

Nam Ngum 2 Power Company Limited  
Audit report and financial statements  
31 December 2020

## **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 2020, 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 2020, 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.

## **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*

Chatchai Kasemsrithanawat

Certified Public Accountant (Thailand) No. 5813

EY Office Limited

Bangkok: 18 February 2021

**Nam Ngum 2 Power Company Limited**

**Statement of financial position**

**As at 31 December 2020**

		(Unit: Baht)	
	<u>Notes</u>	<u>2020</u>	<u>2019</u>
<b>Assets</b>			
<b>Non-current assets</b>			
Plant and equipment, net	9	18,172,605,813	19,204,240,286
Intangible assets	10	34,102,406	38,981,782
Right-of-use assets	11	24,783,733	26,160,607
Finance lease receivable - related party, net of current portion	21	3,816,313,260	3,914,994,444
Long-term,restricted bank deposits	12	400,000,000	400,000,000
Deferred tax assets	7	20,053,318	-
Other non-current assets		<u>3,000,449</u>	<u>3,000,449</u>
<b>Total non-current assets</b>		<u>22,470,858,979</u>	<u>23,587,377,568</u>
<b>Current assets</b>			
Spare parts and supplies		8,433,971	8,824,646
Trade and other receivables	13, 21	316,623,626	500,726,647
Current portion of finance lease receivable - related party	21	157,340,987	90,564,527
Other current assets	14	24,574,721	22,574,223
Cash at bank and on hand	15	<u>1,294,320,429</u>	<u>1,482,241,293</u>
<b>Total current assets</b>		<u>1,801,293,734</u>	<u>2,104,931,336</u>
<b>Total assets</b>		<u>24,272,152,713</u>	<u>25,692,308,904</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 2020

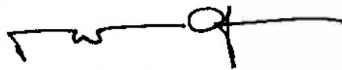
(Unit: Baht)

	Notes	2020	2019
<b>Equity and liabilities</b>			
<b>Equity</b>			
Issued capital	16	8,809,000,000	8,809,000,000
Retained earnings		948,154,713	1,890,433,358
Statutory reserve	17	88,090,000	88,090,000
<b>Total equity</b>		<u>9,845,244,713</u>	<u>10,787,523,358</u>
<b>Non-current liabilities</b>			
Lease liabilities - net of current portion	11, 21	24,300,036	25,105,127
Debentures, net of current portion	18	12,830,093,167	12,214,068,773
Provision for long-term employee benefits		15,355,278	1,767,161
Other long-term liabilities - related party	19, 21	309,857,421	289,602,186
<b>Total non-current liabilities</b>		<u>13,179,605,902</u>	<u>12,530,543,247</u>
<b>Current liabilities</b>			
Trade and other payables	20, 21	107,217,478	130,565,640
Current portion of lease liabilities	11, 21	861,314	1,055,480
Current portion of debentures	18	1,136,280,548	2,239,556,219
Retention payable	21	1,316,905	1,647,613
Other current liabilities		1,625,853	1,417,347
<b>Total current liabilities</b>		<u>1,247,302,098</u>	<u>2,374,242,299</u>
<b>Total liabilities</b>		<u>14,426,908,000</u>	<u>14,904,785,546</u>
<b>Total equity and liabilities</b>		<u>24,272,152,713</u>	<u>25,692,308,904</u>

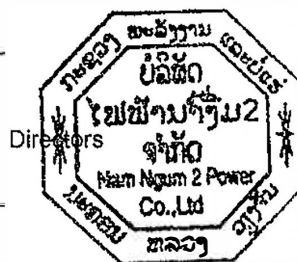
The accompanying notes are an integral part of the financial statements.



Mr. Thanawat Trivisvavet



Mr. Wisate Chungwatana



Nam Ngüm 2 Power Company Limited  
Statement of comprehensive Income  
For the year ended 31 December 2020

		(Unit: Baht)	
	Notes	2020	2019
<b>Profit or loss:</b>			
<b>Operating income</b>			
Revenue from sales of electricity	21	1,716,596,616	3,048,030,353
Other income			
Finance income	21	350,435,128	360,125,635
Gain on exchange		13,513,902	-
Other		5,129,476	6,459,059
<b>Total operating income</b>		<u>2,085,675,122</u>	<u>3,414,615,047</u>
<b>Operating expenses</b>			
Cost of sales of electricity	21	(1,641,207,321)	(1,775,717,934)
Administrative expenses		(181,148,290)	(199,992,612)
Loss on exchange		-	(965,574)
<b>Total operating expenses</b>		<u>(1,822,355,611)</u>	<u>(1,976,676,120)</u>
<b>Operating profit (loss)</b>		263,319,511	1,437,938,927
Finance costs	6	(562,684,925)	(672,836,434)
<b>Profit (loss) before income tax</b>		(299,365,414)	765,102,493
Tax income (expenses)	7	20,053,318	(11,895,601)
<b>Profit (loss) for the year</b>		<u>(279,312,096)</u>	<u>753,206,892</u>
<b>Other comprehensive income:</b>			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
<b>Cash flow hedges</b>			
Unrealised gain from cash flow hedges		-	1,126,110
Less: Income tax effect		-	(113,859)
Other comprehensive income to be reclassified to profit or loss in subsequent periods - net of income tax		-	1,012,251
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>			
Actuarial loss		(2,291,549)	-
<b>Other comprehensive income for the year</b>		<u>(2,291,549)</u>	<u>1,012,251</u>
<b>Total comprehensive income for the year</b>		<u>(281,603,645)</u>	<u>754,219,143</u>
<b>Basic earnings (loss) per share</b>	8	<u>(0.32)</u>	<u>0.86</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 2020**

