

Nam Ngum 2 Power Company Limited  
Audit report and financial statements  
31 December 2018

## **Independent Auditor's Report**

To the Shareholders of Nam Ngum 2 Power Company Limited

### **Opinion**

I have audited the accompanying financial statements of Nam Ngum 2 Power Company Limited ("the Company"), which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nam Ngum 2 Power Company Limited as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### **Basis for Opinion**

I conducted my audit in accordance with International Standards on Auditing. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Company in accordance with the Code of Ethics for Professional Accountants as issued by the Federation of Accounting Professions as relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Responsibilities of Management for the Financial Statements**

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

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



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## **Auditor's Responsibilities for the Audit of the Financial Statements**

My 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing 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 International Standards on Auditing, I exercise professional judgement and maintain professional skepticism throughout the audit. I 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 my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I am responsible for the audit resulting in this independent auditor's report.



Chatchai Kasemsrithanawat

Certified Public Accountant (Thailand) No. 5813

EY Office Limited

Bangkok: 14 February 2019

**Nam Ngum 2 Power Company Limited**

**Statement of financial position**

**As at 31 December 2018**

(Unit: Baht)

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
<b>Assets</b>			
<b>Non-current assets</b>			
Plant and equipment, net	8	21,188,641,434	22,253,713,674
Intangible assets	9	43,316,984	41,703,445
Project costs during construction phase	10	3,121,919,809	2,550,885,019
Long-term restricted bank deposits	11	975,732,505	922,328,276
Deferred tax assets	6	113,859	2,631,602
Other non-current assets		3,000,449	3,000,449
<b>Total non-current assets</b>		<u>25,332,725,040</u>	<u>25,774,262,465</u>
<b>Current assets</b>			
Spare parts and supplies		11,234,233	12,086,516
Trade and other receivables	12, 21	464,213,613	423,488,604
Other current assets	13	35,449,167	29,968,372
Cash at bank and on hand	14	1,428,349,470	1,037,514,469
Short-term restricted bank deposits	14	507,165,600	351,281,753
<b>Total current assets</b>		<u>2,446,412,083</u>	<u>1,854,339,714</u>
<b>Total assets</b>		<u><u>27,779,137,123</u></u>	<u><u>27,628,602,179</u></u>

The accompanying notes are an integral part of the financial statements.

**Nam Ngum 2 Power Company Limited**

**Statement of financial position (continued)**

As at 31 December 2018

(Unit: Baht)

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Issued capital	15	8,809,000,000	8,809,000,000
Retained earnings		2,106,216,466	1,480,996,219
Statutory reserve	16	88,090,000	88,090,000
Other components of shareholders' equity	23	(1,012,251)	(149,980,756)
<b>Total equity</b>		<u>11,002,294,215</u>	<u>10,228,105,463</u>
<b>Non-current liabilities</b>			
Long-term loans from financial institutions, net of current portion	17	6,035,996,604	9,797,349,931
Debentures, net of current portion	18	8,934,746,393	5,947,486,823
Provision for long-term employee benefits		1,447,291	1,153,470
Other long-term liabilities - related party	19, 21	<u>270,752,440</u>	<u>182,569,933</u>
<b>Total non-current liabilities</b>		<u>15,242,942,728</u>	<u>15,928,560,157</u>
<b>Current liabilities</b>			
Trade and other payables	20, 21	176,365,534	188,342,780
Current portion of long-term loans from financial institutions	17	1,263,739,945	1,229,021,190
Current portion of debentures	18	80,440,219	50,017,753
Retention payable	21	1,478,077	704,080
Income tax payable		10,062,559	2,455,748
Other current liabilities		<u>1,813,846</u>	<u>1,395,008</u>
<b>Total current liabilities</b>		<u>1,533,900,180</u>	<u>1,471,936,559</u>
<b>Total liabilities</b>		<u>16,776,842,908</u>	<u>17,400,496,716</u>
<b>Total equity and liabilities</b>		<u>27,779,137,123</u>	<u>27,628,602,179</u>

The accompanying notes are an integral part of the financial statements.

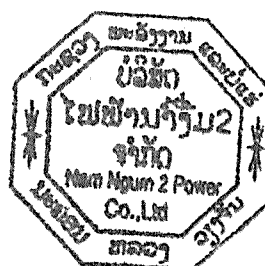


Mr. Plew Trivisvavet



Mr. Vorapote U. Choepaiboonvong

Directors



Nam Ngum 2 Power Company Limited  
Statement of comprehensive income  
For the year ended 31 December 2018

		(Unit: Baht)	
	<u>Notes</u>	<u>2018</u>	<u>2017</u>
<b>Profit or loss:</b>			
<b>Operating income</b>			
Revenue from sales of electricity	21	3,949,289,087	3,318,335,739
Other income		-	-
Interest income		11,810,474	8,858,175
Other		84,888	230,995
<b>Total operating income</b>		<u>3,961,184,449</u>	<u>3,327,424,909</u>
<b>Operating expenses</b>			
Cost of sales of electricity	21	(1,590,405,709)	(1,562,391,561)
Administrative expenses		(247,579,580)	(221,482,777)
Loss on exchange		(376,695)	(122,253,000)
<b>Total operating expenses</b>		<u>(1,838,361,984)</u>	<u>(1,906,127,338)</u>
<b>Profit before finance costs</b>		2,122,822,465	1,421,297,571
Finance costs		(616,459,088)	(871,555,925)
<b>Profit before income tax expenses</b>		1,506,363,377	549,741,646
Income tax expenses	6	(44,288,130)	(16,219,574)
<b>Profit for the year</b>		<u>1,462,075,247</u>	<u>533,522,072</u>
<b>Other comprehensive income:</b>			
<i>Other comprehensive income to be reclassified</i>			
<i>to profit or loss in subsequent periods:</i>			
<b>Cash flow hedges</b>			
Reclassification during the year to profit or loss	23	(15,232,042)	51,575,481
Unrealised gain from cash flow hedges	23	166,718,290	417,463,885
Less: Income tax effect		(2,517,743)	(20,420,723)
Other comprehensive income to be reclassified to profit or loss			
in subsequent periods, net of income tax		<u>148,968,505</u>	<u>448,618,643</u>
<i>Other comprehensive income not to be reclassified</i>			
<i>to profit or loss in subsequent period:</i>			
Actuarial gain		-	2,301,692
<b>Other comprehensive income for the year</b>		<u>148,968,505</u>	<u>450,920,335</u>
<b>Total comprehensive income for the year</b>		<u><u>1,611,043,752</u></u>	<u><u>984,442,407</u></u>

The accompanying notes are an integral part of the financial statements.

