

Xayaburi Power Company Limited
Audit report and financial statements
31 December 2021

Independent Auditor's Report

To the Shareholders of Xayaburi Power Company Limited

Opinion

I have audited the accompanying financial statements of Xayaburi Power Company Limited ("the Company"), which comprise the statement of financial position as at 31 December 2021, 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 Xayaburi Power Company Limited as at 31 December 2021, 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.

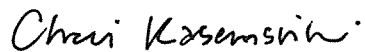
As part of an audit in accordance with International Standards on Auditing, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- 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

Certified Public Accountant (Thailand) No. 5813

EY Office Limited

Bangkok: 15 February 2022

Xayaburi Power Company Limited

Statement of financial position

As at 31 December 2021

(Unit: Baht)

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
Assets			
Non-current assets			
Plant and equipment, net	8	118,612,166,232	122,694,383,277
Intangible assets	9	38,115,481	43,215,873
Right-of-use assets	10	77,330,897	79,075,374
Long-term restricted bank deposits	13	5,042,206,574	3,237,585,588
Prepaid expenses under the Side Agreement	11	3,939,884,275	-
Advance under the Side Agreement	11	1,160,893,457	-
Derivative financial assets	21.6	98,981,088	-
Other non-current assets		749,349	674,414
Total non-current assets		<u>128,970,327,353</u>	<u>126,054,934,526</u>
Current assets			
Spare parts and supplies		4,865,606	2,140,446
Other current assets		365,274,310	308,847,666
Trade and other receivables - related parties	19	2,526,734,834	2,236,125,637
Cash at bank and on hand	12	2,141,328,714	2,498,522,368
Short-term restricted bank deposits	12	471,372,253	364,326,373
Total current assets		<u>5,509,575,717</u>	<u>5,409,962,490</u>
Total assets		<u>134,479,903,070</u>	<u>131,464,897,016</u>
Equity and liabilities			
Equity			
Issued capital	14	26,861,000,000	26,861,000,000
Retained earnings		4,056,156,917	1,009,504,150
Statutory reserve	15	58,010,877	20,182,202
Other components of shareholders' equity	21.6	(2,097,233,189)	24,617,467
Total equity		<u>28,877,934,605</u>	<u>27,915,303,819</u>

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

Xayaburi Power Company Limited

Statement of financial position (continued)

As at 31 December 2021

(Unit: Baht)

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
Non-current liabilities			
Long-term loans from financial institutions			
- net of current portion	16	78,418,053,526	78,389,914,479
Long-term loans from related companies and			
accrued interest expenses	19	21,236,201,870	21,049,447,070
Derivative financial liabilities	21.6	-	62,995,211
Provision for long-term employee benefits		9,065,597	15,256,331
Other long-term liabilities - related party	17, 19	799,232,062	253,779,378
Lease liabilities - net of current portion	10	75,642,117	73,966,181
Total non-current liabilities		<u>100,538,195,172</u>	<u>99,845,358,650</u>
Current liabilities			
Trade and other payables	18	244,513,863	120,304,795
Current portion of long-term loans from			
financial institutions	16	4,811,223,416	3,576,818,579
Current portion of lease liabilities	10	8,036,014	7,111,173
Total current liabilities		<u>5,063,773,293</u>	<u>3,704,234,547</u>
Total liabilities		<u>105,601,968,465</u>	<u>103,549,593,197</u>
Total equity and liabilities		<u>134,479,903,070</u>	<u>131,464,897,016</u>

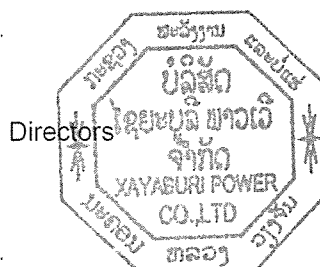
The accompanying notes are an integral part of the financial statements.



Mr. Thanawat Trivisvavet



Mr. Vorapote Uchoepaiboonvong



Xayaburi Power Company Limited
Statement of comprehensive income
For the year ended 31 December 2021

(Unit: Baht)

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
Profit or loss:			
Operating income			
Revenue from sales of electricity	19	13,946,952,075	12,067,073,066
Other income			
Finance income		26,089,844	5,684,422
Gain on exchange		269,603,642	-
Others		<u>2,077,129</u>	<u>7,214,979</u>
Total operating income		<u>14,244,722,690</u>	<u>12,079,972,467</u>
Operating expenses			
Cost of sales of electricity		(4,891,062,543)	(4,739,278,379)
Administrative expenses		(545,626,240)	(328,561,838)
Loss on exchange		<u>-</u>	<u>(88,387,802)</u>
Total operating expenses		<u>(5,436,688,783)</u>	<u>(5,156,228,019)</u>
Profit before finance costs		8,808,033,907	6,923,744,448
Finance cost	6	<u>(5,025,166,465)</u>	<u>(5,955,452,844)</u>
Profit for the year		<u>3,782,867,442</u>	<u>968,291,604</u>
Other comprehensive income:			
<i>Other comprehensive income to be reclassified</i> <i>to profit or loss in subsequent periods:</i>			
Unrealised gain (loss) from cash flow hedges	21.4, 21.5	<u>(2,121,850,656)</u>	<u>183,479,974</u>
<i>Other comprehensive income not to be reclassified</i> <i>to profit or loss in subsequent periods</i>			
Actuarial loss		<u>-</u>	<u>(8,559,073)</u>
Other comprehensive income (loss) for the year		<u>(2,121,850,656)</u>	<u>174,920,901</u>
Total comprehensive income for the year		<u><u>1,661,016,786</u></u>	<u><u>1,143,212,505</u></u>

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

Xayaburi Power Company Limited
Statement of changes in equity
For the year ended 31 December 2021

(Unit: Baht)

	Issued and paid-up		Statutory	Other components of equity	
	share capital	Retained earnings	reserve	Unrealised gain (loss) from cash flow hedges	Total
As at 1 January 2020	26,861,000,000	69,953,821	-	(158,862,507)	26,772,091,314
Profit for the year	-	968,291,604	-	-	968,291,604
Other comprehensive income for the year	-	(8,559,073)	-	183,479,974	174,920,901
Total comprehensive income for the year	-	959,732,531	-	183,479,974	1,143,212,505
Transferred inappropriate retained earnings to statutory reserve (Note 15)	-	(20,182,202)	20,182,202	-	-
As at 31 December 2020	26,861,000,000	1,009,504,150	20,182,202	24,617,467	27,915,303,819
As at 1 January 2021	26,861,000,000	1,009,504,150	20,182,202	24,617,467	27,915,303,819
Profit for the year	-	3,782,867,442	-	-	3,782,867,442
Other comprehensive income for the year	-	-	-	(2,121,850,656)	(2,121,850,656)
Total comprehensive income for the year	-	3,782,867,442	-	(2,121,850,656)	1,661,016,786
Dividends (Note 20)	-	(698,386,000)	-	-	(698,386,000)
Transferred inappropriate retained earnings to statutory reserve (Note 15)	-	(37,828,675)	37,828,675	-	-
As at 31 December 2021	26,861,000,000	4,056,156,917	58,010,877	(2,097,233,189)	28,877,934,605

