

Nam Ngum 2 Power Company Limited  
Audit report and financial statements  
31 December 2016

## Independent Auditor's Report

To the Shareholders of Nam Ngum 2 Power Company Limited

### Opinion

I have audited the accompanying financial statements of Nam Ngum 2 Power Company Limited ("the Company"), which comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nam Ngum 2 Power Company Limited as at 31 December 2016, and of 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 Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* 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.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Chatchai Kasemsrithanawat.

*Chatchai Kasemsrithanawat*

Chatchai Kasemsrithanawat

Certified Public Accountant (Thailand) No. 5813

EY Office Limited

Bangkok: 17 February 2017



Nam Ngum 2 Power Company Limited

Statement of financial position

As at 31 December 2016

(Unit: Baht)

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
<b>Assets</b>			
<b>Non-current assets</b>			
Plant and equipment, net	8	23,293,851,589	24,365,963,064
Project costs during construction phase	9	1,038,312,624	376,703,422
Advance for project costs	19	100,268,889	-
Long-term restricted bank deposits	10	734,944,551	1,220,677,307
Deferred tax assets		23,052,325	-
Other non-current assets		3,000,450	13,230,857
<b>Total non-current assets</b>		<u>25,193,430,428</u>	<u>25,976,574,650</u>
<b>Current assets</b>			
Spare parts and supplies		37,791,878	36,879,676
Trade and other receivables	11, 19	487,365,955	929,871,233
Other current assets	12	40,075,191	25,894,161
Cash at bank and on hand	13	1,165,970,217	1,378,458,524
Short-term restricted bank deposits	13	213,556,232	528,774,885
<b>Total current assets</b>		<u>1,944,759,473</u>	<u>2,899,878,479</u>
<b>Total assets</b>		<u><u>27,138,189,901</u></u>	<u><u>28,876,453,129</u></u>

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

Nam Ngum 2 Power Company Limited  
Statement of financial position (continued)  
As at 31 December 2016

(Unit: Baht)

	Notes	2016	2015
<b>Equity and liabilities</b>			
<b>Equity</b>			
Issued capital	14	8,809,000,000	8,809,000,000
Retained earnings		2,002,252,455	3,939,217,793
Statutory reserve	15	88,090,000	88,090,000
Cash flow hedge reserve	21	(598,599,399)	(695,588,850)
<b>Total equity</b>		<u>10,300,743,056</u>	<u>12,140,718,943</u>
<b>Non-current liabilities</b>			
Long-term loans from financial institutions, net of current portion	16	15,754,750,273	14,701,897,954
Provision for long-term employee benefits		3,205,367	2,486,267
Other long-term liabilities - related party	17, 19	<u>169,687,699</u>	<u>157,687,658</u>
<b>Total non-current liabilities</b>		<u>15,927,643,339</u>	<u>14,862,071,879</u>
<b>Current liabilities</b>			
Trade and other payables	18, 19	309,942,533	365,364,521
Current portion of long-term loans from financial institutions	16	592,692,073	1,507,007,880
Retention payable	19	718,455	7,200
Income tax payable		4,798,292	-
Other current liabilities		<u>1,652,153</u>	<u>1,282,706</u>
<b>Total current liabilities</b>		<u>909,803,506</u>	<u>1,873,662,307</u>
<b>Total liabilities</b>		<u>16,837,446,845</u>	<u>16,735,734,186</u>
<b>Total equity and liabilities</b>		<u>27,138,189,901</u>	<u>28,876,453,129</u>

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



Mr. Plew Trivisvavet



Mr. Vorapote U. Choepaiboonvong

Directors



Nam Ngum 2 Power Company Limited  
Statement of comprehensive income  
For the year ended 31 December 2016