Nam Ngum 2 Power Company Limited

Statement of changes in equity

For the year ended 31 December 2018

(Unit: Baht)

	Issued and paid-up share capital	Retained earnings	Statutory reserve	Other components of equity Unrealised gain (loss) from cash flow hedges	Total
<b>As at 1 January 2017</b>	8,809,000,000	2,002,252,455	88,090,000	(598,599,399)	10,300,743,056
Profit for the year	-	533,522,072	-	-	533,522,072
Other comprehensive income for the year	-	2,301,692	-	448,618,643	450,920,335
Total comprehensive income for the year	-	535,823,764	-	448,618,643	984,442,407
Dividend payment (Note 22)	-	(1,057,080,000)	-	-	(1,057,080,000)
<b>As at 31 December 2017</b>	<u>8,809,000,000</u>	<u>1,480,996,219</u>	<u>88,090,000</u>	<u>(149,980,756)</u>	<u>10,228,105,463</u>
<b>As at 1 January 2018</b>	8,809,000,000	1,480,996,219	88,090,000	(149,980,756)	10,228,105,463
Profit for the year	-	1,462,075,247	-	-	1,462,075,247
Other comprehensive income for the year	-	-	-	148,968,505	148,968,505
Total comprehensive income for the year	-	1,462,075,247	-	148,968,505	1,611,043,752
Dividend payment (Note 22)	-	(836,855,000)	-	-	(836,855,000)
<b>As at 31 December 2018</b>	<u>8,809,000,000</u>	<u>2,106,216,466</u>	<u>88,090,000</u>	<u>(1,012,251)</u>	<u>11,002,294,215</u>

The accompanying notes are an integral part of the financial statements.



**Nam Ngum 2 Power Company Limited**

**Statement of cash flows**

**For the year ended 31 December 2018**

	(Unit: Baht)	
	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities</b>		
Profit from operating activities	1,506,363,377	549,741,646
Adjustment to reconcile profit to net cash flows:		
Depreciation and amortisation	1,092,707,926	1,081,465,451
Amortisation of interest rate reduction fee	2,099,598	2,099,598
Unrealised loss on exchange	14,232,270	35,502,890
Loss on equipment write-off	7,373,958	52,229
Provision for long-term employee benefits	293,821	249,795
Interest expenses	609,902,209	865,176,327
Operating profit before working capital changes	3,232,973,159	2,534,287,936
(Increase)/decrease in:		
Trade and other receivables	(44,305,576)	62,724,080
Spare parts and supplies	852,283	(1,886,867)
Other current assets	80,563,418	37,668,317
Increase/(decrease) in:		
Trade and other payables	48,426,465	(27,365,990)
Retention payable	773,997	(14,375)
Other current liabilities	418,838	(257,145)
Other long-term liabilities	73,116,718	-
Cash flows from operating activities	3,392,819,302	2,605,155,956
Cash paid for income tax expenses	(36,681,319)	(18,562,118)
<b>Net cash flows from operating activities</b>	<u>3,356,137,983</u>	<u>2,586,593,838</u>
<b>Cash flows from investing activities</b>		
Increase in short-term restricted bank deposits	(157,372,583)	(141,063,022)
Increase in long-term restricted bank deposits	(57,100,814)	(207,801,126)
Increase in project costs during construction phase	(459,233,605)	(1,443,100,406)
Increase in plant and equipment	(30,250,020)	(13,806,127)
Increase in intangible assets	(21,923,391)	(26,210,030)
Cash paid for interest capitalised as part of		
project costs during construction phase	(150,296,098)	(94,038,317)
<b>Net cash flows used in investing activities</b>	<u>(876,176,511)</u>	<u>(1,926,019,028)</u>

The accompanying notes are an integral part of the financial statements.

**Nam Ngum 2 Power Company Limited**

**Statement of cash flows (continued)**

**For the year ended 31 December 2018**

(Unit: Baht)

	<u>2018</u>	<u>2017</u>
<b>Cash flows from financing activities</b>		
Decrease in long-term loans from financial institutions	(3,666,764,562)	(5,003,784,259)
Cash receipt from issuance of debentures	3,000,000,000	6,000,000,000
Cash paid for loan arrangement fee	(206,443)	(2,815,796)
Cash paid for debenture issuing cost	(24,449,767)	(54,853,213)
Cash paid for interest expenses	(553,219,587)	(659,300,053)
Dividend payment	<u>(836,855,000)</u>	<u>(1,057,080,000)</u>
<b>Net cash flows used in financing activities</b>	<u>(2,081,495,358)</u>	<u>(777,833,321)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	398,466,114	(117,258,511)
Effect of exchange rate changes on cash and cash equivalents	(7,631,112)	(11,197,237)
Cash and cash equivalents at beginning of year	<u>1,037,514,469</u>	<u>1,165,970,217</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>1,428,349,470</u></u>	<u><u>1,037,514,469</u></u>

**Supplemental cash flows information**

**Non-cash transactions**

Increase in project costs during construction phase		
from accrued finance cost	644,253	791,405
Increase in intangible assets from other payables	-	15,493,415
Transfer spare parts and supplies to equipment	-	27,592,229

The accompanying notes are an integral part of the financial statements.

**Nam Ngum 2 Power Company Limited**  
**Notes to financial statements**  
**For the year ended 31 December 2018**

**1. Corporate information**

- a) Nam Ngum 2 Power Company Limited (“the Company”) is a limited company incorporated under the laws of the Lao People’s Democratic Republic. The major shareholder of the Company is SouthEast Asia Energy Limited (“the Parent Company”), which was incorporated in Thailand. The major shareholder of SouthEast Asia Energy Limited is CK Power Public Company Limited (“the Parent Company of the Group”), which has control over the Company through SouthEast Asia Energy Limited.

The Company is principally engaged in the generation and sale of electricity from the Nam Ngum 2 Hydroelectric Power Project in the Lao People’s Democratic Republic. On 26 March 2011, the Company has commenced the Initial Operation Date (IOD) as specified in the Power Purchase Agreement with the Electricity Generating Authority of Thailand.

The Company’s registered office is located at 215 Lanexang Avenue, Baan Chiengyuen, Muang Chantaburi, Kamphaeng Nakorn, Vientiane, Lao People’s Democratic Republic.

The financial statements of Nam Ngum 2 Power Company Limited for the year ended 31 December 2018 were authorised for issue by the Company’s Board of Directors on 14 February 2019.

