 January 2023	330,000,000,000	24,735,724,722	14,102,046,968	13,852,046,968	217,954,979,089	548,444,251,473	1,149,089,049,220
Legal reserve	-	-	6,079,923,598	-	(6,079,923,598)	-	-
Other reserve	-	-	-	6,079,923,598	(6,079,923,598)	-	-
Net profit for the year	-	-	-	-	60,799,235,983	-	60,799,235,983
Dividend paid	-	-	-	-	(16,500,000,000)	-	(16,500,000,000)
Translation adjustments	-	-	-	-	-	321,320,855,077	321,320,855,077
Ending balance 31 December 2023	330,000,000,000	24,735,724,722	20,181,970,566	19,931,970,566	250,094,367,876	869,765,106,550	1,574,709,140,280



Waddana SOUKHABANDITH  
Chief Executive Officer  
Date: 13 February 2024

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Chief Financial Officer  
Date: 13 February 2024



**SOUVANNY HOME CENTER PUBLIC COMPANY**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Notes	2023 LAK	2022 LAK
<b>Cash flow from operating activities:</b>			
Profit before income tax for the year		71,592,095,675	66,556,670,987
Adjustments for:			
Depreciation	10	26,264,684,632	23,011,152,048
Amortisation	11	276,619	6,694,689
(Gain) / Loss from disposes of property, plant and equipment		241,033,613	(341,145,801)
Loss on exchange rate		15,766,091,931	10,898,529,381
Interest expense		7,288,621,421	8,124,604,117
Inventories provision		(1,968,627,461)	1,507,680,606
Trade and other receivables provision		(1,839,104,424)	3,660,182,750
Allowance for sale return		721,179,343	800,697,550
Operating profit before working capital changes		118,066,251,349	114,225,066,327
Changes in operating assets and liabilities			
- Trade and other receivables		3,671,661,218	7,318,076,794
- Inventories		30,992,773,852	12,438,560,104
- Other current assets		4,634,987,252	(30,593,484,562)
- Trade and other accounts payable		(2,827,444,258)	(33,568,273,843)
- Deposits from customers		396,759,860	(1,063,052,890)
- Other current liabilities		1,198,248,403	(6,949,828,997)
Cash generated from operations		156,133,237,676	61,807,062,933
Interest paid		(7,246,570,390)	(8,065,521,527)
Income tax paid	15	(10,944,957,710)	(3,951,260,210)
Net cash generated from operating activities		137,941,709,576	49,790,281,196
<b>Cash flows from investing activities:</b>			
Purchases of plant and equipments		(45,475,264,153)	(14,489,151,307)
Purchases of computer software		(216,925,978)	(63,068,285)
Proceeds from disposals of property, plant and equipments		245,388,000	550,065,950
Net cash used in investing activities		(45,446,802,131)	(14,002,153,642)



Waddana SOUKHABANDITH  
Chief Executive Officer  
Date:13 February 2024

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Chief Financial Officer  
Date:13 February 2024

**SOUVANNY HOME CENTER PUBLIC COMPANY**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

	<b>Notes</b>	<b>2023 LAK</b>	<b>2022 LAK</b>
<b>Cash flows from financing activities:</b>			
Proceeds from short-term borrowing		481,773,255,542	496,320,013,715
Repayment on borrowings from bank		(553,376,221,402)	(489,601,287,323)
Proceeds from debentures	13	62,116,071,600	-
Dividend paid	21	(16,500,000,000)	(8,250,000,000)
Net cash used in financing activities		(25,986,894,260)	(1,531,273,608)
<b>Net increase in cash and cash equivalents</b>			
Cash and cash equivalent at the beginning of the year	5	38,288,451,914	3,285,274,048
Effect of exchange rate changes on cash and cash equivalent		(7,173,954,126)	746,323,920
<b>Cash and cash equivalent at the end of the year</b>		<b>97,622,510,973</b>	<b>38,288,451,914</b>

**Significant non-cash items**

Other payables from purchases of plant and equipment	2,388,588,400	789,048,267
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Waddana SOUKHABANDITH  
Chief Executive Officer  
Date:13 February 2024

Phannola SOUKHABANDITH  
Chief Financial Officer  
Date:13 February 2024



# **SOUVANNY HOME CENTER PUBLIC COMPANY**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

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### **1. General information**

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

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

These financial statements were authorised for issue by the Board of Directors on 13 February 2024.