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

Xayaburi Power Company Limited

Statement of cash flows

For the year ended 31 December 2021

(Unit: Baht)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Profit for the year	3,782,867,442	968,291,604
Adjustment to reconcile profit to net cash flows:		
Depreciation and amortisation	4,176,781,789	4,171,389,484
Amortisation of prepaid expenses under the Side Agreement	17,613,662	-
Loss (gain) on sales/write-off of plant and equipment	(2,065,776)	116,100
Unrealised loss (gain) on exchange	(294,078,315)	66,160,699
Amortisation of deferred loan arrangement fees	123,706,510	96,785,928
Finance income	(26,089,844)	(5,684,422)
Finance cost	4,893,083,107	5,857,229,037
Provision for long-term employee benefits	2,616,434	1,684,415
Operating profit before working capital changes	12,674,435,009	11,155,972,845
(Increase)/decrease in:		
Trade and other receivables	(291,556,008)	(669,975,911)
Spare parts and supplies	(2,725,160)	(2,028,708)
Other current assets	(54,196,348)	(56,702,741)
Other non-current assets	(74,935)	-
Increase/(decrease) in:		
Trade and other payables	129,234,447	(218,448,092)
Other long-term liabilities - related party	543,326,479	221,476,827
Payment of long-term employee benefits	(8,807,168)	(223,638)
Cash flows from operating activities	12,989,636,316	10,430,070,582
Cash paid for prepaid of royalties and corporate income tax under the Side Agreement	(3,957,497,937)	-
Net cash flows from operating activities	<u>9,032,138,379</u>	<u>10,430,070,582</u>
Cash flows from investing activities		
Increase in short-term restricted bank deposits	(58,591,859)	(361,677,912)
Increase in long-term restricted bank deposits	(1,704,463,454)	(3,282,652,692)
Acquisition of plant and equipment	(77,617,138)	(43,797,343)
Acquisition of intangible assets	(1,892,530)	(1,046,425)
Proceeds from sale of equipment	2,138,530	-
Increase in advance under the Side Agreement	(1,147,002,063)	-
Interest received	9,968,154	5,653,629
Net cash flows used in investing activities	<u>(2,977,460,360)</u>	<u>(3,683,520,743)</u>

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

Xayaburi Power Company Limited
Statement of cash flows (continued)
For the year ended 31 December 2021

(Unit: Baht)

	<u>2021</u>	<u>2020</u>
Cash flows from financing activities		
Increase in long-term loans from financial institutions	2,511,500,000	619,000,000
Cash paid for long-term loans from financial institutions	(3,580,598,574)	(863,704,106)
Cash paid for long-term loans from related companies	(350,000,000)	-
Cash paid for interest on long-term loans from related companies	(350,000,000)	-
Cash paid for loan arrangement fees	(25,308,064)	(299,845,225)
Cash paid for interest expenses from financial institutions	(4,051,780,811)	(4,719,097,440)
Cash paid for principal portion of lease liabilities	(5,077,304)	(5,271,761)
Cash paid for interest on lease liabilities	(2,542,979)	(2,541,161)
Dividend payment	<u>(698,386,000)</u>	<u>-</u>
Net cash flows used in financing activities	<u>(6,552,193,732)</u>	<u>(5,271,459,693)</u>
Net increase (decrease) in cash and cash equivalents	(497,515,713)	1,475,090,146
Effect of exchange rate changes on cash and cash equivalents	140,322,059	(13,201,795)
Cash and cash equivalents at beginning of year	<u>2,498,522,368</u>	<u>1,036,634,017</u>
Cash and cash equivalents at end of year	<u><u>2,141,328,714</u></u>	<u><u>2,498,522,368</u></u>
 Supplemental cash flows information		
Non-cash transactions		
Increase in plant and equipment from other accounts payable	3,998,700	-
Increase in intangible assets from other payables	-	1,080,000
Increase in right-of-use assets from lease liabilities	5,364,259	1,630,578

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

Xayaburi Power Company Limited
Notes to financial statements
For the year ended 31 December 2021

1. Corporate information

- a) Xayaburi Power Company Limited ("the Company") is a limited company incorporated on 22 June 2010 under the laws of the Lao People's Democratic Republic. The major shareholder of the Company is CK Power Public Company Limited, which was incorporated in Thailand.

The Company is principally engaged in the generation and sale of electricity from the Xayaburi Hydroelectric Power Project in the Lao People's Democratic Republic.

The Company's registered office is located at 215 Lane Xang Avenue, Ban Xieng Yuen, Muang Chantabouly, Vientiane, Lao People's Democratic Republic, and its representative office in Thailand is situated at 587 Viriyathavorn Building 19th Floor, Sutthisarn Road, Kwaeng Ratchadaphisek, Khet Dindaeng, Bangkok. In July 2011, the Company obtained the authorisation for establishment of the representative office in Thailand from the Department of Business Development, Ministry of Commerce and to carry out its operations as stipulated in the business license.

The financial statements of Xayaburi Power Company Limited for the year ended 31 December 2021 were authorised for issue by the Company's Board of Directors on 15 February 2022.

- b) On 29 October 2010, the Company entered into the Concession Agreement 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 Xayaburi Hydroelectric Power Project for a period of 29 years commencing from the Commercial Operation Date (29 October 2019) to sell electricity to the Electricity Generating Authority of Thailand and Electricité du Laos. Thereafter, the Company shall transfer the Xayaburi Hydroelectric Power Project to the Government of the Lao People's Democratic Republic at the end of the concession period. However, the Company has the right to extend the contract period under the terms and conditions as may then be agreed by the parties.

Under the Concession Agreement, the Company has a commitment to implement a community development program to support the economic and social development of the nearby communities and to pay royalties and corporate income tax to the Government of the Lao People's Democratic Republic for a concession period at the rates specified under the Concession Agreement.

On 15 March 2016, the Company entered into an Amendment of the Concession Agreement to extend the concession period is 31 years commencing from the Commercial Operation Date.

- c) On 24 January 2011, the Company entered into a lease agreement with the National Land Management Authority, which represented the Government of the Lao People's Democratic Republic, in respect of the lease of land located in Xayaburi Province and Luang Prabang Province, for the construction of the Xayaburi Hydroelectric Power Project, at rental rates specified under the agreement. The term of the lease is from 29 October 2010 until the end of the concession period.
- d) On 14 October 2011, the Company entered into the Engineering, Procurement and Construction Contract ("EPC Contract") with the related company on a Lump Sum Fixed Price Turnkey Basis.