(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 2019</b>	8,809,000,000	2,106,216,466	88,090,000	(1,012,251)	11,002,294,215
Profit for the year	-	753,206,892	-	-	753,206,892
Other comprehensive income for the year	-	-	-	1,012,251	1,012,251
Total comprehensive income for the year	-	753,206,892	-	1,012,251	754,219,143
Dividend payment (Note 22)	-	(968,990,000)	-	-	(968,990,000)
<b>As at 31 December 2019</b>	<u>8,809,000,000</u>	<u>1,890,433,358</u>	<u>88,090,000</u>	<u>-</u>	<u>10,787,523,358</u>
<b>As at 1 January 2020</b>	8,809,000,000	1,890,433,358	88,090,000	-	10,787,523,358
Loss for the year	-	(279,312,096)	-	-	(279,312,096)
Other comprehensive income for the year	-	(2,291,549)	-	-	(2,291,549)
Total comprehensive income for the year	-	(281,603,645)	-	-	(281,603,645)
Dividend payment (Note 22)	-	(660,675,000)	-	-	(660,675,000)
<b>As at 31 December 2020</b>	<u>8,809,000,000</u>	<u>948,154,713</u>	<u>88,090,000</u>	<u>-</u>	<u>9,845,244,713</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 2020**

	(Unit: Baht)	
	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities</b>		
Profit (loss) before income tax	(299,365,414)	765,102,493
Adjustment to reconcile profit (loss) to net cash flows:		
Depreciation and amortisation	1,052,959,653	1,051,856,454
Amortisation of interest rate reduction fee and deferred debenture issuing cost	19,382,349	26,657,422
Unrealised (gain) loss on exchange	394,551	(1,358,788)
Gain on equipment disposals/write-off	(268,128)	(297,559)
Provision for long-term employee benefits	11,296,568	319,870
Finance income	(341,435,473)	(348,884,523)
Interest expenses	531,579,002	390,650,914
Operating profit before working capital changes	974,543,108	1,884,046,283
(Increase)/decrease in:		
Trade and other receivables	183,976,165	(33,525,876)
Spare parts and supplies	390,675	1,707,669
Other current assets	(2,000,498)	259,318,827
Increase/(decrease) in:		
Short-term restricted bank deposits	-	507,165,600
Trade and other payables	(23,884,748)	(33,629,777)
Retention payable	(330,708)	169,536
Other current liabilities	208,506	(396,499)
Cash flows from operating activities	1,132,902,500	2,584,855,763
Cash paid for income tax expenses	-	(23,294,548)
<b>Net cash flows from operating activities</b>	<u>1,132,902,500</u>	<u>2,561,561,215</u>
<b>Cash flows from investing activities</b>		
Increase in long-term restricted bank deposits	-	(31,467,922)
Decrease in long-term restricted bank deposits	-	607,200,427
Cash receipt from finance lease receivable - related party, principal	31,904,724	83,115,476
Cash receipt from finance lease receivable - related party, interest	341,435,473	348,884,524
Payment for project costs during construction phase	-	(7,388,759)
Acquisition of plant and equipment	(15,005,080)	(33,070,789)
Proceed from sales of equipment	916,378	5,192,566
Acquisition of intangible assets	-	(529,700)
Cash paid for interest capitalised as part of project costs during construction phase	-	(1,763,249)
<b>Net cash flows from investing activities</b>	<u>359,251,495</u>	<u>970,172,574</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 2020**

(Unit: Baht)