- b) On 27 December 2007, the Company entered into an agreement to transfer all rights and obligations under the Power Purchase Agreement (“PPA”) with the Electricity Generating Authority of Thailand (“EGAT”) from the branch of the Parent Company to the Company at the energy tariff rate specified in the PPA for a period of 25 years commencing from the Commercial Operation Date.
- c) On 9 January 2008, the branch of the Parent Company entered into novation agreements to transfer all rights and obligations under the Concession Agreement and other agreements relating to the Nam Ngum 2 Hydroelectric Power Project to the Company.

The Nam Ngum 2 Hydroelectric Power Project's Concession Agreement, transferred from the branch of the Parent Company to the Company, is the agreement made with the Government of the Lao People's Democratic Republic on a BOOT basis (Build-Own-Operate and Transfer) to design, develop, construct and operate the Nam Ngum 2 Hydroelectric Power Project for a period of 25 years commencing from the Commercial Operation Date (1 September 2013) to sell electricity to EGAT. At the end of the concession period, the Company shall transfer the Nam Ngum 2 Hydroelectric Power Project to the Government of the Lao People's Democratic Republic. However, the Company has the right to a contract period extension under terms and conditions as may then be agreed by the parties.

Under the Concession Agreement, the Company has commitment to pay royalty fees and taxes to the Government of the Lao People's Democratic Republic for a certain period and at the rates specified under such Concession Agreement.

- d) On 25 June 2009, the Company entered into an Agreement on Operation and Maintenance of Dam and Powerhouse for Nam Ngum 2 Hydroelectric Power Project with a related company at the rates specified in the agreement. The period of this agreement is valid until the end of the concession period of the Nam Ngum 2 Hydroelectric Power Project.

Subsequently, on 1 April 2016, the Company entered into an Agreement to transfer rights on Operation and Maintenance of Dam and Powerhouse for Nam Ngum 2 Hydroelectric Power Project from the related company to a related party at the rates specified in the agreement. The period of this agreement is valid until the end of the concession period of the Nam Ngum 2 Hydroelectric Power Project.

- e) On 15 January 2010, the Company entered into an Agreement on Operation and Maintenance of Transmission Systems for Nam Ngum 2 Hydroelectric Power Project with a related party at the rates specified in the agreement. The period of this agreement is valid until the end of the concession period of the Nam Ngum 2 Hydroelectric Power Project.

## **2. Significant accounting policies**

### **2.1 Basis for preparation**

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

The financial statements have been prepared on a historical cost basis. The financial statements are presented in Thai Baht ("Baht").

## 2.2 Standards that became effective in the current year

Below is a summary of new and revised accounting standards that became effective in the current accounting year.

- IFRS 9 *Financial instruments*

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The adoption of this standard does not have any significant impact on the financial statements.

- IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The adoption of this standard does not have any significant impact on the financial statements.

- Clarifications to IFRS 15 *Revenue from Contracts with Customers*
- IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*
- Amendments to IAS 40 *Transfers of Investment Property*
- Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions*
- Amendments to IFRS 4 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
- Amendments to IAS 28 *Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice*
- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters*

These standards do not have any significant impact on the financial statements.

## **2.3 Summary of significant accounting policies**

### **(a) Foreign currency translation**

The financial statements are presented in Baht, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into Baht at the rates ruling on the transaction dates. Monetary assets and liabilities denominated in foreign currencies outstanding on the reporting date are retranslated into Baht at the rates ruling on the reporting date. All differences are taken to profit or loss in the statement of comprehensive income. The exchange differences relevant to the construction of the hydroelectric power project are included as part of project costs during the construction phase. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

### **(b) Revenues and expenses recognition**

#### *Revenue from sale of electricity*

Revenue from sales of electricity (EGAT) is recognised on the basis of actual electricity sales, referring to the number of units sold and the applicable tariff rates.

#### *Interest income*

Revenue is recognised as interest accrues (using the effective interest method, that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

#### *Other revenues and expenses*

Other revenues and expenses are recognised on an accrual basis.

### **(c) Income tax**

#### *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

### *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax relating to items outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**(d) Financial assets**

Financial assets are classified, at initial recognition and subsequently measured, at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way purchases) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in profit or loss in statement of comprehensive income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

*Fair value of financial instruments*

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments not traded in an active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis or other valuation models.



**(e) Cash and cash equivalents**

Cash and cash equivalents comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less and without restrictions.

**(f) Spare parts and supplies**

Spare parts and supplies are valued at the lower of cost (under the weighted average method) and net realisable value and are charged to production costs whenever consumed.

**(g) Financial liabilities**

All interest-bearing loans are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss in statement of comprehensive income when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate. The amortisation of effective interest is included in finance cost in profit or loss.

**(h) Offsetting of financial instruments**

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

**(i) Derecognition of financial assets and liabilities**

*Financial assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset.

In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

#### *Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss in statement of comprehensive income.

#### **(j) Impairment of financial assets**

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the impairment loss shall be recognised in profit or loss in statement of comprehensive income.

When a loan is uncollectible, it is written off against the related impairment allowance. Subsequent recoveries of amounts previously written off are credited directly to the credit loss expenses.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in profit or loss in statement of comprehensive income.

**(k) Plant and equipment/depreciation**

Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any. These costs include the cost of replacing part of such equipment when that cost is incurred if the recognition criteria are met.

Depreciation of plant and equipment is calculated by reference to their costs on the straight-line basis over the following estimated useful lives:

Nam Ngum 2 Hydroelectric Power Project	6, 27 years
Leased asset improvements	10 to 24 years
Equipment, furniture and office equipment	5, 6, 10, 20 years
Motor vehicles	5 years

The carrying values of the plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in statement of comprehensive income in the year the asset is derecognised.

The residual values, useful lives and depreciation methods of the assets are reviewed, and adjusted if appropriate, at each financial year end.

**(l) Project costs during construction phase**

All expenditures and other related expenses which are incurred during the construction of the hydroelectric power plant to enable it to become operational are capitalised as assets. Such project costs during the construction phase include, inter alia, project construction costs, direct project management costs, consulting fees, borrowing costs and costs of testing whether the asset is functioning properly.

No depreciation is provided on project costs during construction phase.

#### **(m) Leases**

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date: whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

##### *The Company as a lessee*

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and a reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in profit or loss in statement of comprehensive income.

Leased assets are depreciated over the useful lives of the assets. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in profit or loss in statement of comprehensive income on the straight-line basis over the lease term.

##### *The Company as a lessor*

Leases under which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases.

The Company considers that the arrangement under the Power Purchase Agreement (“PPA”) with EGAT contains a lease. Since the Company retains the principal risks and rewards from its ownership in the power plant, the arrangement is considered to be an operating lease.

The power plant is capitalised as plant and equipment and depreciated over its useful life.