On 6 July 2016, the Company entered into an Amendment to the EPC Contract for additional costs for the First Stage Works and Second Stage Works, on a lump sum settlement amount of Baht 19,400 million.

- e) On 29 October 2011, the Company entered into the Power Purchase Agreement with the Electricity Generating Authority of Thailand ("EGAT") with the capacity 1,220 MW to sell electricity at rates specified in the agreement. The period of the agreement is 29 years, commencing from the Commercial Operation Date.
- f) On 22 December 2011, the Company entered into the Power Purchase Agreement with the Electricité du Laos ("EDL") with the capacity 60 MW to sell electricity at the rates specified in the agreement. The period of the agreement is complied with the concession period stipulated in the Concession Agreement.

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 except for derivative financial instruments which have been measured at fair value. 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 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform - Phase 2

These amendments provide reliefs which provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate. The relevant details are disclosed in Note 21.5.

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 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 is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation and the Concession Agreement.

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, short-term restricted bank deposits, long-term 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 are 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 EIR 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 EIR 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 EIR. The EIR amortisation is included in finance cost in profit or loss.

Finance cost which is amortised using the EIR method is included in project costs during construction period and is recognised as an expense in profit or loss for the operation period.

(h) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is 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 are 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 estimated useful lives:

Xayaburi Hydroelectric Power Project	31 years
Building and leased asset improvements	10 and 20 years
Furniture and office equipment	3, 5 and 10 years
Motor vehicles	5 and 10 years

No depreciation is provided on assets under construction.

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) 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 the straight-line 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.

(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

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 building	31 years
Motor vehicles	2, 3 and 4 years

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 if 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 rewards 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) 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.

(o) 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.

(p) Derivative financial instruments and hedge accounting

Derivative financial instruments

The Company uses derivative financial instruments to manage its risks associated with exchange rate and interest rate, such as foreign exchange contracts and interest rate swap agreements.

Such derivatives are initially recognised and measured at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value, which has been calculated using the quoted market rates, at the end of reporting period. Gains or losses resulting from changes in the fair value of the derivative financial instruments are recognised as financial assets or financial liabilities when the gain or loss occurs. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss from changes in the fair value depends on the nature of the item being hedged.

Derivatives are presented as non-current assets or non-current liabilities if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting - Cash flow hedges

The Company applies hedge accounting when the risk that has been hedged can be clearly identified and the effectiveness of the hedge can be measured.

The effective portions of the gain or loss on the instruments that hedge exposure to fluctuations in cash flows that are either attributable to a particular risk associated with a recognised financial asset or liability or to a highly probable forecast transaction are recognised directly in other comprehensive income (OCI) and are transferred to project costs during construction phase, and to profit or loss during operating phase when the hedged cash flow transactions occur. However, if the hedge instrument is not effective, any gain or loss from a change in the fair value of the derivative financial instrument is recognised immediately to 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 fair 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.

(q) Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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 costs 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 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.

Deferred income tax assets

Deferred income tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred income tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 7.

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
- 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
- IAS 41 Agriculture – Taxation in fair value measurements
- Definition of Accounting Estimates - Amendments to IAS 8
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred Tax related to Asset and Liabilities arising from a Single Transaction - Amendment to IAS 12

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

	(Unit: Thousand Baht)	
	<u>2021</u>	<u>2020</u>
Depreciation and amortisation	4,176,782	4,171,389
Salaries and other employee benefits	249,087	216,604
Director' remuneration	12,380	12,516
Travelling expenses	7,631	14,968
Insurance expenses	338,916	310,170
Management fee charged by the major shareholder	171,001	168,266
Amortisation of prepaid expenses under the Side Agreement	17,614	-
Environmental improvement works	140,285	-

6. Finance cost

	(Unit: Thousand Baht)	
	<u>2021</u>	<u>2020</u>
Interest expense on borrowings - non-related parties	4,096,735	4,499,541
Interest expense on borrowings - related parties	886,755	930,449
Interest expense on other long-term liabilities - related party	2,125	6,359
Interest expense on lease liabilities	2,543	2,541
Interest expense from derivatives designated as hedging instruments in cash flow hedge	28,631	285,070
Other interest expenses	8,377	231,493
Total	<u>5,025,166</u>	<u>5,955,453</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 Commercial Operation Date (29 October 2019) to the end of the concession period. However, for a period of 5 years from the Commercial Operation Date, the Company has been granted exemption from the corporate income tax. No corporate income tax was payable for the current year.

The Company has tax losses of Baht 186.6 million (2020: Baht 361.1 million) that normally are available to be utilised within five years for offset against future taxable profit of the Company in which the losses arose. However, the management of the Company expects that the losses cannot be utilised since the Company shall pay income tax to the Government of the Lao People's Democratic Republic five years after the Commercial Operation Date (29 Oct 2019) which is stipulated in the Concession Agreement. Therefore, deferred income tax assets have not been recognised in respect of these losses.

The table below summarises the outstanding tax losses as at 31 December 2021 and 2020:

<u>Expiry of the outstanding tax losses</u>	<u>2021</u>	<u>2020</u>
	<u>Million Baht</u>	<u>Million Baht</u>
Year 2021	-	174.5
Year 2022	86.4	86.4
Year 2023	100.2	100.2

8. Plant and equipment

(Unit: Thousand Baht)

	Xayaburi Hydroelectric Power Project	Building and leased asset improvements	Furniture and office equipment	Motor vehicles	Assets under construction	Total
Cost						
1 January 2020	127,530,690	43,397	89,993	56,079	-	127,720,159
Additions	-	5,388	22,315	14,799	-	42,502
Transfer in/(out)	(134,105)	40	(40)	-	-	(134,105)
Disposals/write off	-	-	(754)	-	-	(754)
31 December 2020	127,396,585	48,825	111,514	70,878	-	127,627,802
Additions	-	-	19,330	37,891	24,395	81,616
Disposals/write off	-	-	(2,381)	(4,321)	-	(6,702)
31 December 2021	127,396,585	48,825	128,463	104,448	24,395	127,702,716
Accumulated depreciation						
1 January 2020	710,069	17,059	32,264	16,320	-	775,712
Depreciation for the year	4,135,018	3,281	15,629	9,504	-	4,163,432
Transfer out	(5,095)	-	-	-	-	(5,095)
Disposals/write off	-	-	(630)	-	-	(630)
31 December 2020	4,839,992	20,340	47,263	25,824	-	4,933,419
Depreciation for the year	4,125,756	3,995	19,000	15,009	-	4,163,760
Disposals/write off	-	-	(2,308)	(4,321)	-	(6,629)
31 December 2021	8,965,748	24,335	63,955	36,512	-	9,090,550
Net book value						
31 December 2020	122,556,593	28,485	64,251	45,054	-	122,694,383
31 December 2021	118,430,837	24,490	64,508	67,936	24,395	118,612,166
Depreciation for the year						
2020 (Baht 4,136 million included in cost of sales of electricity and the remaining balance in administrative expenses)						4,163,432
2021 (Baht 4,142 million included in cost of sales of electricity and the remaining balance in administrative expenses)						4,163,760

As at 31 December 2021, certain items of plant and equipment were fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation of those assets amounted to approximately Baht 31.3 million (2020: Baht 35.4 million).