	<u>2020</u>	<u>2019</u>
<b>Cash flows from financing activities</b>		
Repayment of long-term loans from financial institutions	-	(7,358,992,199)
Cash paid for principal portion of lease liabilities	(895,332)	(732,172)
Cash paid for interest on lease liabilities	(737,414)	(819,798)
Cash receipt from issuance of debentures	1,600,000,000	6,000,000,000
Repayment of debentures	(2,100,000,000)	(600,000,000)
Cash paid for debenture issuing cost	(3,357,955)	(39,460,111)
Cash paid for interest expenses	(513,862,025)	(509,075,878)
Dividend payment	<u>(660,675,000)</u>	<u>(968,990,000)</u>
<b>Net cash flows used in financing activities</b>	<u>(1,679,527,726)</u>	<u>(3,478,070,158)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(187,373,731)	53,663,631
Effect of exchange rate changes on cash and cash equivalents	(547,133)	228,192
Cash and cash equivalents at beginning of year	<u>1,482,241,293</u>	<u>1,428,349,470</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>1,294,320,429</u></u>	<u><u>1,482,241,293</u></u>

**Supplemental cash flows information**

**Non-cash transactions**

Increase in equipment from other payables	712,100	308,805
Transfer project costs during construction phase to finance lease receivable - related party	-	3,121,346,175
Transfer assets of hydroelectric power project under concession agreement to finance lease receivable - related party	-	962,073,072
Transfer plant and equipment to finance lease receivable - related party	-	4,553,283
Transfer spare parts and supplies to finance lease receivable - related party	-	701,918

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 2020**

**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 2020 were authorised for issue by the Company's Board of Directors on 18 February 2021.

- 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.
- f) On 1 August 2019, the Company entered into the agreement on the Nabong substation upgrading and lease with the Government of the Lao People's Democratic Republic ("the GOL"), whereby the GOL is to lease assets of Nabong substation from the Company at rental rates as specified in the agreement. The contractual period of this agreement commences from 1 January 2019 to the end of the concession period of the Nam Ngum 2 Hydroelectric Power Project.

In the same day, the Company entered into the Nabong interconnection and transmission agreement with the GOL at charge rates as specified in the agreement. The contractual period of this agreement commences from 1 January 2019 to 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.

- Amendments to IFRS 3: Definition of a Business
- Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform
- Amendments to IAS 1 and IAS 8 Definition of Material
- Conceptual Framework for Financial Reporting issued on 29 March 2018

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.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

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.

#### *Financial assets at amortised cost (debt instruments)*

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

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

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes cash at bank and on hand, finance lease receivable, restricted bank deposits, and trade and other receivables.

#### *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 / debentures are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans / debentures 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 credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure (a lifetime ECL).

The Company considers a significant increase in credit risk to have occurred when contractual payments are more than 30 days past due and considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to have a significant increase in credit risk and to be in default using other internal or external information, such as credit rating of issuers.

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.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

**(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	3, 5, 6, 10, 20 years
Motor vehicles	5, 8 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 Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

*The Company as a lessee*

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

i) Right-of-use assets

The Company recognises right-of-use assets after 1 January 2019 at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses (if any), and adjusted for any remeasurement of lease liabilities (if any). The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Land and land improvement	19 years
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If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

ii) Lease liabilities

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

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

### iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a 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.

The Nabong substation upgrading and lease with the Government of the Lao People's Democratic Republic ("the GOL") is a lease under which the Company transfers the risks and rewards of ownership to the lessee, excluding legal ownership and is deemed finance lease. The Company recognises income from financial lease by using effective interest rate method over the lease term.

### **(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) 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.

Past service costs are recognised in profit or loss on the earlier of the date of the plan amendment or curtailment and the date that the Company recognises restructuring-related costs.

**(r) 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, while 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.

On 7 March 2019, the Company made repayment all long-term loans dominated in USD and has therefore ceased application of cash flow hedge accounting.

**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. Further details are contained in note 2.3 (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 17 Insurance Contracts (effective on 1 January 2023)
- Amendments to IAS1: Classification of Liabilities as Current or Non-Current
- Reference to the Conceptual Framework - Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16
- Onerous Contracts - Costs of Fulfilling a Contract - Amendments to IAS 37
- IFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter
- IFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities
- Amendments to IFRS 16 Covid-19 Related Rent Concessions
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform - Phase 2

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>2020</u>	<u>2019</u>
Depreciation and amortisation	1,052,961	1,051,856
Operation and maintenance of power plant and transmission systems	215,643	224,707
Royalty	59,592	104,853
Watershed and livelihood expenses	7,435	7,455
Salary and other employee benefits	58,849	43,735
Directors' remuneration	12,420	14,220
Traveling expenses	5,756	16,540
Consultant expenses	40,953	48,669
Management fee charged by the Parent Company of the Group	153,741	149,401
Insurance expenses	63,862	51,084
Wheeling charge	119,178	216,888

## 6. Finance cost

	(Unit: Thousand Baht)	
	<u>2020</u>	<u>2019</u>
Interest expenses on borrowings	539,183	650,154
Other long-term liabilities - related party (Note 21)	20,255	18,850
Interest expenses on lease liabilities	737	820
Other interest expenses	2,510	3,012
<b>Total</b>	<u>562,685</u>	<u>672,836</u>

## 7. 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. The corporate income tax rate for current year is 3%.

The Company has tax losses of Baht 668 million that are available to be utilised within three years for offset against future taxable profit of the Company in which the losses arose. The unused tax losses amounting to Baht 668 million will expire by 2023.