			(Unit: Baht)
	Notes	2016	2015
<b>Profit or loss:</b>			
<b>Operating income</b>			
Revenue from sales of electricity	19	3,814,924,797	3,883,153,489
Gain on exchange		-	41,975,027
Other income		18,216,353	19,422,165
<b>Total operating income</b>		<b>3,833,141,150</b>	<b>3,944,550,681</b>
<b>Operating expenses</b>			
Cost of sales of electricity	19	(1,659,871,381)	(1,790,516,136)
Administrative expenses	19	(642,831,930)	(245,257,861)
Loss on exchange		(45,373,571)	-
<b>Total operating expenses</b>		<b>(2,348,076,882)</b>	<b>(2,035,773,997)</b>
<b>Profit before finance costs</b>		<b>1,485,064,268</b>	<b>1,908,776,684</b>
Finance costs		(853,963,246)	(894,960,881)
<b>Profit before income tax expenses</b>		<b>631,101,022</b>	<b>1,013,815,803</b>
Income tax expenses	6	(13,456,360)	-
<b>Profit for the year</b>		<b>617,644,662</b>	<b>1,013,815,803</b>
<b>Other comprehensive income:</b>			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
<b>Cash flow hedges</b>			
Reclassification during the year to profit or loss	21	48,811,770	42,223,860
Unrealised gain (loss) from cash flow hedges	21	25,125,356	(457,081,740)
Add: Income tax effect		23,052,325	-
<b>Other comprehensive income for the year</b>		<b>96,989,451</b>	<b>(414,857,880)</b>
<b>Total comprehensive income for the year</b>		<b>714,634,113</b>	<b>598,957,923</b>
<b>Basic earnings per share</b>	7	<b>0.70</b>	<b>1.15</b>

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

**Nam Ngum 2 Power Company Limited**

**Statement of changes in equity**

**For the year ended 31 December 2016**

(Unit: Baht)

	Issued and paid-up share capital	Retained earnings	Statutory reserve	Cash flow hedge reserve	Total
<b>As at 1 January 2015</b>	8,809,000,000	3,277,761,990	88,090,000	(280,730,970)	11,894,121,020
Profit for the year	-	1,013,815,803	-	-	1,013,815,803
Other comprehensive income	-	-	-	(414,857,880)	(414,857,880)
Total comprehensive income	-	1,013,815,803	-	(414,857,880)	598,957,923
Dividend payment (Note 20)	-	(352,360,000)	-	-	(352,360,000)
<b>As at 31 December 2015</b>	<u>8,809,000,000</u>	<u>3,939,217,793</u>	<u>88,090,000</u>	<u>(695,588,850)</u>	<u>12,140,718,943</u>
<b>As at 1 January 2016</b>	8,809,000,000	3,939,217,793	88,090,000	(695,588,850)	12,140,718,943
Profit for the year	-	617,644,662	-	-	617,644,662
Other comprehensive income	-	-	-	96,989,451	96,989,451
Total comprehensive income	-	617,644,662	-	96,989,451	714,634,113
Dividend payment (Note 20)	-	(2,554,610,000)	-	-	(2,554,610,000)
<b>As at 31 December 2016</b>	<u>8,809,000,000</u>	<u>2,002,252,455</u>	<u>88,090,000</u>	<u>(598,599,399)</u>	<u>10,300,743,056</u>

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



**Nam Ngum 2 Power Company Limited**

**Statement of cash flows**

**For the year ended 31 December 2016**

	(Unit: Baht)	
	<u>2016</u>	<u>2015</u>
<b>Cash flows from operating activities</b>		
Profit from operating activities	631,101,022	1,013,815,803
Adjustment to reconcile profit to net cash flows:		
Depreciation	1,081,331,505	1,086,541,746
Amortisation of interest rate reduction fee	7,750,138	8,883,963
Unrealised (gain) loss on exchange	19,909,961	(25,656,490)
Write-off project costs during construction phase	377,609,936	
Loss on equipment write-off	10,865	12,544
Provision for long-term employee benefits	719,100	765,347
Interest expenses	837,008,804	879,303,774
Operating profit before working capital changes	2,955,441,331	2,963,666,687
(Increase)/decrease in:		
Trade and other receivables	442,402,802	55,964,851
Spare parts and supplies	(912,202)	(2,898,461)
Other current assets	11,145,818	752,509
Other non-current assets	10,230,407	(10,161,850)
Increase/(decrease) in:		
Trade and other payables	(211,590,916)	166,072,567
Retention payable	711,255	(2,266,289)
Other current liabilities	369,447	(92,270)
Cash flows from operating activities	3,207,797,942	3,171,037,744
Cash paid for income tax expenses	(8,658,068)	-
<b>Net cash flows from operating activities</b>	<u>3,199,139,874</u>	<u>3,171,037,744</u>
<b>Cash flows from investing activities</b>		
Decrease (increase) in short-term restricted bank deposits	313,924,905	(12,828,015)
Decrease (increase) in long-term restricted bank deposits	466,396,871	(2,661,083)
Increase in project costs during construction phase	(905,293,755)	(12,452,364)
Increase in advance for project costs	(100,268,889)	-
Increase in plant and equipment	(9,885,311)	(11,761,762)
<b>Net cash flows from (used in) investing activities</b>	<u>(235,126,179)</u>	<u>(39,703,224)</u>