The Company has mortgaged all immovable assets and pledged all movable assets of the Xayaburi 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 2021 and 2020 is presented below.

	(Unit: Thousand Baht)	
	<u>2021</u>	<u>2020</u>
Net book value at beginning of year	43,216	46,775
Acquisition of computer software - at cost	812	2,126
Amortisation for the year	<u>(5,913)</u>	<u>(5,685)</u>
Net book value at end of year	<u>38,115</u>	<u>43,216</u>

10. Leases

The Company as a lessee

Movements in the carrying amounts of right-of-use assets during the years ended 31 December 2021 and 2020 are summarised below.

	(Unit: Thousand Baht)		
	Land and building	Motor vehicles	Total
As at 1 January 2020	70,923	15,281	86,204
Additions	-	1,631	1,631
Write-off	-	(1,393)	(1,393)
Depreciation expense	<u>(2,291)</u>	<u>(5,076)</u>	<u>(7,367)</u>
As at 31 December 2020	68,632	10,443	79,075
Additions	5,364	-	5,364
Depreciation expense	<u>(2,418)</u>	<u>(4,690)</u>	<u>(7,108)</u>
As at 31 December 2021	<u>71,578</u>	<u>5,753</u>	<u>77,331</u>

Movements in the carrying amounts of lease liabilities during the years ended 31 December 2021 and 2020 are summarised below.

	(Unit: Thousand Baht)	
	<u>2021</u>	<u>2020</u>
As at 1 January	81,077	86,204
Additions	5,364	1,631
Accretion of interest	2,543	2,541
Payments	(7,620)	(7,813)
Decrease from contract cancellation	-	(1,400)
Unrealise loss (gain) on exchange	2,314	(86)
As at 31 December	<u>83,678</u>	<u>81,077</u>
Current	8,036	7,111
Non-current	75,642	73,966

The weighted-average incremental borrowing rate for lease liabilities is 3.2% per annum.

The following are the amounts recognised in profit or loss:

	(Unit: Thousand Baht)	
	<u>2021</u>	<u>2020</u>
Depreciation expense of right-of-use assets	7,108	7,367
Interest expense on lease liabilities	2,543	2,541
Total amount recognised in profit or loss	<u>9,651</u>	<u>9,908</u>

The Company had total cash outflows for leases of Baht 7.6 million in 2021 (Baht 7.8 million in 2020).

11. Prepaid expenses under the Side Agreement / Advance under the Side Agreement

On 16 September 2021, the Company entered into the Side Agreement to the Xayaburi Power Project Concession Agreement with the Government of the Lao People's Democratic Republic to pay Baht 2,593.0 million compensation according to the Amendment Agreement of the Xayaburi Hydroelectric Power Project, dated 15 March 2016. The payment is divided into 2 installments, the first of which was paid in October 2021 while the second installment was paid in November 2021. These installment payments were recorded as "Prepaid expenses under the Side Agreement" in the statement of financial position and amortised on a straight-line basis over the concession period.

Concurrently, the Company paid royalties and corporate income tax in advance at the amount of Baht 2,511.5 million using a loan from financial institutions in November 2021. In return, the Company shall not be required to pay royalties and corporate income tax, which will occur from 2025 onward, and at the same time, the Government of the Lao People's Democratic Republic has also assigned the right to receive the royalties and corporate income tax of Nam Ngum 2 Power Company Limited to the Company to combine with the royalties and corporate income tax, which should otherwise have been paid by the Company, until the combined amount is equal to the aggregate value of the advance payment as stipulated in the agreement. The Company's management considers that the amounts of royalties and corporate income tax in the future are uncertain and dependent on the future operation; therefore, the payment of Baht 2,511.5 million was recorded together as "Prepaid expenses under the Side Agreement" and "Advance under the Side Agreement" in the statement of financial position in compliance with nature of these transactions.

For a period of 5 years from the Commercial Operation Date, the Company has been granted exemption from the royalties and corporate income tax.

12. Cash at bank and on hand

	(Unit: Thousand Baht)	
	<u>2021</u>	<u>2020</u>
Cash	382	344
Bank deposit	2,140,947	2,498,178
Total	<u>2,141,329</u>	<u>2,498,522</u>

As at 31 December 2021 and 2020, almost all of the cash at banks were bank deposits in saving accounts carrying interest at floating rates based on daily bank deposit rates.

The Company has pledged and assigned rights of claim in bank accounts with outstanding balances as at 31 December 2021 totaling approximately Baht 2,140.9 million (2020: Baht 2,498.2 million) with lenders to secure long-term loans of the Company, in accordance with conditions stipulated in the long-term loan agreements. However, the Company is able to withdraw these deposits for use in payment of regular operating expenses.

Short-term restricted bank deposits

The Company has pledged and assigned rights of claim in bank accounts with outstanding balances as at 31 December 2021 totaling approximately Baht 471.4 million (2020: Baht 364.3 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 3 months.

13. Long-term restricted bank deposits

The Company has pledged and assigned rights of claim on bank accounts with outstanding balances as at 31 December 2021 totaling approximately Baht 5,042.2 million (2020: Baht 3,237.6 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 reserve cash for the major maintenance of the Xayaburi Hydroelectric Power Plant, the obligation from sales of electricity as excess energy pursuant to EGAT Power Purchase Agreement (Note 17) and the loan principal repayment and interest payment under the long-term loan agreements, in the event that the Company is unable to repay principal or interest when due.

14. Issued capital

	(Unit: Thousand Baht)	
	<u>2021</u>	<u>2020</u>
Authorised:		
2,686,100,000 ordinary shares of Baht 10 each	<u>26,861,000</u>	<u>26,861,000</u>
Issued and fully paid up:		
2,686,100,000 ordinary shares of Baht 10 each	<u>26,861,000</u>	<u>26,861,000</u>

15. Statutory reserve

Pursuant to the Articles of Association of the Company, the Company is required to annually appropriate 1% 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.

16. Long-term loans from financial institutions

	(Unit: Thousand Baht)	
	<u>2021</u>	<u>2020</u>
Long-term loans from financial institutions	83,229,277	81,966,733
Less: Current portion	<u>(4,811,223)</u>	<u>(3,576,819)</u>
Long-term loans from financial institutions - net of current portion	<u>78,418,054</u>	<u>78,389,914</u>

Movements in the long-term loans account during the year ended 31 December 2021 and 2020 are summarised below.