## 8. Earnings (loss) per share

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

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

	<u>2020</u>	<u>2019</u>
Profit (loss) (Baht)	(279,312,096)	753,206,892
Weighted average number of ordinary shares for basic earnings per share (shares)	880,900,000	880,900,000

## 9. Plant and equipment

(Unit: Thousand Baht)

	Nam Ngum 2 Hydroelectric Power Project	Leased asset improvements	Equipment, furniture and office equipment	Motor vehicles	Assets under construction	Total
<b>Cost</b>						
1 January 2019	29,429,113	35,521	98,317	61,997	-	29,624,948
Additions	-	1,655	13,285	18,439	-	33,379
Transfer out	(1,342,236)	(2,640)	(2,576)	(2,203)	-	(1,349,655)
Disposal / Write off	-	-	(2,676)	(19,698)	-	(22,374)
31 December 2019	28,086,877	34,536	106,350	58,535	-	28,286,298
Additions	-	1,286	9,039	258	5,134	15,717
Disposal / Write off	-	-	(18,467)	(3,737)	-	(22,204)
31 December 2020	28,086,877	35,822	96,922	55,056	5,134	28,279,811
<b>Accumulated depreciation</b>						
1 January 2019	8,332,848	8,798	53,101	41,560	-	8,436,307
Depreciation for the year	1,025,793	1,924	10,496	8,046	-	1,046,259
Transfer out	(380,163)	(444)	(1,716)	(706)	-	(383,029)
Disposal / write off	-	-	(2,676)	(14,803)	-	(17,479)
31 December 2019	8,978,478	10,278	59,205	34,097	-	9,082,058
Depreciation for the year	1,025,793	1,978	11,921	7,012	-	1,046,704
Disposal / write off	-	-	(18,369)	(3,188)	-	(21,557)
31 December 2020	10,004,271	12,256	52,757	37,921	-	10,107,205
<b>Net book value</b>						
31 December 2019	19,108,399	24,258	47,145	24,438	-	19,204,240
31 December 2020	18,082,606	23,566	44,165	17,135	5,134	18,172,606
<b>Depreciation for the year</b>						
2019 (Baht 1,034 million included in cost of sales of electricity and the remaining balance in administrative expenses)						1,046,259
2020 (Baht 1,036 million included in cost of sales of electricity and the remaining balance in administrative expenses)						1,046,704

On 1 January 2019, the construction of the Nabong Substation Project was completed. Subsequently, on 1 August 2019, the Company entered into the agreement on the Nabong substation upgrading and lease with the GOL, effective date on 1 January 2019. The Company therefore recorded the transfer of assets under this substation project to "Finance lease receivable - related party" in statement of financial position as described in Note 21.

#### 10. Intangible assets

A reconciliation of the net book value of intangible assets for the years 2020 and 2019 is presented below.

	(Unit: Thousand Baht)	
	<u>2020</u>	<u>2019</u>
Net book value at beginning of year	38,982	43,317
Acquisition of computer software - at cost	-	530
Amortisation	(4,880)	(4,865)
Net book value at end of year	<u>34,102</u>	<u>38,982</u>

#### 11. Leases

##### The Company as a lessee

Movements in the carrying amounts of right-of-use assets during the years ended 31 December 2020 and 2019 are summarised below.

	(Unit: Thousand Baht)
	<u>Office building</u>
As at 1 January 2019	26,893
Depreciation expense	(732)
As at 31 December 2019	<u>26,161</u>
Depreciation expense	(1,377)
As at 31 December 2020	<u>24,784</u>

Movements in the carrying amounts of lease liabilities during the years ended 31 December 2020 and 2019 are summarised below.

	(Unit: Thousand Baht)	
	<u>2020</u>	<u>2019</u>
<b>As at 1 January</b>	26,161	26,893
Accretion of interest	737	820
Payments	(1,633)	(1,552)
Unrealised gain on exchange	(104)	-
<b>As at 31 December</b>	<u>25,161</u>	<u>26,161</u>
Current	861	1,056
Non-current	24,300	25,105

The weighted-average incremental borrowing rate for lease liabilities is 2.9% per annum.

The following are the amounts recognised in profit or loss:

	(Unit: Thousand Baht)	
	<u>2020</u>	<u>2019</u>
Depreciation expense of right-of-use assets	1,377	732
Interest expense on lease liabilities	737	820
<b>Total amount recognised in profit or loss</b>	<u>2,114</u>	<u>1,552</u>

The Company had total cash outflows for leases of Baht 1,632,747 in 2020 (Baht 1,551,970 in 2019).