### **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 of 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, the Ministry of Finance has issued announcement No. 1137/MoF issued on 27 April 2020 and from Lao Securities and Exchange Commission Office (LSCO) dated 25 May 2020, which provided options for PIEs to prepare action plan for adoption IFRS until 31 December 2025 and 1 January 2026 onward, all listed companies must fully adopt IFRS.

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

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



**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

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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 2023**

**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 2023

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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 2023**

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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 20).

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



**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

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**2. Accounting policies (continued)**

**2.12 Employee benefits**

**Post-employment benefits**

Post-employment benefits are paid to retired employees at the time of retirement, at a percentage starting from 50–100% of the retirement fund contributed by the Company and based on the number of working years, which should be at least ten years.

Funds for post-employment benefits come from:

- i) the retirement reserve contributed by the employee, whereby the Company withholds a certain amount of the employee's monthly salary, ranging from 0.5–2%, according to the employment position.
- ii) the Company then matches the monthly employee contribution.

The Company record its contribution as 'Payroll and other staff costs' into statement of income on an accrual basis.

The Company also makes contributions to the Social Security Fund. The Company and its employees are required to contribute 6% and 5.5%, respectively, of the employee's monthly basic salary, and the Company also pays post-employment benefits as mentioned above.

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 in the balance sheet and the related expenses are recognised in the statements of income based on the actual amount due at the time when employees retire.

**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.



NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

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

**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 2023, management hadn't established formal policies. Also management doesn't use any financial instruments or derivatives to manage the foreign exchange risk from trading and borrowing in Thai baht. However, management monitors the movement of foreign exchange rates regularly and may use financial instruments or derivatives to manage this risk if it considers it necessary in the future. Consequently, significant fluctuations in exchange rates could have a material adverse effect on the Company's business, results of operations, financial conditions and prospects.

**3.2 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.



**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

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

**3.5 Capital risk management**

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

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

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

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

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

**4.1 Impairment of trade receivables**

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

**4.2 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.



**SOUVANNY HOME CENTER PUBLIC COMPANY**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**5. Cash and cash equivalents**

	<b>2023 LAK</b>	<b>2022 LAK</b>
Cash on hand	1,873,737,750	1,547,393,028
Deposits held at call with financial institutions	95,748,773,223	36,741,058,886
Cash and cash equivalents	<u>97,622,510,973</u>	<u>38,288,451,914</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 0.45% - 2.0 % per annum (2022: 0.6% - 2.0% per annum), and in savings accounts with interest at 0.6% - 1.89% per annum.

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

	<b>2023 LAK</b>	<b>2022 LAK</b>
Trade accounts receivable	11,045,224,899	12,191,152,544
<u>Less</u> Allowance for doubtful debts	<u>(5,886,977,559)</u>	<u>(6,266,253,522)</u>
Trade accounts receivable, net	<u>5,158,247,340</u>	<u>5,924,899,022</u>
Staff borrowings	347,851,278	188,935,487
Other receivables	57,906,025	104,029,310
	<u>405,757,303</u>	<u>292,964,797</u>
Trade and other receivables, net	<u>5,564,004,643</u>	<u>6,217,863,819</u>

**SOUVANNY HOME CENTER PUBLIC COMPANY**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

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

The outstanding trade accounts receivable balance as at 31 December 2023 is aged as follows:

	<b>2023 LAK</b>	<b>2022 LAK</b>
Not yet due	3,752,442,359	4,588,327,213
Overdue:		
1-3 months	880,190,355	1,330,605,896
3-6 months	525,615,903	5,965,782
6-12 months	400,720,830	611,402,541
Over 12 months	5,486,255,452	5,654,851,112
Trade accounts receivables	11,045,224,899	12,191,152,544
<u>Less</u> Allowance for doubtful debts	(5,886,977,559)	(6,266,253,522)
Trade accounts receivable, net	<u>5,158,247,340</u>	<u>5,924,899,022</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>2023 LAK</b>	<b>2022 LAK</b>
Inventories	491,108,241,328	409,531,257,556
<u>Less</u> : Allowance for slow moving and obsolete	(6,532,248,329)	(6,748,748,957)
Allowance for diminution in the value of inventories	(228,222,597)	(318,571,356)
Inventories, net	<u>484,347,770,402</u>	<u>402,463,937,243</u>

The change in inventories recognised as an expense in the cost of sales in this year is LAK 577,869 million (2022: LAK 485,502 million).

As at 31 December 2023, 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 down to LAK 6,760 million (2022: LAK 7,067 million), as slow-moving inventories can be actually sold. As a result, the related allowance and cost of goods sold has been adjusted to be consistent with recent facts and analysis.



**SOUVANNY HOME CENTER PUBLIC COMPANY**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**8. Other current assets**

	<b>2023 LAK</b>	<b>2022 LAK</b>
<b>Current assets</b>		
Advance payments to suppliers	4,583,529,979	773,039,615
Prepaid insurance premium	74,945,474	137,934,712
Accrued rebate from suppliers (i)	4,065,261,221	3,897,621,436
Prepaid rental (Note 22.2) (ii)	27,831,104,087	13,404,352,054
Others	1,869,277,514	2,334,790,867
Other current assets	38,424,118,275	20,547,738,684

**Non-current assets**

Other non-current assets (Note 22.2) (ii)	8,730,500,190	20,355,868,711
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- (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 2023 will be settled within the first quarter of 2024.
- (ii) Prepaid rental is from the land rental for contact period three 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 2023**

**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 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>



**SOUVANNY HOME CENTER PUBLIC COMPANY**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**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 2023</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>
<b>For the year ended</b>							
<b>31 December 2023</b>							
Opening net book amount	555,914,384,238	306,766,224,746	2,528,584,421	31,187,379,254	3,410,907,049	4,883,772,616	904,691,252,324
Foreign exchange translation difference	153,194,697,595	84,536,324,953	696,807,605	8,594,383,002	939,952,066	1,345,833,260	249,307,998,481
Additions	-	-	1,075,193,051	598,015,039	-	46,190,644,463	47,863,852,553
Transfers in (out)	-	171,666,060	-	1,142,145,056	-	(1,313,811,116)	-
Disposals - net	-	(338,066,638)	(82,694,974)	(65,658,719)	(1,277)	-	(486,421,338)
Depreciation charge	-	(16,460,044,952)	(1,251,590,943)	(10,927,816,838)	(1,438,014,520)	-	(30,077,467,253)
<b>Closing net book amount</b>	<b>709,109,081,833</b>	<b>374,676,104,439</b>	<b>2,966,299,160</b>	<b>30,528,446,794</b>	<b>2,912,843,318</b>	<b>51,106,439,223</b>	<b>1,171,299,214,767</b>
<b>As at</b>							
<b>31 December 2023</b>							
Cost	267,896,239,572	226,804,683,751	9,054,605,442	51,604,954,432	17,629,038,968	51,106,439,223	624,095,961,388
Foreign exchange translation difference	441,212,842,261	216,473,600,312	1,912,870,480	25,065,970,413	3,463,246,807	-	688,128,530,272
Less Accumulated depreciation	-	(68,602,179,624)	(8,001,176,762)	(46,142,478,050)	(18,179,442,457)	-	(140,925,276,893)
<b>Net book amount</b>	<b>709,109,081,833</b>	<b>374,676,104,439</b>	<b>2,966,299,160</b>	<b>30,528,446,794</b>	<b>2,912,843,318</b>	<b>51,106,439,223</b>	<b>1,171,299,214,767</b>

The total additions of LAK 47,864 million consisted of cash transactions of LAK 45,475 million and non-cash transactions of LAK 2,389 million.