There is no future minimum payment by EGAT under the terms of the PPA, it is deemed appropriate to recognise revenue on the basis of actual electricity sales, referring to the number of units sold and the applicable tariff rates.

**(n) Borrowing costs**

Borrowing costs directly attributable to the construction of the hydroelectric power project, which necessarily takes a substantial period of time to get ready for its intended use, are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that are incurred in connection with the borrowing of funds.

**(o) Intangible assets**

The intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses (if any).

Intangible assets with finite lives are amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense is charged to profit or loss.

Intangible assets of the Company with finite useful lives comprise computer software, and have useful lives of 10 years.

**(p) Impairment of non-financial assets**

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for public traded companies or other available fair value indicators.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the Company estimates the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such a reversal is recognised in profit or loss in statement of comprehensive income, and after such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

**(q) Related party transactions**

Related parties comprise enterprises and individuals that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.

They also include associated companies and individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, and directors and officers with authority in the planning and direction of the Company's operations.

**(r) Employee benefits**

*Short-term employee benefits*

Salaries, annual rewards and related employment welfare are recognised as expenses when incurred.

*Post-employment benefits*

Defined benefit plans

The Company has obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Company treats these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

Actuarial gains and losses arising from post-employment benefits are recognised immediately in other comprehensive income.

**(s) Hedge accounting - Cash flow hedges**

The Company applies cash flow hedge accounting in order to hedge the foreign exchange exposure on a certain portion of its forecasted revenue from sales of electricity in USD currency, which are designated as the hedged item and long-term loans in USD are the hedging instrument.

The Company will recognise the effective portion of the change in value of the cash flow hedging instrument in other comprehensive income (OCI) due to movements in foreign exchange rates. The gain or loss relating to the ineffective portion is recognised in profit or loss. Gains or losses accumulated in OCI are then transferred to profit or loss in the period when the hedged items affect profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in value of the hedged item.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment.

**3. Significant accounting judgements, estimates and assumptions**

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, changes in these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. Significant judgements and estimates, including the key assumptions concerning the future and other key sources of estimation, are as follows:

***Concession Agreement***

The Company's management considers the arrangement under the Concession Agreement with the Government of the Lao People's Democratic Republic to be outside the scope of IFRIC 12, and recorded all expenditures and other related expenses incurred during the construction of the hydroelectric power plant as plant and equipment in the statement of financial position.

***Power Purchase Agreement***

The Company's management considers the arrangement under the Power Purchase Agreement with EGAT to constitute a lease under IFRIC 4. Further details are contained in note 2.2 (m).

### ***Functional Currency***

The Company's management considers the Company's functional currency to be the Baht, since this is the currency that will mainly influence the selling price of electricity, and the costs of the Company's sales. It is also the currency in which, in comparison with the US dollar, funds from financing activities are more likely to be generated, and in which receipts from operating activities are more likely to be retained.

#### **4. Standards issued but not yet effective**

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The Company intends to adopt these standards, if applicable, when they become effective.

- IFRS 16 Leases (effective 1 January 2019)
- IFRS 17 Insurance Contracts (effective 1 January 2021)
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatment (effective 1 January 2019)
- Amendments to IFRS 9: Prepayment Features with Negative Compensation (effective 1 January 2019)
- Amendments to IFRS 10 and IAS 28: Sale or contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (effective 1 January 2019)
- Amendments to IAS 28: Long-term interests in associates and joint ventures (effective 1 January 2019)
- Annual Improvements 2015 - 2017 Cycle: issued in December 2017 (effective 1 January 2019)

At present, the management of the Company is evaluating the impact of these standards to the financial statements in the period of initial application.

#### **5. Expenses by nature**

Significant expenses by nature are as follows:

	(Unit: Thousand Baht)	
	<u>2018</u>	<u>2017</u>
Depreciation and amortisation	1,092,708	1,081,465
Operation and maintenance of power plant and transmission systems	219,756	248,165
Royalty	133,110	113,338
Watershed and livelihood expenses	20,455	21,193
Salary and other employee benefits	43,362	37,965



	(Unit: Thousand Baht)	
	<u>2018</u>	<u>2017</u>
Directors' remuneration	12,420	12,420
Traveling expenses	20,356	21,444
Consultant expenses	48,366	14,627
Management fee charged by the Parent Company of the Group	146,014	141,594
Insurance expenses	47,832	53,199

## 6. Income tax

Income tax expenses of the Company is calculated by multiplying taxable profits by the tax rate as specified in the Concession Agreement for each period commencing from the Initial Operation Date (26 March 2011) to the end of the concession period. However, for a period of 5 years from the Initial Operation Date, the Company has been granted exemption from the corporate income tax. The corporate income tax rate for current year is 3%.

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2018 and 2017 are as follows:

	(Unit: Thousand Baht)	
	<u>2018</u>	<u>2017</u>
Deferred tax relating to		
Unrealised loss from cash flow hedges	114	2,632
	<u>114</u>	<u>2,632</u>

## 7. Earnings per share

Basic earnings per share are calculated by dividing the net profit for the year by the weighted average number of ordinary shares in issue during the year.

The following reflects the profit and share data used in the basic earnings per share computation:

	<u>2018</u>	<u>2017</u>
Profit (Baht)	1,462,075,247	533,522,072
Weighted average number of ordinary shares for basic earnings per share (shares)	880,900,000	880,900,000

## 8. Plant and equipment

(Unit: Thousand Baht)

	Nam Ngum 2		Equipment, furniture and office equipment	Motor vehicles	Assets under construction	Total
	Hydroelectric Power Project	Leased asset improvements				
<b>Cost</b>						
1 January 2017	29,429,113	23,544	61,534	51,696	-	29,565,887
Additions	-	1,370	3,703	8,715	-	13,788
Transfer in	-	-	27,592	-	-	27,592
Write off	-	-	(2,224)	-	-	(2,224)
31 December 2017	29,429,113	24,914	90,605	60,411	-	29,605,043
Additions	10,288	1,215	3,678	1,586	13,426	30,193
Transfer in (out)	-	9,392	4,034	-	(13,426)	-
Write off	(10,288)	-	-	-	-	(10,288)
31 December 2018	29,429,113	35,521	98,317	61,997	-	29,624,948
<b>Accumulated depreciation</b>						
1 January 2017	6,189,047	5,833	40,302	36,854	-	6,272,036
Depreciation for the year	1,072,776	1,829	4,782	2,078	-	1,081,465
Write off	-	-	(2,172)	-	-	(2,172)
31 December 2017	7,261,823	7,662	42,912	38,932	-	7,351,329
Depreciation for the year	1,073,939	1,136	10,189	2,628	-	1,087,892
Write off	(2,914)	-	-	-	-	(2,914)
31 December 2018	8,332,848	8,798	53,101	41,560	-	8,436,307
<b>Net book value</b>						
31 December 2017	22,167,290	17,252	47,693	21,479	-	22,253,714
31 December 2018	21,096,265	26,723	45,216	20,437	-	21,188,641

The Company has mortgaged immovable assets and pledged other movable assets of the Nam Ngum 2 Hydroelectric Power Project with a group of lenders to secure the long-term loans.