## 12. Long-term restricted bank deposits

As at 31 December 2020, the Company has pledged and assigned rights of claim on bank account amounting to Baht 400 million with lender to secure bank guarantees (2019: Baht 400 million).

## 13. Trade and other receivables

	(Unit: Thousand Baht)	
	<u>2020</u>	<u>2019</u>
Trade receivable - related party (Note 21)	131,541	416,601
Other receivable - related parties (Note 21)	184,406	81,713
Interest receivable	677	2,413
<b>Total trade and other receivables</b>	<u>316,624</u>	<u>500,727</u>

#### 14. Other current assets

	(Unit: Thousand Baht)	
	<u>2020</u>	<u>2019</u>
Prepaid expenses	23,117	20,159
Others	1,458	2,415
Total	<u>24,575</u>	<u>22,574</u>

#### 15. Cash at bank and on hand

	(Unit: Thousand Baht)	
	<u>2020</u>	<u>2019</u>
Cash	399	361
Bank deposits	1,293,921	1,481,880
	<u>1,294,320</u>	<u>1,482,241</u>

#### 16. Issued capital

	(Unit: Thousand Baht)	
	<u>2020</u>	<u>2019</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>

#### 17. 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. At present, the statutory reserve has fully been set aside.

## 18. Debentures

							(Unit: Thousand Baht)	
Debentures	No.	Debentures	Life	Date of issue	Maturity date	Interest rate	2020	2019
							(% per annum)	
1	1/2017	Tranche 1	3 Years	5 October 2017	5 October 2020	2.59	-	1,000,000
2	1/2017	Tranche 2	7 Years	5 October 2017	5 October 2024	3.48	1,400,000	1,400,000
3	1/2017	Tranche 3	10 Years	5 October 2017	5 October 2027	3.69	3,600,000	3,600,000
4	1/2018	Tranche 1	12 Years	30 March 2018	30 March 2030	3.98	3,000,000	3,000,000
5	1/2019	Tranche 1	3 Years	7 March 2019	7 March 2022	3.18	1,500,000	2,600,000
6	1/2019	Tranche 2	4 Years	7 March 2019	7 March 2023	3.44	800,000	800,000
7	1/2019	Tranche 3	8 Years	7 March 2019	7 March 2027	3.88	2,000,000	2,000,000
8	1/2020	Tranche 1	5 Years	5 March 2020	5 March 2025	2.45	600,000	-
9	2/2020	Tranche 1	3 Years	30 September 2020	30 September 2023	3.20	400,000	-
10	2/2020	Tranche 2	5 Year	30 September 2020	30 September 2025	3.60	600,000	-
Total							13,900,000	14,400,000
Less: Deferred debenture issuing costs							(69,907)	(85,931)
Add: Additional accrued interest expenses during the year							136,281	139,556
Debentures							13,966,374	14,453,625
Less: Current portion of debentures							(1,136,281)	(2,239,556)
Debentures, net of current portion							12,830,093	12,214,069

Movements in the debentures account during the year ended 31 December 2020 and 2019 are summarised below.

				(Unit: Thousand Baht)
Balance as at		Balance as at		
1 January	Increase during	Decrease	31 December	
2020	the year	during the year	2020	
Debentures	14,400,000	1,600,000	(2,100,000)	13,900,000
Accrued interest expenses	139,556	510,587	(513,862)	136,281
	14,539,556	2,110,587	(2,613,862)	14,036,281
Less: Deferred debenture issuing cost	(85,931)			(69,907)
Debentures	14,453,625			13,966,374

(Unit: Thousand Baht)

	Balance as at			Balance as at
	1 January	Increase during	Decrease	31 December
	2019	the year	during the year	2019
Debentures	9,000,000	6,000,000	(600,000)	14,400,000
Accrued interest expenses	80,440	490,266	(431,150)	139,556
	9,080,440	6,490,266	(1,031,150)	14,539,556
Less: Deferred debenture issuing cost	(65,254)			(85,931)
Debentures	9,015,186			14,453,625

All debentures of the Company are name-registered, unsecured, and unsubordinated debentures with the debentureholders' representative and with a par value of Baht 1,000 each. The interest is payable every 6 months throughout the life of the debentures.

Debentures presented in the above table, principal is to be paid in the amounts stipulated in the prospectus as follows:

Debentures presented in item 3 of the above table, principal is to be paid in 8th - 10th year, with the first payment due on October 2025.

Debentures presented in item 4 of the above table, principal is to be paid in 10th - 12th year, with the first payment due on March 2028.

Debentures presented in item 5, principal is to be paid in 6 semi-annually installments, with the first payment due on September 2019 and

Debentures presented in item 7 of the above table, principal is to be paid in 6th - 8th year, with the first payment due on March 2025.