**SOUVANNY HOME CENTER PUBLIC COMPANY**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**10. Intangible assets, net**

	<b>LAK</b>
<b>For the year ended 31 December 2022</b>	
Opening net book amount	41,679,842
Foreign exchange translation difference	18,338,770
Additions	63,068,315
Amortisation charge	<u>(6,694,689)</u>
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>
<b>For the year ended 31 December 2023</b>	
Opening net book amount	116,392,238
Foreign exchange translation difference	32,034,341
Additions (i)	216,925,978
Amortisation charge	<u>(276,619)</u>
Closing net book amount	<u>365,075,938</u>
<b>As a31 December 2023</b>	
Cost	1,176,606,687
Foreign exchange translation difference	146,035,803
<u>Less Accumulated amortisation</u>	<u>(957,566,552)</u>
Net book amount	<u>365,075,938</u>

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

**11. Trade and other payables**

	<b>2023 LAK</b>	<b>2022 LAK</b>
Trade payable – third parties	53,248,165,530	40,199,324,412
Trade payable – related parties (Note 22.2)	11,399,309,064	10,877,529,142
Other payable (i)	918,228,306	668,194,675
Trade and other payables	<u>65,565,702,900</u>	<u>51,745,048,229</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 2023**

**12. Borrowings**

	<b>2023 LAK</b>	<b>2022 LAK</b>
<b>Current</b>		
Bank overdraft	-	1,547,005,498
Short-term borrowings	54,694,740,214	83,387,334,853
Current portion of long-term borrowings	26,353,809,980	20,671,002,986
	<u>81,048,550,194</u>	<u>105,605,343,337</u>
<b>Non-current</b>		
Long-term borrowings	48,063,332,611	58,329,409,126
Borrowings	<u>129,111,882,805</u>	<u>163,934,752,463</u>

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

	<b>2023 LAK</b>	<b>2022 LAK</b>
<b>Borrowings</b>		
At fixed rates	120,016,741,878	158,461,996,044
At floating rates	9,095,140,927	5,472,756,419
Borrowings	<u>129,111,882,805</u>	<u>163,934,752,463</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 2023, there was an amount of LAK 41,917 million drawn down.
- ii) Short-term borrowing from local commercial bank for a contract amount of LAK 30,000 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 2023, there was an amount of LAK 423,687 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 2023, there was an amount of LAK 67,425 million drawn down.

**SOUVANNY HOME CENTER PUBLIC COMPANY****NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023****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, The loan was fully drawn down during the year 2022.
- v) Long-term borrowing from local commercial bank for a contract amount of THB 145 million with an annual fixed interest of 5% per annum which is due in 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. Long-term borrowings from debentures**

During the year, the Company issue the debentures with the significant conditions are as follow:

Description	Information
Type	Unsubordinated unsecured debentures
Repayment	Principal repayment at the maturity date
Total offering price	USD 50,000/ unit, totally USD 3,000,000
Issued amount	60 units
Interest rate	Fixed rate 7.5% per annum
Interest due	Semi- annually
Period	4 years
Maturity date	19 May 2027

**14. Profit tax payable**

The movement of profit tax payable for 2023 is as below:

	LAK
As at 1 January 2023	11,564,148,709
Profit tax expense for the year (Note 20)	10,792,859,692
Paid during the year	(10,944,957,710)
Foreign exchange translation difference	947,583,110
Profit tax payable as at 31 December 2023	<u>12,359,633,801</u>



**SOUVANNY HOME CENTER PUBLIC COMPANY**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**15. Deposits from customers**

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

**16. Other current liability**

	<b>2023 LAK</b>	<b>2022 LAK</b>
Advance received from customers	5,916,626,711	5,812,926,314
Accrual related marketing activities	3,831,960,000	4,065,268,799
Other liabilities	9,199,056,185	4,466,920,308
Interest payable for debentures	590,890,787	-
Other current liability	<u>19,538,533,683</u>	<u>14,345,115,421</u>

**17. 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 2022	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
Issue of shares	-	-	-	-
At 31 December 2023	<u>165,000,000</u>	<u>330,000,000,000</u>	<u>24,735,724,722</u>	<u>354,735,724,722</u>

As at 31 December 2023, the Company had a share capital of 165,000,000 authorised ordinary shares with a par value of LAK 2,000 per share, which were fully paid,

**18. Reserves**

**Legal reserve**

	<b>2023 LAK</b>	<b>2022 LAK</b>
At 1 January	14,102,046,968	8,440,875,640
Additions	6,079,923,598	5,661,171,328
At 31 December	<u>20,181,970,566</u>	<u>14,102,046,968</u>

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.