## 9. Intangible assets

A reconciliation of the net book value of intangible assets for the years 2018 and 2017 is presented below.

	(Unit: Thousand Baht)	
	<u>2018</u>	<u>2017</u>
Net book value at beginning of year	41,703	-
Acquisition of computer software - at cost	6,430	41,703
Amortisation	(4,816)	-
Net book value at end of year	<u>43,317</u>	<u>41,703</u>

## 10. Project costs during construction phase

As at 31 December 2018 and 2017, the balance of project costs during construction phase represents the upgrade and construction of the Nabong Substation Project.

## 11. Long-term restricted bank deposits

The Company has pledged and assigned rights of claim on bank accounts with outstanding balances as at 31 December 2018 totalling approximately Baht 976 million (2017: Baht 922 million) with lenders to secure long-term loans of a group of that companies in accordance with conditions stipulated in the long-term loan agreements. Those bank accounts have restrictions on withdrawal in order to reserve cash for the major maintenance of the Nam Ngum 2 Hydroelectric Power Project and the loan principal repayment and interest payment under the long-term loans agreements, in the event that the Company is unable to repay principal or interest when due.

## 12. Trade and other receivables

	(Unit: Thousand Baht)	
	<u>2018</u>	<u>2017</u>
Trade receivable - related party	461,676	416,902
Other receivable - related parties	159	4,217
Interest receivable	2,379	2,370
Total trade and other receivables	<u>464,214</u>	<u>423,489</u>

### 13. Other current assets

	(Unit: Thousand Baht)	
	<u>2018</u>	<u>2017</u>
Prepaid expenses	28,902	27,180
Others	6,547	2,788
Total	<u>35,449</u>	<u>29,968</u>

### 14. Cash at bank and on hand/Short-term restricted bank deposits

#### Cash at bank and on hand

	(Unit: Thousand Baht)	
	<u>2018</u>	<u>2017</u>
Cash	576	501
Bank deposits	1,427,773	1,037,013
	<u>1,428,349</u>	<u>1,037,514</u>

As at 31 December 2018 and 2017, cash and cash equivalents comprised cash at banks and on hand only. The Company has pledged and assigned rights of claim in bank accounts with outstanding balances as at 31 December 2018 totalling approximately Baht 1,317 million (2017: Baht 923 million) to secure the long-term loans of the Company with its lenders, in accordance with conditions stipulated in the long-term loan agreements. However, the Company is able to withdraw these deposits for payments of its regular operating expenses, in accordance with the purpose of each account.

#### Short-term restricted bank deposits

The Company has pledged and assigned rights of claim in bank accounts with outstanding balances as at 31 December 2018 totaling approximately Baht 507 million (2017: Baht 351 million) with lenders to secure long-term loans of the Company, in accordance with conditions stipulated in the long-term loan agreements. Those bank accounts have restrictions on withdrawal in order to repay loan principal and interest due within 6 months.

### 15. Issued capital

	(Unit: Thousand Baht)	
	<u>2018</u>	<u>2017</u>
Authorised:		
880,900,000 ordinary shares of Baht 10 each	<u>8,809,000</u>	<u>8,809,000</u>
Issued and paid up:		
880,900,000 ordinary shares of Baht 10 each, fully called up	<u>8,809,000</u>	<u>8,809,000</u>

## 16. Statutory reserve

Pursuant to the Articles of Association of the Company, the Company is required to annually appropriate 10% of its net income to a statutory reserve until the statutory reserve reaches 1% of the registered capital. Furthermore, the Board of Directors may propose to the Annual General Meeting to appropriate net income for other reserves as it deemed useful for the Company's business operations.

## 17. Long-term loans from financial institutions

	(Unit: Thousand Baht)	
	<u>2018</u>	<u>2017</u>
Long-term loans	7,299,737	11,026,371
Less: Current portion of long-term loans		
Loans principals	(1,066,529)	(1,043,005)
Accrued interest expenses	(197,211)	(186,016)
	<u>(1,263,740)</u>	<u>(1,229,021)</u>
Long-term loans, net of current portion	<u>6,035,997</u>	<u>9,797,350</u>

Movements in the long-term loans account during the year ended 31 December 2018 are summarised below.

	(Unit: Thousand Baht)
<b>Balance as at 1 January 2018</b>	11,026,371
Add: Additional borrowings during the year	384,765
Less: Repayment	(4,051,530)
Unrealised gain from exchange rate	(5,283)
Unrealised gain from cash flow hedges	(151,486)
	<u>7,202,837</u>
Add: Transaction costs	85,705
<b>Balance as at 31 December 2018</b>	<u>7,288,542</u>
Add: Accrued interest expenses	<u>11,195</u>
<b>Total long-term loans from financial institutions as at 31 December 2018</b>	<u><u>7,299,737</u></u>

On 14 September 2016, the Company entered into long-term loan agreements with a consortium of commercial banks in Thailand to refinance the existing long-term loans and finance the upgrade and construction of the Nabong Substation Project. This comprises the following credit facilities:

- 1) Tranche 1 Facility: Baht 10,897 million and USD 136 million to refinance the existing long-term loans.
- 2) Tranche 2 Facility: Baht 1,720 million and USD 39 million to fund the upgrade and construction of Nabong Substation Project.
- 3) Guarantee Facility: A bank guarantee of USD 25 million provided to guarantee the Company's obligations under the Power Purchase Agreement with the Electricity Generating Authority of Thailand.
- 4) Working Capital Facility: Baht 50 million set aside as a reserve to fund the issue of letters of guarantee, and to make payment of various costs that arise in the normal course of business.

The rate of interest of the Baht loans is MLR less a stipulated margin (MLR - margin) per annum and the rate of interest of the USD loans is LIBOR plus a stipulated margin (LIBOR + margin) per annum. Principal repayments are to be made semi-annually in 29 installments, as stipulated in the long-term loan agreements. The first payment of principal under the Tranche 1 Facility is due on 30 September 2016 and the first payment of principal under the Tranche 2 Facility is due on the earlier of (a) the last working day of the 30th month after the first draw down of the loan and (b) 30 September 2018.