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. The Company is in compliance with the covenants.

#### 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>2020</u>	<u>2019</u>
Trade payables - related parties (Note 21)	86,174	96,374
Trade payables - unrelated parties	7,503	17,750
Amounts due to related parties (Note 21)	1,837	379
Other payables - unrelated parties	2,913	2,349
Accrued expenses	8,790	13,714
Total trade and other payables	<u>107,217</u>	<u>130,566</u>

#### 21. 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.



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>2020</u>	<u>2019</u>
<u>Relationships</u>			
<u>Transactions with the Parent</u>			
<u>Company of the Group</u>			
Management fee		166	163
<u>Transactions with related parties</u>			
Revenue from sales of electricity	Major shareholder of a shareholder of the Parent Company	1,717	3,048
Finance income	A group of shareholder of the Company	341	349
Other income	A group of shareholder of the Company, Major shareholder of a shareholder of the Parent Company	5	5
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	401	533

The balances of the accounts as at 31 December 2020 and 2019 between the Company and those related parties are as follows:

		(Unit: Thousand Baht)	
		<u>2020</u>	<u>2019</u>
<u>Relationships</u>			
<u>Trade and other receivables - related parties (Note 13)</u>			
<u>Trade receivable - related party</u>			
- Electricity Generating Authority of Thailand	Major shareholder of a shareholder of the Parent Company	131,541	416,601
		<u>131,541</u>	<u>416,601</u>

		(Unit: Thousand Baht)	
	<u>Relationships</u>	<u>2020</u>	<u>2019</u>
<b>Other receivable - related parties</b>			
- Electricity Generating Authority of Thailand	Major shareholder of a shareholder of the Parent Company	107	149
- The Government of the Lao People's Democratic Republic	A group of shareholder of the Company	184,299	81,564
		<u>184,406</u>	<u>81,713</u>
Trade and other receivables - related parties		<u>315,947</u>	<u>498,314</u>

#### **Finance lease receivable - related party**

The outstanding balance of finance lease receivable net of unearned income between the Company and the related party, which has yet to be due, is as follows:

		(Unit: Thousand Baht)	
		<u>2020</u>	<u>2019</u>
<b>Related party (A group of shareholder of the Company)</b>			
- The Government of the Lao People's Democratic Republic		3,973,654	4,005,559
Less: Current portion		<u>(157,341)</u>	<u>(90,565)</u>
Finance lease receivable - related party, net of current portion		<u>3,816,313</u>	<u>3,914,994</u>

The balance of finance lease receivable - related party was the construction cost of Nabong Substation Project, which the Government of the Lao People's Democratic Republic ("the GOL") is responsible for the construction cost as stipulated in the concession agreement. On 1 August 2019, the Company entered into the agreement on the Nabong substation upgrading and lease with the GOL, effective on 1 January 2019. The Company therefore recorded the transfer of this substation cost to "Finance lease receivable - related party".

As at 31 December 2020 and 2019, the Company had receivable under the lease agreement on Nabong substation upgrading and 500 kV transmission lines which the period of this agreement is valid until the end of the concession period of the Nam Ngum 2 Hydroelectric Power Project and interest is charged at effective interest rate over the lease term as follows:

(Unit: Thousand Baht)

	31 December 2020			
	Amounts of installments due under the contract			
	Less than			
	1 year	2 - 5 years	Over 5 years	Total
Finance lease receivable	490,660	1,728,000	5,472,000	7,690,660
Unearned interest income	(333,319)	(1,236,547)	(2,147,140)	(3,717,006)
Finance lease receivable - net	157,341	491,453	3,324,860	3,973,654

(Unit: Thousand Baht)

	31 December 2019			
	Amounts of installments due under the contract			
	Less than			
	1 year	2 - 5 years	Over 5 years	Total
Finance lease receivable	432,000	1,728,000	5,904,000	8,064,000
Unearned interest income	(341,435)	(1,276,969)	(2,440,037)	(4,058,441)
Finance lease receivable - net	90,565	451,031	3,463,963	4,005,559

(Unit: Thousand Baht)

	Relationships	2020	2019
<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	14,960	14,781
- PT Sole Company Limited	Common director	21,716	19,776
- Electricité du Laos	Major shareholder of a shareholder of the Company	1,176	4,400
- The Government of the Lao People's Democratic Republic	A group of shareholder of the Company	31,905	41,235
- Electricity Generating Authority of Thailand	Major shareholder of a shareholder of the Parent Company	16,417	16,182
		86,174	96,374