	(Unit: Thousand Baht)	
	<u>2021</u>	<u>2020</u>
Balance as at 1 January	81,966,733	82,522,932
Add: Additional borrowings during the year	2,511,500	619,000
Unrealised loss (gain) on exchange from cash flow hedge	2,283,827	(87,613)
Less: Repayment during the year	<u>(3,580,599)</u>	<u>(863,704)</u>
	83,181,461	82,190,615
Add: Transaction costs	98,399	19,391
Less: Transactions for adjustment of interest per loan agreement to effective interest rate	<u>(50,583)</u>	<u>(243,273)</u>
Balance as at 31 December	<u>83,229,277</u>	<u>81,966,733</u>

On 31 October 2011, the Company entered into long-term loan agreements with a consortium commercial bank in Thailand to obtain the following 4 credit facilities:

- 1) Tranche A Facility: Baht 56,409.0 million for use in the payment of project costs.
- 2) Tranche B Facility: USD 711.0 million for use in the payment of project costs.
- 3) Tranche C Guarantee Facility: A bank guarantee of USD 49.0 million to guarantee the borrowers' obligations under the Power Purchase Agreement with the Electricity Generating Authority of Thailand.
- 4) Tranche D Facility: Baht 5,879.0 million for use in payment of the project costs in case the Company cannot receive the electricity revenues from the Testing and Commissioning during Unit Operation Period, whereby all Base Equity, Tranche A and Tranche B Facilities have been fully utilized to pay the project costs.

Tranche A and D Facilities carry interest at the rate of MLR + margin per annum and Tranche B Facility carries at the rate of LIBOR + margin per annum for the period prior to the Commercial Operation Date, and the interest rates are to be reduced for the period afterwards. In addition, the Company is committed to pay front-end fees and commitment fees to the syndicate of lenders at percentages of the total loan facilities and the undrawn portion of the loan, as specified in the loan agreements.

The principal repayments under Tranche A and B Facilities shall be made in 22 installments, semi-annually in the amounts stipulated in the long-term loan agreements. The first repayment date is the earlier of (a) the last Business Day of the 15th calendar month after the month in which the Commercial Operation Date falls and (b) 31 March 2020. Tranche D Facility shall be payable in full in one principal repayment on the earlier of (a) the date falling 20 years and 6 months after the date of this Agreement and (b) the last Business Day of the 132nd calendar month after the First Repayment Date of Tranche A and B Facilities.

In March 2020, the Company amended the loan agreement in respect of the repayment of principal for Tranches A, B and D of the credit facilities, whereby principal is to be paid every 3 months in 58 installments, at the rates specified in the loan agreements. Repayment is to be made on the last working day of each quarter, beginning from 30 September 2020.

On 29 October 2021, the Company entered into the long-term loan agreement with a consortium commercial bank in Thailand for Tranche E Facility amounting to Baht 2,511.5 million and carry interest at the rate of MLR + margin per annum.

The principal repayments under Tranche E Facility shall be paid every 3 months in 40 installments, at the rates specified in the loan agreement. Repayment is to be made on the last working day of each quarter, beginning from 31 March 2022.

Early repayment of principal shall be made in proportion to Tranches A, B and D of the credit facilities, at a rate of 50 percent of the excess cash based on conditions specified in the loan agreement, until the total outstanding debt is less than or equal to the outstanding amount under the original loan agreement.

Under the long-term loan agreements, the Company is to conform to covenants imposed by the lenders in respect of, among other things, the increase in its registered capital and the maintenance of a certain long-term loans from financial institutions to its paid up share capital ratio and provision of securities by mortgaging of its immovable properties, the pledge of movable properties located in the Lao People's Democratic Republic, pledges of some of shareholder's shares of the Company, pledges and assignments of rights in bank accounts, the assignment of beneficiary rights under insurance policies, and the assignment of rights and obligations under the relevant agreements relating to the Xayaburi Hydroelectric Power Project. The Company is in compliance with the covenants.

As at 31 December 2021, the Company had fully drawn down Tranche A, B, D and E Facilities.

17. 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 Xayaburi Hydroelectric Power Project to EGAT and has the obligations to repay to EGAT in 2029, 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. 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.

18. Trade and other payables

	(Unit: Thousand Baht)	
	<u>2021</u>	<u>2020</u>
Trade payables - related parties	7,357	16,007
Trade payables - unrelated parties	16,872	8,413
Project payable - related parties	9,721	29,618
Project payable - unrelated parties	1,495	11,427
Other payables - related parties	148,518	9,507
Other payables - unrelated parties	12,883	6,352
Accrued expenses	22,248	16,809
Retention payables	2,787	-
Accrued finance cost	22,633	22,172
Total trade and other payables	<u>244,514</u>	<u>120,305</u>

19. 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 which are related by way of shareholding, as well as through common shareholders and/or common directors. These transactions were concluded on arm's length basis between the Company and those related parties. As at 31 December 2021, the outstanding balances of the Company are unsecured and interest free and settlement occurs in cash, except the long-term loans from related companies are charged at MLR + margin and principal repayment as stipulated in the long-term loan agreements. There have been no guarantees provided or received for any related party.

Below is a summary of those transactions:

		(Unit: Million Baht)	
	<u>Relationships</u>	<u>2021</u>	<u>2020</u>
<u>Transactions with related parties</u>			
Revenue from sales of electricity	Common director, A major shareholder of a shareholder of the Company	13,947	12,067
Other income	Common shareholder	-	7
Cost of sales of electricity	Common director	85	90
Administrative expenses	Common director	239	107
Finance cost	Common director	889	937

The balances of the accounts as at 31 December 2021 and 2020 between the Company and those related parties are as follows:

		(Unit: Thousand Baht)	
	<u>Relationships</u>	<u>2021</u>	<u>2020</u>
<u>Trade and other receivables - related parties</u>			
- Electricity Generating Authority of Thailand	Common director	2,047,988	1,883,091
- Electricité du Laos	A major shareholder of a shareholder of the Company	478,747	353,035
		<u>2,526,735</u>	<u>2,236,126</u>
<u>Trade and other payables - related parties (Note 18)</u>			
<u>Trade payables - related parties</u>			
- CK Power Public Company Limited	Common director	7,174	6,425
- PT Sole Company Limited	Common director of a major shareholder	-	9,417
- The Government of the Lao People's Democratic Republic	A major shareholder of a shareholder of the Company	183	165
		<u>7,357</u>	<u>16,007</u>
<u>Other payables - related parties</u>			
a) <u>Project payable- related parties</u>			
- PT Sole Company Limited	Common director of a major shareholder	-	20,833
- The Government of the Lao People's Democratic Republic	A major shareholder of a shareholder of the Company	9,721	8,785
		<u>9,721</u>	<u>29,618</u>

(Unit: Thousand Baht)