In October 2017 and March 2018, the Company made partial prepayment of loans under the Tranche 1 Facility amounting to Baht 6,000 million and USD 96 million, respectively.

Under the long-term loan agreements, the Company is to conform with covenants imposed by the lenders in respect of, among other things, the maintenance of total liabilities to total equity ratio and the securing of long-term loans through the mortgage of immovable properties, the pledge of movable properties located in the Lao People's Democratic Republic, the pledge of the share certificates of the parent company and some of the share certificates of the Company, the pledge and assignment of rights in bank accounts, the assignment of beneficiary rights under insurance policies, and the assignment of rights and obligations under the agreements relating to the Nam Ngum 2 Hydroelectric Power Project.

As at 31 December 2018, the Company had fully drawn down the Tranche 1 and Tranche 2 Facilities and had not yet been drawn down the Working Capital Facility of Baht 50 million.

## 18. Debentures

(Unit: Thousand Baht)						
No.	Debentures	Life	Date of issue	Maturity date	Interest rate (% per annum)	Amount
1/2017	Tranche 1	3 Years	5 October 2017	5 October 2020	2.59	1,000,000
2/2017	Tranche 2	7 Years	5 October 2017	5 October 2024	3.48	1,400,000
3/2017	Tranche 3	10 Years	5 October 2017	5 October 2027	3.69	3,600,000
1/2018	Tranche 1	12 Years	30 March 2018	30 March 2030	3.98	3,000,000
Total						9,000,000
Less: Deferred debenture issuing costs						(65,254)
Add: Additional accrued interest expenses during the year						80,440
Debentures						9,015,186
Less: Current portion of debentures						(80,440)
Debentures, net of current portion						8,934,746

Movements in the debentures account during the year ended 31 December 2018 are summarised below.

(Unit: Thousand Baht)	
Balance as at 1 January 2018	6,000,000
Add: Issuance of debentures during the year	3,000,000
Additional accrued interest expenses during the year	80,440
	9,080,440
Less: Deferred debenture issuing costs	(65,254)
Balance as at 31 December 2018	9,015,186

All debentures of the Company are name-registered, unsecured, and unsubordinated debentures with the debentureholders' representative. The interest is payable semi-annually throughout the life of the debentures.

The conditions of the debentures include covenants that, among other things, the Company shall not sell or transfer or otherwise dispose of the whole or part of its material operating assets with certain permissions; and the Company is required to maintain a certain net Interest-bearing Debt to Equity ratio.

## 19. Other long-term liabilities - related party

The balance of other long-term liabilities is the cash which the Company received from sales of electricity as excess energy in the Nam Ngum 2 Hydroelectric Power Project to EGAT and has the obligations to repay to EGAT in 2022, in accordance with a condition in the Power Purchase Agreement. The Company initially records such long-term liabilities at the present value of the amounts to be repaid, calculated using a discount rate tied to the cost of the financing rate of the Company, and records them as a deduction against sales of electricity as excess energy. In addition, the carrying amount of the liabilities increases in each period to reflect the passage of time, with the Company recognising this increase as a finance cost.

## 20. Trade and other payables

	(Unit: Thousand Baht)	
	<u>2018</u>	<u>2017</u>
Trade payables - related parties	142,994	93,835
Trade payables - unrelated parties	2,905	5,876
Project payables - related parties	5,808	53,162
Project payables - unrelated parties	3,917	1,485
Amounts due to related parties	1,521	5,469
Other payables - unrelated parties	8,109	17,367
Accrued expenses	11,112	11,149
Total trade and other payables	<u>176,366</u>	<u>188,343</u>

## 21. Related party transactions

During the year, the Company had significant business transactions with related parties: related via shareholding, as well as through common shareholders and/or common directors. These transactions were concluded on commercial terms and bases agreed upon in the ordinary course of businesses between the Company and those related parties. Below is a summary of those transactions:

		(Unit: Million Baht)	
	<u>Relationships</u>	<u>2018</u>	<u>2017</u>
<u>Transactions with the Parent</u>			
<u>Company of the Group</u>			
Management fee		154	147
Project administrative <sup>(1)</sup>		65	47
<u>Transactions with related parties</u>			
Revenue from sales of electricity	Major shareholder of a shareholder of the Parent Company	3,949	3,318
Cost of sales of electricity	Major shareholder of a shareholder of the Company, A shareholder of the Parent Company, Major shareholder of a shareholder of the Parent Company, A group of shareholder of the Company	372	355
<u>Transactions with related parties</u>			
Project cost and administration <sup>(1)</sup>	Common shareholder of the Parent Company, Major shareholder of a shareholder of the Parent Company	239	1,346

<sup>(1)</sup> included as part of project costs during construction phase



The balances of the accounts as at 31 December 2018 and 2017 between the Company and those related parties are as follows:

		(Unit: Thousand Baht)	
	<u>Relationships</u>	<u>2018</u>	<u>2017</u>
<b><u>Trade and other receivables - related parties (Note 12)</u></b>			
<b>Trade receivable - related party</b>			
- Electricity Generating Authority of Thailand	Major shareholder of a shareholder of the Parent Company	461,676	416,902
		<u>461,676</u>	<u>416,902</u>
<b>Other receivable - related parties</b>			
- Electricity Generating Authority of Thailand	Major shareholder of a shareholder of the Parent Company	159	132
- Nam Theun 1 Power Company Limited	Common shareholder of the Company	-	4,085
		<u>159</u>	<u>4,217</u>
Trade and other receivables - related parties		<u>461,835</u>	<u>421,119</u>
<b><u>Trade and other payables - related parties (Note 20)</u></b>			
<b>Trade payable - related parties</b>			
- CK Power Public Company Limited	Parent Company of the Group	13,457	7,574
- PT Sole Company Limited	A shareholder of the Parent Company	24,198	6,398
- Electricité du Laos	Major shareholder of a shareholder of the Company	1,677	1,664
- The Government of the Lao People's Democratic Republic	A group of shareholder of the Company	88,103	63,703
- Electricity Generating Authority of Thailand	Major shareholder of a shareholder of the Parent Company	15,559	14,496
		<u>142,994</u>	<u>93,835</u>

		(Unit: Thousand Baht)	
	<u>Relationships</u>	<u>2018</u>	<u>2017</u>
<b>Other payables - related parties</b>			
<b>a) <u>Project payables - related parties</u></b>			
- CH. Karnchang (Lao) Company Limited	Common shareholder of the Parent Company	-	49,184
- CK Power Public Company Limited	Parent company of the Group	3,646	3,978
- Electricity Generating Authority of Thailand	Major shareholder of a shareholder of the Parent Company	2,162	-
		<u>5,808</u>	<u>53,162</u>
<b>b) <u>Amounts due to related parties</u></b>			
- CK Power Public Company Limited	Parent Company of the Group	319	5,469
- PT Sole Company Limited	A shareholder of the Parent Company	1,202	-
		<u>1,521</u>	<u>5,469</u>
Trade and other payables - related parties		<u>150,323</u>	<u>152,466</u>
<b><u>Retention payable - related party</u></b>			
- PT Sole Company Limited	A shareholder of the Parent Company	674	674
<b><u>Other long-term liabilities - related party (Note 19)</u></b>			
- Electricity Generating Authority of Thailand	Major shareholder of a shareholder of the Parent Company	270,752	182,570

### **Directors and management's benefits**

During the year ended 31 December 2018, the Company had short-term employee benefit expenses of its directors and management amounting to Baht 21.8 million (2017: Baht 20.3 million).