		(Unit: Thousand Baht)	
	<u>Relationships</u>	<u>2020</u>	<u>2019</u>
<b>Other payables - related parties</b>			
- CK Power Public Company Limited	Parent Company of the Group	306	366
- PT Sole Company Limited	Common director	1,510	-
- Electricité du Laos	Major shareholder of a shareholder of the Company	21	13
		<u>1,837</u>	<u>379</u>
Total Trade and other payables - related parties		<u>88,011</u>	<u>96,753</u>

#### **Lease liabilities - related party**

The outstanding balance of lease liabilities net of deferred interest expenses between the company and the related party is as follows:

		(Unit: Thousand Baht)	
		<u>2020</u>	<u>2019</u>
<b>Related party (A group of shareholder of the Company)</b>			
- The Government of the Lao People' Democratic Republic		25,161	26,161
Less: Current portion		<u>(861)</u>	<u>(1,056)</u>
Lease liabilities - related party, net of current portion		<u>24,300</u>	<u>25,105</u>

		(Unit: Thousand Baht)	
	<u>Relationships</u>	<u>2020</u>	<u>2019</u>
<b><u>Retention payable - related party</u></b>			
- PT Sole Company Limited	Common director	724	724
<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	309,857	289,602

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

During the year ended 31 December 2020, the Company had short-term employee benefit expenses of its directors and management amounting to Baht 25 million (2019: Baht 23.2 million).

## 22. Dividend payment

Dividends	Approved by	Total dividends (Million Baht)	Dividend per share (Baht)
Final dividends	The Annual General Meeting of shareholders on 19 March 2020	484.5	0.55
Interim dividends	The Board of Directors Meeting on 28 August 2020	176.2	0.20
Total dividend for the year 2020		660.7	0.75
Final dividends	The Annual General Meeting of shareholders on 21 March 2019	792.8	0.90
Interim dividends	The Board of Directors Meeting on 24 September 2019	176.2	0.20
Total dividend for the year 2019		969.0	1.10

## 23. Financial instruments

### Financial risk management and policies

The Company's principal financial instruments comprise lease liabilities, debentures, other long-term liabilities - related party, trade and other payables, finance lease receivable - related party, 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 manages the credit risk from balances with banks and financial institutions by making investments only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Company's Board of Directors and may be updated throughout the year subject to approval of the Company's Board of Directors. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

The credit risk on debt instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

### 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.

### Finance lease receivable

The Company has no significant concentrations of credit risk in relation to the finance lease receivable - related party as the counterparty of this receivable has capability to service the obligation. Additionally, the Company further mitigates the credit risk by structuring lease agreement to include strict cash flows management requirement.

## 23.2 Liquidity risk

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

The table below summarises the maturity profile of the Company's financial assets and liabilities due within one year, due within 2 to 5 years and over 5 years based on contractual undiscounted payments:

	(Unit: Million Baht)		
	As at 31 December 2020		
	Within 1 year	2 - 5 year	Over 5 year
<b>Financial assets</b>			
Finance lease receivable - related party	491	1,728	5,472
Long-term restricted bank deposits	-	-	400
Trade and other receivables	317	-	-
Cash at bank and on hand	1,294	-	-
	<u>2,102</u>	<u>1,728</u>	<u>5,872</u>
<b>Financial liabilities</b>			
Lease liabilities	2	7	24
Debentures and expected interest payment	1,485	7,710	7,340
Other long-term liabilities - related party	-	355	-
Trade and other payables	107	-	-
Retention payable	1	-	-
	<u>1,595</u>	<u>8,072</u>	<u>7,364</u>

(Unit: Million Baht)

As at 31 December 2019			
	Within 1 year	2 - 5 year	Over 5 year
<b>Financial assets</b>			
Finance lease receivable - related party	432	1,728	5,904
Long-term restricted bank deposits	-	-	400
Trade and other receivables	501	-	-
Cash at bank and on hand	1,482	-	-
	<u>2,415</u>	<u>1,728</u>	<u>6,304</u>
<b>Financial liabilities</b>			
Lease liabilities	2	7	25
Debentures and expected interest payment	489	5,296	9,573
Other long-term liabilities - related party	-	355	-
Trade and other payables	131	-	-
Retention payable	2	-	-
	<u>624</u>	<u>5,658</u>	<u>9,598</u>

### 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 maintaining fixed rate debentures totalling Baht 13,830 million. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's bank deposits 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 2020 and 2019 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 2020					
	Fixed	Floating	Non-interest		
	interest rates	interest rate	bearing	Total	Interest rate
					(% p.a.)
<b>Financial assets</b>					
Finance lease receivable	3,974	-	-	3,974	Effective interest rate over the lease term
Long-term restricted bank deposits	400	-	-	400	0.38
Trade and other receivables	-	-	317	317	
Cash at bank and on hand	4	1,290	-	1,294	0.13 - 0.5
	<u>4,378</u>	<u>1,290</u>	<u>317</u>	<u>5,985</u>	
<b>Financial liabilities</b>					
Lease liabilities - net of deferred interest expenses	25	-	-	25	Thai Government bond yield + margin
Debentures - net of deferred issuing costs	13,830	-	-	13,830	2.45 - 3.98
Accrued interest	-	-	136	136	
Other long-term liabilities - related party	-	-	310	310	
Trade and other payables	-	-	107	107	
Retention payable	-	-	1	1	
	<u>13,855</u>	<u>-</u>	<u>554</u>	<u>14,409</u>	