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

**Nam Ngum 2 Power Company Limited**  
**Statement of cash flows (continued)**  
**For the year ended 31 December 2016**

	(Unit: Baht)	
	<u>2016</u>	<u>2015</u>
<b>Cash flows from financing activities</b>		
Increase (decrease) in long-term loans from financial institutions	547,824,930	(1,700,180,500)
Cash paid for loan arrangement fee	(383,579,254)	-
Cash paid for interest expenses	(786,557,949)	(868,657,270)
Dividend payment	<u>(2,554,610,000)</u>	<u>(352,360,000)</u>
<b>Net cash flows used in financing activities</b>	<u>(3,176,922,273)</u>	<u>(2,921,197,770)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(212,908,578)	210,136,750
Effect of exchange rate changes on cash and cash equivalents	420,271	2,333,003
Cash and cash equivalents at beginning of year	<u>1,378,458,524</u>	<u>1,165,988,771</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>1,165,970,217</u></u>	<u><u>1,378,458,524</u></u>
<b>Supplemental cash flows information</b>		
Non-cash transactions		
Increase in project costs during construction phase		
from project payables	133,925,384	-

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

## **Nam Ngum 2 Power Company Limited**

### **Notes to financial statements**

**For the year ended 31 December 2016**

#### **1. Corporate information**

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

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

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

The financial statements of Nam Ngum 2 Power Company Limited for the year ended 31 December 2016 were authorised for issue by the Company's Board of Directors on 17 February 2017.

- b) On 27 December 2007, the Company entered into an agreement to transfer all rights and obligations under the Power Purchase Agreement ("PPA") with the Electricity Generating Authority of Thailand ("EGAT") from the branch of the Parent Company to the Company at the energy tariff rate specified in the PPA for a period of 25 years commencing from the Commercial Operation Date.
- c) On 9 January 2008, the branch of the Parent Company entered into novation agreements to transfer all rights and obligations under the Concession Agreement and other agreements relating to the Nam Ngum 2 Hydroelectric Power Project, including the exclusive rights under the Memorandum of Understanding with the Government of the Lao People's Democratic Republic on 11 April 2007 to carry out the feasibility study and the development of the Nam Bak Hydroelectric Power Project to the Company.



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

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

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

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

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

## **2. Significant accounting policies**

### **2.1 Basis for preparation**

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

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

## **2.2 Standards that became effective in the current year**

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

- IFRS 14 Regulatory Deferral Accounts
- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants
- Amendments to IAS 27: Equity Method in Separate Financial Statements
- Annual Improvements Cycle - 2012-2014
- Amendments to IAS 1 Disclosure Initiative
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

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

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

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

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

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

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

#### *Revenue from sales of electricity*

Revenue from sales of electricity is recognised when the significant risks and rewards pass to the buyer.



#### *Interest income*

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

#### *Other revenues and expenses*

Other revenues and expenses are recognised on an accrual basis.

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

#### *Current income tax*

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

#### *Deferred tax*

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

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

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

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

#### **(d) Financial assets**

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial investments, or available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss directly attributable transaction costs. The Company determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

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



### *Loans and receivables*

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

### *Fair value of financial instruments*

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

#### **(e) Cash and cash equivalents**

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

#### **(f) Spare parts and supplies**

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

#### **(g) Financial liabilities**

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

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

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

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

**(h) Offsetting of financial instruments**

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

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

*Financial assets*

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

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

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

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

*Financial liabilities*

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

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



**(j) Impairment of financial assets**

The Company assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

*Financial assets carried at amortised cost*

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). 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.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

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

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



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

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

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

Nam Ngum 2 Hydroelectric Power Project	27 years
Leased asset improvements	24 years
Furniture and office equipment	5 years
Motor vehicles	5 years

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

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

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

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

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

No depreciation is provided on project costs during construction phase.