## 22. Dividend payment

Dividends	Approved by	Total dividends (Million Baht)	Dividend per share (Baht)
Interim dividends	The Board of Directors Meeting		
No. 1/2018	on 20 February 2018	352.4	0.4
Interim dividends	The Board of Directors Meeting		
No. 2/2018	on 19 September 2018	484.5	0.6
Total dividend for the year 2018		836.9	1.0
Interim dividends	The Board of Directors Meeting		
No. 1/2017	on 17 February 2017	616.6	0.7
Interim dividends	The Board of Directors Meeting		
No. 2/2017	on 27 September 2017	440.5	0.5
Total dividend for the year 2017		1,057.1	1.2

## 23. Financial instruments

### Financial risk management and policies

The Company's principal financial instruments comprise loans from financial institutions, debentures, other long-term liabilities - related party, trade and other payables, trade and other receivables and cash at banks.

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, interest rate risk and foreign currency risk. The Company will use derivative instruments, as and when it considers appropriate, to manage these risks. It is the Company's policy that no trading in derivatives for speculative purposes shall be undertaken.

### 23.1 Credit risk

Credit risk is the risk that counterparties will not meet their obligations under a financial instrument or customer contract, leading to a financial loss. The credit risk associated with operating activities and financing activities of the Company and how they are managed is described below:

#### Bank deposits

The Company has no significant credit risk in respect of cash at banks because the Company has deposited cash from sales of electricity, loan drawdown, loan and interest repayment and equity injection in bank accounts in accordance with the Accounts Agreement both in Thailand and the Lao People's Democratic Republic with only creditworthy banks.

As at 31 December 2018, total cash at banks of the Company amounted to Baht 2,911 million.

## **Trade receivable**

The Company has no significant credit risk with respect to trade receivable from sales of electricity. Although the Company has only one customer under the Power Purchase Agreement (“PPA”) entered into between the Company and the Electricity Generating Authority of Thailand (“EGAT”), EGAT has a strong financial position as it is a state enterprise in Thailand. In addition, there have been no receivable from sale of electricity that is past due or impaired.

### **23.2 Liquidity risk**

To manage the liquidity risk, the Company management considers and monitors the forecasting of its liquidity reserve with undrawn loans, uncalled share capital, cash from sales of electricity and the balance of cash and cash equivalents on the basis of estimated cash flows, which are maintained for the appropriate cash funding to meet the Company’s expenditure under its interim payment schedule and budget, including reasonable short-term operational needs.

Based on the undiscounted amounts contractually payable, as at 31 December 2018 the Company has financial liabilities due within one year amounting to Baht 2,279 million, long-term loans from financial institutions and debentures and expected interest payment due within 2 to 5 years amounting to Baht 7,658 million, and long-term loans from financial institutions, debentures, expected interest payment and other long-term liabilities to related party due in over 5 years amounting to Baht 11,751 million.

### **23.3 Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company manage its interest rate risk by having a balanced portfolio of variable rate and fixed rate loans and debentures. Totalling Baht 7,103 million and Baht 8,935 million, respectively. The Company’s exposure to the risk of changes in market interest rates relates primarily to the Company’s bank deposits and the future long term loans with floating interest rates. The Company will use derivative financial instruments, as and when it considers appropriate, to manage this risk.

Significant financial assets and liabilities as at 31 December 2018 and 2017 classified by type of interest rates are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the earlier of (a) maturity date and (b) the repricing date.

(Unit: Million Baht)

As at 31 December 2018					
	Fixed interest rates	Floating interest rate	Non-interest bearing	Total	Interest rate  (% p.a.)
<b>Financial assets</b>					
Trade and other receivables	-	-	464	464	
Cash at bank and on hand	-	1,427	1	1,428	0.05 to 0.50
Short-term restricted bank deposits	-	507	-	507	0.05 to 0.375
Long-term restricted bank deposits	509	467	-	976	0.05 to 1.05
	509	2,401	465	3,375	
<b>Financial liabilities</b>					
Long-term loans from financial institutions	-	7,103	-	7,103	MLR-margin and LIBOR + margin
Debentures	8,935	-	-	8,935	2.59 to 3.98
Accrued interest	-	-	277	277	
Other long-term liabilities - related party	-	-	271	271	
Trade and other payables	-	-	454	454	
	8,935	7,103	1,002	17,040	

(Unit: Million Baht)

	As at 31 December 2017				
	Fixed interest rates	Floating interest rate	Non-interest bearing	Total	Interest rate  (% p.a.)
<b>Financial assets</b>					
Trade and other receivables	-	-	423	423	
Cash at bank and on hand	-	1,030	7	1,037	0.05 to 0.50
Short-term restricted bank deposits	-	351	-	351	0.05 to 0.375
Long-term restricted bank deposits	505	417	-	922	0.05 to 1.05
	505	1,798	430	2,733	
<b>Financial liabilities</b>					
Long-term loans from financial institutions	-	10,840	-	10,840	MLR-margin and LIBOR + margin
Debentures	5,947	-	-	5,947	2.59 to 3.69
Accrued interest	-	-	236	236	
Other long-term liabilities - related party	-	-	183	183	
Trade and other payables	-	-	424	424	
	5,947	10,840	843	17,630	

Interest-rate risk sensitivity for the year ended 31 December 2018, if interest rates had been 50 basis points higher/(lower), with all other variables held constant, profit would have decreased/increased by Baht 56 million.

## 23.4 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to foreign exchange risk related primarily to its long-term loans from financial institutions, trade and other payables and trade and other receivables.

The Company manages its exposure to foreign currency risk by balancing net position of receipt and payment of the foreign currency transactions in each period. The Company will use derivative financial instruments, as and when it considers appropriate, to manage this risk.