	<u>Relationships</u>	<u>2021</u>	<u>2020</u>
b) <u>Other payables - related parties</u>			
- CH. Karnchang (Lao) Company Limited	Common shareholder	140,285	-
- CH. Karnchang Public Company Limited	Common director	80	94
- CK Power Public Company Limited	Common director	8,153	7,903
- PT Sole Company Limited	Common director of a major shareholder	-	1,510
		<u>148,518</u>	<u>9,507</u>
Total trade and other payables - related parties		<u>165,596</u>	<u>55,132</u>

Other long-term liabilities - related party (Note 17)

- Electricity Generating Authority of Thailand	Common director	<u>799,232</u>	<u>253,779</u>
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Long-term loans from related companies and accrued interest expenses

The balances of long-term loans from related companies and accrued interest expenses as at 31 December 2021 and 2020 and movements of the long-term loans and accrued interest expenses are as follows:

(Unit: Thousand Baht)

		Balance as at	Increase during	Decrease	Transfer during	Balance as at
	<u>Relationship</u>	<u>1 January 2021</u>	<u>the year</u>	<u>during the year</u>	<u>the year</u>	<u>31 December 2021</u>
Loans:						
- CH. Karnchang Public Company Limited	Common director	10,028,180	-	(209,888)	-	9,818,292
- CK Power Public Company Limited	Common director	3,000,000	-	(62,789)	-	2,937,211
- Global Power Synergy Public Company Limited	Common director	2,463,160	-	(51,554)	(2,411,606)	-
- GPSC Treasury Center Company Limited	Common shareholder	-	-	-	2,411,606	2,411,606
- Electricity Generating Public Company Limited	Common director	1,231,200	-	(25,769)	-	1,205,431
		<u>16,722,540</u>	<u>-</u>	<u>(350,000)</u>	<u>-</u>	<u>16,372,540</u>

(Unit: Thousand Baht)

		Balance as at	Increase during	Decrease	Transfer during	Balance as at
	Relationship	1 January 2021	the year	during the year	the year	31 December 2021
Accrued interest expenses:						
- CH. Karnchang Public Company Limited	Common director	3,081,315	531,770	(243,036)	-	3,370,049
- CK Power Public Company Limited	Common director	221,229	159,083	(24,978)	-	355,334
- Global Power Synergy Public Company Limited	Common director	682,978	119,383	(54,663)	-	747,698
- GPSC Treasury Center Company Limited	Common shareholder	-	11,232	-	-	11,232
- Electricity Generating Public Company Limited	Common director	341,385	65,287	(27,323)	-	379,349
		<u>4,326,907</u>	<u>886,755</u>	<u>(350,000)</u>	<u>-</u>	<u>4,863,662</u>
Long-term loans from related companies and accrued interest expenses		<u>21,049,447</u>	<u>886,755</u>	<u>(700,000)</u>	<u>-</u>	<u>21,236,202</u>

(Unit: Thousand Baht)

		Balance as at	Increase	Decrease	Balance as at
	Relationship	1 January 2020	during the year	during the year	31 December 2020
Loans:					
- CH. Karnchang Public Company Limited	Common director	10,028,180	-	-	10,028,180
- CK Power Public Company Limited	Common director	3,000,000	-	-	3,000,000
- Global Power Synergy Public Company Limited	Common director	2,463,160	-	-	2,463,160
- Electricity Generating Public Company Limited	Common director	1,231,200	-	-	1,231,200
		<u>16,722,540</u>	<u>-</u>	<u>-</u>	<u>16,722,540</u>
Accrued interest expenses:					
- CH. Karnchang Public Company Limited	Common director	2,523,343	557,972	-	3,081,315
- CK Power Public Company Limited	Common director	54,308	166,921	-	221,229
- Global Power Synergy Public Company Limited	Common director	545,927	137,051	-	682,978
- Electricity Generating Public Company Limited	Common director	272,880	68,505	-	341,385
		<u>3,396,458</u>	<u>930,449</u>	<u>-</u>	<u>4,326,907</u>
Long-term loans from related companies and accrued interest expenses		<u>20,118,998</u>	<u>930,449</u>	<u>-</u>	<u>21,049,447</u>

In the second and third quarter of the year 2016, the Company entered into Sponsor Loan Agreements with CH. Karnchang Public Company Limited, Global Power Synergy Public Company Limited and Electricity Generating Public Company Limited, which will provide Sponsor loans to the Company pursuant to the Sponsors Support Agreements, in an amount of Baht 17,241.0 million for payment of additional works in the Xayaburi Hydroelectric Power Project during construction period.

On 31 July 2019 and 26 December 2019, the Company entered into Sponsor Loan Agreements with CK Power Public Company Limited amounting to Baht 2,000.0 million and Baht 1,000.0 million, respectively for partial repayment of loans under Sponsor Loan Agreements to CH. Karnchang Public Company Limited. The terms and conditions in this agreement are according to the terms and conditions stipulated in the Sponsor Loan Agreement.

On 30 November 2021, the Company entered into the Novation Agreement of Sponsor Loan Agreement with Global Power Synergy Public Company Limited and GPSC Treasury Center Company Limited amounting to Baht 2,411.6 million, where Global Power Synergy Public Company Limited transfers the novated rights, obligations and liabilities in respect of the principal and future interest, which will accrued thereon, to GPSC Treasury Center Company Limited.

The interest rates and principal repayment profile will be the same as those stipulated in the Tranche A Facility Agreement, provided, however, that the payment of interest and principal will be subject to the cash flow available to the shareholders after fulfillment of all conditions stipulated in the long-term loan agreements.

Directors and management's benefits

During the years ended 31 December 2021 and 2020, the Company had employee benefit expenses of its directors and management as below:

	(Unit: Thousand Baht)	
	<u>2021</u>	<u>2020</u>
Short-term employee benefits	39,373	40,238
Long-term employee benefits	609	386
Total	<u>39,982</u>	<u>40,624</u>

20. Dividend payment

Dividends	Approved by	Total dividends (Million Baht)	Dividend per share (Baht)
Interim dividends	The Board of Directors Meeting on 22 November 2021	698.4	0.26
Total dividend for the year 2021		<u>698.4</u>	<u>0.26</u>

21. Financial instruments

Financial risk management and policies

The Company's principal financial instruments comprise of loans from financial institutions, and related companies, other long-term liabilities - related party, lease liabilities, derivative financial liabilities, trade and other payables, derivative financial assets, advance under the Side Agreement, restricted bank deposits, trade and other receivables and cash at bank.

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.

21.1 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 deposit

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 receivables

The Company has no significant credit risk with respect to trade receivables from sales of electricity because it has secured approximately 95 percent of its installed capacity with a long-term Power Purchase Agreement ("PPA") to sell electricity to the Electricity Generating Authority of Thailand ("EGAT"), a state enterprise of Thailand with strong financial position. For the remaining capacity, the Company has secured a long-term PPA to sell electricity to Electricite' du Laos ("EdL").