**SOUVANNY HOME CENTER PUBLIC COMPANY**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**18. Reserves (continued)**

**Other reserve**

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

**19. Expenses by nature**

Significant expenses classified by nature are as follows:

	<b>2023 LAK</b>	<b>2022 LAK</b>
Change in inventories	579,837,168,125	483,995,177,348
Salaries, wages and other employee benefits	51,486,869,577	37,799,096,100
Allowance for inventory (reverse)	(1,968,627,461)	1,507,680,606
Depreciation and amortisation (Note 9,10)	26,264,961,251	23,017,846,737
Sales promotion and operation support expenses	2,555,054,588	2,379,328,674
Rental fees – offices and showrooms	15,080,131,037	11,699,614,268
Fuel expense	3,868,046,582	3,713,277,140
Repairs and maintenance expense	3,340,726,175	3,641,222,160
Utilities	4,248,933,374	2,966,892,544
Professional fees	4,303,060,390	2,886,659,559
Others	2,027,077,210	8,097,950,655
	<u>691,043,400,848</u>	<u>581,704,745,791</u>

**20. 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,

	<b>LAK</b>
<i>Reconciliation between income tax expense and accounting profit:</i>	
Accounting profit before income tax	71,592,095,675
Non-deductible and reversal items for tax purpose (1)	(17,627,797,033)
Taxable income	53,964,298,642
Profit tax expense at the tax rate of 20%	<u>10,792,859,692</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.



# SOUVANNY HOME CENTER PUBLIC COMPANY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

### 21. Dividends

At the Annual General Meeting of Shareholders held on 7 April 2023, 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 2022 to 31 December 2022 of LAK 100 per share totalling LAK 16,500 million (2021: LAK 8,250 million). The dividend was paid in May 2023 to the shareholders.

### 22. Related-party transactions

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

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

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

The nature and amounts of significant related-party transactions for the year ended 31 December 2023 are summarised below.

#### 22.1 Income and expenses

	2023 LAK	2022 LAK
Purchases of goods from related parties	149,184,243,188	118,292,444,214
Rental expense	17,268,602,422	13,604,490,242

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.

#### 22.2 Outstanding balances arising from related party transactions

	2023 LAK	2022 LAK
Prepaid rental – Related parties	36,561,604,277	33,760,220,765
Trade accounts payable – Related parties	11,399,309,064	10,877,529,142

**SOUVANNY HOME CENTER PUBLIC COMPANY****NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

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**22. Related-party transactions (continued)****22.3 Key management compensation**

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

	<u>2023 LAK</u>	<u>2022 LAK</u>
Salaries	5,107,732,882	2,978,805,616

**23. Commitments and significant agreements****23.1 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 and half years, and the majority of lease agreements are renewable at the end of the lease period after the revaluation.

	<u>2023 LAK</u>	<u>2022 LAK</u>
No later than 1 year	-	6,994,972,670
1-5 years	30,300,203,016	34,309,820,146
Total	<u>30,300,203,016</u>	<u>41,304,792,816</u>

**23.2 Letter of credit and guarantee**

As at 31 December 2023, the Company has outstanding letters of credit and guarantee issued by a bank on behalf of the Company to purchase inventory from overseas totalling THB 29 million.

**24. Events after the reporting period**

According to minutes of Board of Directors no. 2398/SVN, held on 13 February 2024, the dividend payment from business operation for the year 2023 was approved by 120 LAK per share, amounting to LAK 19,800 million, with an expected payment date of 6 May 2024.