(Unit: Million Baht)

As at 31 December 2019					
	Fixed	Floating	Non-interest		
	interest rates	interest rate	bearing	Total	Interest rate
					(% p.a.)
<b>Financial assets</b>					
Finance lease receivable	4,006	-	-	4,006	Effective interest rate over the lease term
Long-term restricted bank deposits	400	-	-	400	1.10
Trade and other receivables	-	-	501	501	
Cash at bank and on hand	114	1,368	-	1,482	0.05 - 1.10
	<u>4,520</u>	<u>1,368</u>	<u>501</u>	<u>6,389</u>	



(Unit: Million Baht)

As at 31 December 2019				
	Fixed	Floating	Non-interest	
	interest rates	interest rate	bearing	Total
				Interest rate
				(% p.a.)
<b>Financial liabilities</b>				
Lease liabilities - net of deferred interest expenses	26	-	-	26
				Thai Government bond yield + margin
Debentures - net of deferred issuing costs	14,314	-	-	14,314
				2.59 - 3.98
Accrued interest	-	-	140	140
Other long-term liabilities - related party	-	-	290	290
Trade and other payables	-	-	131	131
Retention payable	-	-	2	2
	14,340	-	563	14,968

## 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 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 2020 and 2019 are summarised below.

Foreign currency	Financial assets/liabilities		Average exchange rate as at 31 December	
	2020	2019	2020	2019
	(Million)		(Baht per 1 foreign currency unit)	
<b>US Dollar</b>			30.0371	30.1540
<b>Financial assets</b>				
- Trade and other receivables	1.9	6.1		
- Cash at bank and on hand	3.0	2.2		
	4.9	8.3		
<b>Financial liabilities</b>				
- Trade and other payables	0.5	0.9		
	0.5	0.9		

As at 31 December 2020, the Company does not utilise any derivative contracts to hedge foreign exchange rate risk.

For the foreign currency sensitivity for the net balance of financial assets and liabilities as at 31 December 2020, if Thai Baht had strengthened/(weakened) 5 percent against the US dollar, with all other variables held constant, loss would have increase/(decreased) by Baht 6.6 million.

### **23.5 Fair value**

Since the Company's financial assets and trade and other payables are short-term in nature, long-term finance lease receivable - related party, long-term restricted bank deposits and the majority of the Company's financial liabilities comprise debentures which bear interest at rates close to market rates and other long-term liabilities, 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 finance lease receivable - related party, long-term restricted bank deposits, debentures and other long-term liabilities 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 finance lease receivable - related party, long-term restricted bank deposits, debentures and other long-term liabilities 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 condition of debentures.

The Company monitors its capital structure by 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 net interest-bearing debt to equity at no more than 3.0 times.

As at 31 December 2020, the Company's net interest-bearing debt to equity ratio is at 1.23 times (2019: 1.17 times).

## **24. Commitments and contingent liabilities**

### **24.1 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 20.2 million and Baht 14.0 million per month (2019: Baht 30.9 million and Baht 13.5 million per month).

### **24.2 Operation and maintenance agreements**

- a) 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 2021 is approximately Baht 9.7 million per month (2020: Baht 9.4 million per month).
- b) 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 2021 is approximately USD 0.03 million per month (2020: USD 0.03 million per month).
- c) 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 commitments to pay wheeling charges to the Government of the Lao People's Democratic Republic from 1 January 2019 to the end of the concession date of the Nam Ngum 2 Hydroelectric Power Project, calculated by multiplying sales of electricity energy from Nabong substation by the wheeling charge rates for each period as specified under the Nabong interconnection and transmission agreement.
- e) 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 2026, 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 2021 is approximately Baht 3.8 million per month (2020: Baht 3.7 million per month).

### **24.3 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.

### **24.4 Bank guarantees**

As at 31 December 2020, there were outstanding bank guarantees of USD 25 million (equivalent to Baht 755.2 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 (2019: USD 25.0 million).

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

### **Dividend payment**

On 18 February 2021, the Board of Directors's Meeting of the Company No. 1/2021 passed a resolution to pay a dividend of Baht 0.25 per share, or a total of Baht 220.2 million, to the shareholders of the Company in respect of the profit from July to December 2020 and retained earnings. The resolution will be proposed to the Annual General Meeting of Shareholders of the Company for the year 2021 for approval.