**(m) Leases**

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

#### *The Company as a lessee*

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

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

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

#### *The Company as a lessor*

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

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

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

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

#### **(n) Borrowing costs**

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



**(o) 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.

**(p) 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.

**(q) Employee benefits**

*Short-term employee benefits*

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

## *Post-employment benefits*

### Defined benefit plans

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

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

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

### **(r) Hedge accounting - Cash flow hedges**

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

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

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

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

#### ***Concession Agreement***

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



### ***Power Purchase Agreement***

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

### ***Functional Currency***

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

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

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

- IFRS 9 Financial Instruments: Classification and Measurement (effective 1 January 2018)
- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018)
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- IAS 7 Disclosure Initiative - Amendments to IAS 7 (effective 1 January 2017)
- IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12 (effective 1 January 2017)
- IFRS 2 Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2 (effective 1 January 2018)
- IFRS 16 Leases (effective 1 January 2019)

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



## 5. Expenses by nature

Significant expenses by nature are as follows:

	(Unit: Thousand Baht)	
	<u>2016</u>	<u>2015</u>
Depreciation	1,081,331	1,086,542
Operation and maintenance of power plant and transmission systems	328,065	456,989
Royalty	130,291	132,588
Watershed and livelihood expenses	24,330	30,581
Salary and other employee benefits	44,787	32,803
Directors' remuneration	12,420	12,420
Traveling expenses	36,372	28,355
Consultant expenses	33,609	22,015
Management fee charged by the Parent Company of the Group	137,447	134,483
Insurance expenses	59,390	65,623
Write-off project costs during construction phase (Note 9)	377,610	-

## 6. Income tax

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

## 7. Earnings per share

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

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

	<u>2016</u>	<u>2015</u>
Profit (Baht)	617,644,622	1,013,815,803
Weighted average number of ordinary shares for basic earnings per share (shares)	880,900,000	880,900,000

## 8. Plant and equipment

	(Unit: Thousand Baht)				
	Nam Ngum 2 Hydroelectric Power Project	Leased asset improvements	Furniture and office equipment	Motor vehicles	Total
<b>Cost</b>					
1 January 2015	29,429,113	21,732	48,917	48,644	29,548,406
Additions	-	1,834	3,672	3,052	8,558
Transfer in (out)	-	(2,070)	2,070	-	-
Write off	-	-	(56)	-	(56)
31 December 2015	29,429,113	21,496	54,803	51,696	29,556,908
Additions	-	2,048	7,182	-	9,230
Write off	-	-	(251)	-	(251)
31 December 2016	29,429,113	23,544	61,534	51,696	29,565,887
<b>Accumulated depreciation</b>					
1 January 2015	4,043,448	3,600	28,206	29,192	4,104,446
Depreciation for the year	1,072,800	1,076	7,537	5,129	1,086,542
Write off	-	-	(43)	-	(43)
31 December 2015	5,116,248	4,676	35,700	34,321	5,190,945
Depreciation for the year	1,072,799	1,157	4,842	2,533	1,081,331
Write off	-	-	(240)	-	(240)
31 December 2016	6,189,047	5,833	40,302	36,854	6,272,036
<b>Net book value</b>					
31 December 2015	24,312,865	16,820	18,903	17,375	24,365,963
31 December 2016	23,240,066	17,711	21,232	14,842	23,293,851

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

#### 9. Project costs during construction phase

As at 31 December 2016, the balance of project costs during construction phase represents the upgrade and construction of the Nabong Substation Project (2015: the balance of project costs during construction phase represents the project cost of Nam Bak Hydroelectric Power Project).

On 24 November 2016, the Parent Company of the Group's Board of Directors Meeting No.7/2016 had approved the termination of Nam Bak Hydroelectric Power Project development and write-off the costs during the construction phase for this project, amount of Baht 377.6 million as expenses to profit or loss in the statement of comprehensive income.