An impairment analysis is performed at each reporting date to measure expected credit losses. The provision rates are based on days past due of the customers, along with assessment of the customers' ability to repay, their repayment plan, their contractual obligation, discounted future repayment cash flow and other methodology as appropriate. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current condition and forecast of future economic condition. There has been no receivable from sale of electricity that is impaired.

21.2 Liquidity risk

Liquidity risk arises in the general funding of the Company's activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

To manage the liquidity risk, the Company's management considers and monitors the forecasting of its liquidity reserve with undrawn loan, cash from sales of electricity and the balance of cash and cash equivalent on the basis of estimated cash flow, 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 non-derivative financial liabilities and derivative financial instruments as at 31 December 2021 and 2020 based on contractual undiscounted cash flows:

(Unit: Million Baht)

	As at 31 December 2021			
	Within 1 year	2 - 5 year	Over 5 year	Total
Non-derivatives				
Trade and other payables	245	-	-	245
Lease liabilities	11	18	96	125
Long-term loans from financial institutions and expected interest payments	8,823	33,830	70,968	113,621
Long-term loans from related companies and expected interest payments	500	3,532	26,731	30,763
Other long-term liabilities - related party	-	-	823	823
Total non-derivatives	9,579	37,380	98,618	145,577
Derivatives				
Derivative assets				
Derivative financial assets	-	99	-	99

(Unit: Million Baht)

	As at 31 December 2020			
	Within 1 year	2 - 5 year	Over 5 year	Total
Non-derivatives				
Trade and other payables	120	-	-	120
Lease liabilities	10	20	90	120
Long-term loans from financial institutions and expected interest payments	7,541	32,080	75,175	114,796
Long-term loans from related companies and expected interest payments	700	3,231	27,533	31,464
Other long-term liabilities - related party	-	-	411	411
Total non-derivatives	8,371	35,331	103,209	146,911
Derivatives				
Derivative liabilities				
Derivative financial liabilities	-	63	-	63

21.3 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's exposure to the risk of changes in market interest rates relates primarily to the Company's bank deposits and the long-term loans from financial institutions with floating interest rates. The Company will use derivative financial instruments, as and when it considers appropriate, to manage this risk.

The table below summarises the significant financial assets and financial liabilities as at 31 December 2021 and 2020:

(Unit: Million Baht)

	As at 31 December 2021				
	Fixed	Floating	Non-interest		
	interest rates	interest rate	bearing	Total	Interest rate
					(% p.a.)
Financial assets					
Long-term restricted bank deposits	4,962	80	-	5,042	0.050 - 0.375
Trade and other receivables - related parties	-	-	2,527	2,527	
Cash at bank and on hand	-	2,141	-	2,141	0.050 - 0.125
Short-term restricted bank deposits	-	471	-	471	0.050 - 0.125
Advance under the Side Agreement	1,161	-	-	1,161	8.841
	6,123	2,692	2,527	11,342	
Financial liabilities					
Long-term loans from financial institutions	-	84,118	-	84,118	MLR + margin and LIBOR + margin
Long-term loans from related companies	-	16,373	-	16,373	MLR + margin
Lease liabilities - net of deferred interest expenses	84	-	-	84	Thai Government bond yield + margin
Accrued interest	-	-	4,886	4,886	
Other long-term liabilities - related party	-	-	799	799	
Trade and other payables	-	-	222	222	
	84	100,491	5,907	106,482	

(Unit: Million Baht)

	As at 31 December 2020				
	Fixed	Floating	Non-interest		
	interest rates	interest rate	bearing	Total	Interest rate
					(% p.a.)
Financial assets					
Long-term restricted bank deposits	-	3,238	-	3,238	0.050 - 0.125
Trade and other receivables - related parties	-	-	2,236	2,236	
Cash at bank and on hand	-	2,498	-	2,498	0.050 - 0.125
Short-term restricted bank deposits	-	364	-	364	0.050 - 0.125
	-	6,100	2,236	8,336	
Financial liabilities					
Long-term loans from financial institutions	-	82,903	-	82,903	MLR + margin and LIBOR + margin
Long-term loans from related companies	-	16,723	-	16,723	MLR + margin
Lease liabilities - net of deferred interest expenses	81	-	-	81	Thai Government bond yield + margin
Accrued interest	-	-	4,349	4,349	
Other long-term liabilities - related party	-	-	254	254	
Trade and other payables	-	-	98	98	
	81	99,626	4,701	104,408	

Derivative financial instruments

Interest rate swap agreements

The Company uses interest rate swap agreements to hedge the interest rate risk on long-term USD loans, in accordance with a condition stipulated in the long-term loan agreements of the project.

As at 31 December 2021, the Company has entered into interest rate swap agreements for a total notional amount of USD 309.7 million (2020: USD 321.3 million) of such long-term USD loans with the consortium of bank lenders, to swap floating interest rates for fixed interest rates. These forecast transactions are highly probable; however, the floating interest rate may be impacted by IBOR Reform that is expected from the LIBOR discontinuation in 2023. Consequently, this may affect to the probability of the forecast transactions and hedging relationship. The interest rate swap agreements comprise about 46.0% of the long-term USD loans. The fixed interest rates are effective from the end of June 2020, December 2020 and June 2021, respectively, and the interest rate swap agreements terminate on 31 December 2023 for USD 202.0 million and 30 June 2024 for USD 107.7 million.

The Company remeasured the fair value of the interest rate swap agreements based on market price, which presented the present value of net cash flows of the interest rate swap, and tested the effectiveness of hedges as at the end of reporting period. To test the hedge effectiveness, the Company uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

The hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the hedged items and the hedging instruments
- The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items
- Changes to the forecasted amount of cash flows of hedged items and hedging instruments

For the year ended 31 December 2021 and 2020, the Company has no significant ineffectiveness derivative financial instruments and therefore recognised an unrealised gain of Baht 162.0 million and Baht 95.9 million, respectively from changes in the fair value of the long-term loans in USD used for cash flow hedging, in other comprehensive income.

Effect from interest rate benchmark reform

Managing interest rate benchmark reform and associated risks

The Company has exposures to benchmark Interbank Offered Rates (IBORs) on its financial instruments that will be replaced or reformed. There is uncertainty over the timing and the methods of transition in some jurisdictions that the Company operates in. The Company anticipates that IBOR reform will impact its risk management and hedge accounting. The Company applies temporary exceptions which enables it to continue hedge accounting during the period of uncertainty. In other words, the temporary exceptions specify that for the purpose of determining whether a forecast transaction is highly probable for cash flow hedges, it is assumed that the interest rate benchmark on which the hedged cash flow are based is not altered as a result of IBOR reform.

At present, the risk management committee of the Company is in the process of evaluating the impact of IBOR reform and is monitoring and managing the Company's transition to alternative benchmark rates. The committee evaluates the extent to which contracts reference IBOR cash flows, whether such contracts will need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties.