The balances of financial assets and liabilities denominated in foreign currencies as at 31 December 2018 and 2017 are summarised below.

Foreign currency	Financial Assets		Financial liabilities		Average exchange rate as at 31 December	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	(Million)		(Million)		(Baht per 1 foreign currency unit)	
US dollar	34.9	33.5	64.5	165.0	32.6148	32.8472

As at 31 December 2018, the Company does not utilise any derivative contracts to hedge foreign exchange rate risk.

The foreign currency sensitivity for the net balance of financial assets and liabilities as at 31 December 2018, if Thai Baht had strengthened/(weakened) 5 percent against the US dollar, with all other variables held constant, profit would have decreased/(increased) by Baht (8) million and equity would have increased/(decreased) by Baht 42 million.

Since July 2013, the Company has applied cash flow hedge accounting in order to hedge the foreign exchange exposure on a certain portion of its forecasted revenue from sales of electricity in USD currency, which are designated as the hedged item and long-term loans in USD are the hedging instrument with an outstanding balance, as at 31 December 2018, USD 26 million.

For the year ended 31 December 2018, the Company has no ineffectiveness from cash flow hedge requiring recognition through profit or loss and therefore recognised an unrealised gain of Baht 151 million from changes in value of the long-term loans in USD used for cash flow hedging due to movements in foreign exchange rates, in other comprehensive income. This balance will continue to remain deferred in equity and will be released to the profit or loss, in the same period that the anticipated hedged US dollar denominated sales of electricity to which the deferred gain/(losses) are designated, occur.

As at 31 December 2018, the outstanding of the hedging instrument are expected to mature and affect to the profit or loss were as follows.

	(Million USD)	
	As at 31 December	
Recyclable:	<u>2018</u>	<u>2017</u>
In up to 1 year	6	8
In over 1 and up to 5 years	20	29
In over 5 years	-	92

### 23.5 Fair value

Since the Company's financial assets and trade and other payables are short-term in nature, and the majority of the Company's financial liabilities comprise loans from financial institutions and debentures which bear interest at rates close to market rates, the Company's management believes that the fair values of the Company's financial assets and liabilities are approximate to their carrying values. The fair value of long-term loans from financial institutions and debentures are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. Based on this evaluation, the carrying amount of such long-term loans and debentures were not materially different from their calculated fair values.

### 23.6 Capital management

Capital includes ordinary shares and equity attributable to the equity holders of the Company.

The primary objective of the Company's capital management is to ensure that it maintains its ability to continue as a going concern and maintains an appropriate capital structure as stipulated in the long-term loan agreements with financial institutions and condition of debentures.

The Company monitors its capital structure by debt to equity ratio, which is total liabilities divided by total equity, and net interest-bearing debt to equity ratio, which is the interest-bearing debt less cash and cash equivalents, short-term and long-term restricted bank deposits divided by the equity. The Company intends to maintain the debt to equity ratio at no more than 2.5 times and net interest-bearing debt to equity at no more than 3.0 times.

As at 31 December 2018, the Company's debt to equity ratio is 1.52 times (2017: 1.70 times) and its net interest-bearing debt to equity ratio is 1.22 times (2017: 1.44 times).

## 24. Commitments and contingent liabilities

### 24.1 Operating lease commitments

The Company has entered into an agreement leasing the location of its office in the Lao People's Democratic Republic. The term of the agreement is 25 years.

As at 31 December 2018, future minimum lease payments required under this operating lease contract were as follows.

(Unit: Thousand USD)		
As at 31 December		
	<u>2018</u>	<u>2017</u>
Payable within:		
1 year	58 (equivalent to Baht 2 million)	58 (equivalent to Baht 2 million)
2 - 5 years	230 (equivalent to Baht 8 million)	230 (equivalent to Baht 8 million)
More than 5 years	576 (equivalent to Baht 19 million)	633 (equivalent to Baht 21 million)

### 24.2 Management service agreements

The Company has commitments in respect of consultancy, administration and other service agreements with the Parent Company of the Group and other companies for the Nam Ngum 2 Hydroelectric Power Project totalling Baht 25.9 million and Baht 13.1 million per month (2017: Baht 47.5 million and Baht 12.1 million per month).

### 24.3 Operation and maintenance agreements

- The Company has commitment in respect of the Agreement on Operation and Maintenance of Dam and Powerhouse for Nam Ngum 2 Hydroelectric Power Project with a related party, until the end of the concession period of the Nam Ngum 2 Hydroelectric Power Project, with the service fee as specified in the agreement and subject to increase on an annual basis at the rate specified in the agreement. The service fee for 2019 is approximately Baht 9.1 million per month.
- The Company has commitment in respect of the Agreement on Operation and Maintenance of Transmission Systems for Nam Ngum 2 Hydroelectric Power Project with a related party, until the end of the concession period of the Nam Ngum 2 Hydroelectric Power Project, with the service fee as specified in the agreement and subject to increase on an annual basis at the rate specified in the agreement. The service fee for 2019 is approximately USD 0.05 million per month.
- The Company has commitment amounting to approximately Baht 25.0 million per year in respect of the Service Agreement with a related company for consultancy services relating to operation and maintenance of the Nam Ngum 2 Hydroelectric Power Project.



- d) The Company has commitment in respect of the Agreement on Major Maintenance of Dam and Powerhouse for the Nam Ngum 2 Hydroelectric Power Project with a related party, until December 2019, with the service fee as specified in the agreement and subject to increase on an annual basis at the rate specified in the agreement. The service fee for 2019 is approximately Baht 3.8 million per month.

#### **24.4 Royalty**

The Company has a commitment to pay a royalty for a period of 25 years to the Government of the Lao People's Democratic Republic commencing from the Initial Operation Date (26 March 2011) to the end of the concession period, which will be calculated by multiplying revenue from sales of electricity by the royalty rate for each period as specified under Concession Agreement.

#### **24.5 Bank guarantees**

As at 31 December 2018, there were outstanding bank guarantees of USD 25.0 million (equivalent to Baht 815.4 million) issued by banks on behalf of the Company in respect of the guarantee required under the Power Purchase Agreement with the Electricity Generating Authority of Thailand (2017: USD 25.0 million).

### **25. Events after the reporting period**

#### **Dividend payment**

On 14 February 2019, the Board of Directors's Meeting of the Company No. 1/2019 passed a resolution to pay a dividend of Baht 0.90 per share, or a total of Baht 792.81 million, to the shareholders of the Company in respect of the profit from July to December 2018. The resolution will be proposed to the Annual General Meeting of Shareholders of the Company for the year 2019 for approval.