The Company holds interest rate swaps which are designated in cash flow hedging relationships. The interest rate swaps have floating legs that are indexed to USD LIBOR.

Hedging relationships impacted by IBOR reform may experience ineffectiveness attributable to market participant's expectations of when the shift from the existing IBOR benchmark rate to an alternative benchmark interest will occur. This transition may occur at different times for the hedged item and hedging instrument, which may lead to hedge ineffectiveness. The Company has measured its hedging instruments indexed to USD LIBOR using available quoted market rates for LIBOR-based instruments of the same tenor and similar maturity and has measured the cumulative change in the present value of hedged cash flows attributable to changes in USD LIBOR on a similar basis.

The Company's exposure to USD LIBOR designated in hedging relationships is USD 309.7 million as at 31 December 2021 representing both the nominal amount of the hedging interest rate swap and the principal amount of the hedged USD-denominated loan maturing in 2023 and 2024.

Interest rate sensitivity

The following table demonstrates the sensitivity of the Company's profit before tax and equity to a reasonably possible change in interest rates on that portion of floating rate loans from financial institutions and related parties affected as at 31 December 2021 and 2020, with all other variables held constant.

Currency	Increase/ decrease (%)	2021		2020	
		Effect on profit before tax	Effect on equity	Effect on profit before tax	Effect on equity
		(Million Baht)	(Million Baht)	(Million Baht)	(Million Baht)
US Dollar	+0.25	(30.5)	55.2	(28.9)	68.1
	-0.25	30.5	(55.2)	28.9	(68.1)
Baht	+0.25	(194.7)	-	(195.9)	-
	-0.25	194.7	-	195.9	-

21.4 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.

As at 31 December 2021 and 2020 the balances of financial assets and liabilities denominated in foreign currencies are summarised below:

Foreign currency	Financial assets/liabilities		Average exchange rate as at 31 December	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	(Million)		(Baht per 1 foreign currency unit)	
<u>US Dollar</u>			33.4199	30.0371
Financial assets				
- Trade and other receivables	21.8	20.1		
- Cash at bank and on hand	25.1	32.4		
- Short-term restricted bank deposits	5.3	4.5		
- Long-term restricted bank deposits	31.5	29.8		
	<u>83.7</u>	<u>86.8</u>		
Financial liabilities				
- Long-term loans from financial institution	673.4	703.9		
- Lease liabilities (net deferred interest)	0.7	0.7		
- Trade and other payables	<u>0.4</u>	<u>-</u>		
	<u>674.5</u>	<u>704.6</u>		
Foreign currency	Financial assets/liabilities		Average exchange rate as at 31 December	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	(Million)		(Baht per 1 foreign currency unit)	
<u>CHF</u>				
Financial liabilities				
- Trade and other payables	-	0.4	36.5228	34.0287
<u>EUR</u>				
Financial liabilities				
- Trade and other payables	-	0.2	37.8948	36.8764

As at 31 December 2021, the Company does not utilise any derivative contracts to hedge foreign exchange rate risk.

Foreign currency sensitivity

The following tables demonstrate the sensitivity of the Company's profit before tax and equity to a reasonably possible change in USD exchange rates, with all other variables held constant. The impact on the Company's profit before tax and equity is due to changes in the fair value of monetary assets and liabilities. The Company's exposure to foreign currency changes for all other currencies is not material.

Currency	Increase/ decrease (%)	2021		2020	
		Effect on profit		Effect on profit	
		before tax (Million Baht)	Effect on equity (Million Baht)	before tax (Million Baht)	Effect on equity (Million Baht)
US Dollar	+ 5.0	137.9	(1,125.2)	129.0	(1,056.9)
	- 5.0	(137.9)	1,125.2	(129.0)	1,056.9

Since January 2020, 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 2021, USD 673.4 million (2020: USD 703.7 million).

For the year ended 31 December 2021, the Company has no ineffectiveness from cash flow hedge requiring recognition through profit or loss and therefore recognised an unrealised loss of Baht 2,283.8 million (2020: an unrealised gain of Baht 87.6 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 2021 and 2020, the outstanding of the hedging instrument are expected to mature and affect to the profit or loss were as follows.

Recyclable:	(Unit: Million USD)	
	As at 31 December 2021	As at 31 December 2020
In up to 1 year	38.0	30.4
In over 1 and up to 5 years	159.4	155.4
In over 5 years	476.0	517.9

21.5 Fair value

Since the Company's financial assets, trade and other payables are short-term in nature, long-term restricted bank deposits and the majority of the Company's financial liabilities comprising loans from financial institutions and loans from related companies 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 and their fair value is not expected to be materially different from the amounts presented in the statement of financial position.

Fair value hierarchy

IFRS 13 requires disclosures relating to fair value measurements using a three-level fair value hierarchy. All the Company's financial instruments recorded with fair value used level 2 input, which is directly or indirectly observable, in the fair value measurement.

As at 31 December 2021 and 2020, the Company held the following derivatives carried at fair value in the statement of financial position.

	(Unit: Million Baht)	
	<u>2021</u>	<u>2020</u>
Derivative financial assets/(liabilities)		
Interest rate swap agreements - hedged	99.0	(63.0)
Total	<u>99.0</u>	<u>(63.0)</u>

Valuation techniques

The interest rate swap agreements are measured their fair value include the swap models, using present value calculations. The provided valuations of Derivative Contracts are derived from proprietary models based upon well recognised financial principles and the reasonable estimates about relevant future market data and its assessment of the factors relevant to the valuations.

The fair value of derivatives has been determined using a discounted future cash flow model and a valuation model technique. Most of the inputs used for the valuation are observable in the relevant market, such as interest rate yield curves. The Company considers counterparty credit risk when determining the fair value of derivatives.

21.6 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, stipulated in the long-term loan agreements with financial institutions.

The Company monitors its capital structure using debt-to-equity ratio, which is the total liabilities divided by the aggregate of total equity and any subordinated debt. The Company has the covenant under the loan agreement to maintain the debt-to-equity ratio at no more than 3.0 times.

As at 31 December 2021, the Company's debt to equity ratio is at 2.1 times (2020: 2.1 times).

22. Commitments and contingent liabilities

22.1 Capital commitments

As at 31 December 2021, the Company had office building construction agreements with a related company and other companies, amounting to approximately Baht 11.6 million.

22.2 Commitments

As at 31 December 2021, the Company had consultancy, services and environmental improvement works agreements with related companies and other companies for the Xayaburi Hydroelectric Power Project, amounting to approximately Baht 314.7 million, USD 1.7 million, Baht 19.0 million per month and LAK 270.7 million per month (2020: Baht 13.5 million, USD 1.0 million, CHF 0.5 million and Baht 16.7 million per month and LAK 287.7 million per month).

22.3 Bank guarantees

As at 31 December 2021, there were outstanding bank guarantees of USD 43.0 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 (2020: USD 43.0 million).