#### 10. Long-term restricted bank deposits

The Company has pledged and assigned rights of claim on bank accounts with outstanding balances as at 31 December 2016 totalling approximately Baht 735 million (2015: Baht 1,221 million) with lenders to secure long-term loans of a group of that companies in accordance with conditions stipulated in the long-term loan agreements. Those bank accounts have restrictions on withdrawal in order to reserve cash for the major maintenance of the Nam Ngum 2 Hydroelectric Power Project and the loan principal repayment and interest payment under the long-term loans agreements, in the event that the Company is unable to repay principal or interest when due.

#### 11. Trade and other receivables

	(Unit: Thousand Baht)	
	<u>2016</u>	<u>2015</u>
Trade receivable - related party	483,426	923,471
Other receivable - related party	141	-
Advance	-	22
Interest receivable	3,799	6,378
Total trade and other receivables	<u>487,366</u>	<u>929,871</u>

#### 12. Other current assets

	(Unit :Thousand Baht)	
	<u>2016</u>	<u>2015</u>
Prepaid expenses	39,507	25,471
Others	568	423
Total	<u>40,075</u>	<u>25,894</u>



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

#### Cash at bank and on hand

	(Unit: Thousand Baht)	
	<u>2016</u>	<u>2015</u>
Cash	501	445
Bank deposits	<u>1,165,469</u>	<u>1,378,014</u>
	<u>1,165,970</u>	<u>1,378,459</u>

As at 31 December 2016 and 2015, cash and cash equivalents comprised cash at banks and on hand only. The Company has pledged and assigned rights of claim in bank accounts with outstanding balances as at 31 December 2016 totalling approximately Baht 1,019 million (2015: Baht 936 million) to secure the long-term loans of the Company with its lenders, in accordance with conditions stipulated in the long-term loan agreements. However, the Company is able to withdraw these deposits for payments of its regular operating expenses, in accordance with the purpose of each account.

#### Short-term restricted bank deposits

The Company has pledged and assigned rights of claim in bank accounts with outstanding balances as at 31 December 2016 totalling approximately Baht 214 million (2015: Baht 529 million) with lenders to secure long-term loans of the Company, in accordance with conditions stipulated in the long-term loan agreements. Those bank accounts have restrictions on withdrawal in order to repay loan principal and interest due within 6 months.

### 14. Issued capital

	(Unit :Thousand Baht)	
	<u>2016</u>	<u>2015</u>
Authorised:		
880,900,000 ordinary shares of Baht 10 each	<u>8,809,000</u>	<u>8,809,000</u>
Issued and paid up:		
880,900,000 ordinary shares of Baht 10 each, fully called up	<u>8,809,000</u>	<u>8,809,000</u>

### 15. Statutory reserve

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

## 16. Long-term loans from financial institutions

	(Unit: Thousand Baht)	
	2016	2015
Long-term loans	16,347,442	16,208,906
Less: Current portion of long-term loans	(592,692)	(1,507,008)
Long-term loans, net of current portion	<u>15,754,750</u>	<u>14,701,898</u>

Movements in the long-term loans account during the year ended 31 December 2016 are summarised below.

	(Unit: Thousand Baht)
<b>Balance as at 1 January 2016</b>	16,228,730
Add: Additional borrowings during the year	16,738,161
Unrealised loss from exchange rate	99,394
Less: Repayment	(16,274,580)
Unrealised gain from cash flow hedges	(73,937)
	<u>16,717,768</u>
Less: Transaction costs	(370,326)
<b>Balance as at 31 December 2016</b>	<u>16,347,442</u>

On 26 May 2006, the Company and the branch of the Parent Company entered into long-term loan agreements with a consortium of commercial banks in Thailand to obtain the following 3 credit facilities:

- 1) Tranche A Facility: Baht 15,003 million for use in the payment of project costs.
- 2) Tranche B Facility: USD 180 million for use in the payment of project costs.
- 3) Tranche C Facility: A bank guarantee of USD 25 million provided to guarantee the Company's obligations under the Power Purchase Agreement with the Electricity Generating Authority of Thailand.

The rate of interest under Tranche A Facility is MLR plus a stipulated margin (MLR + margin) commencing from the Initial Operation Date. Subsequently, the lenders have approved a reduction in the interest rate of the Tranche A Facility to be MLR per annum, effective from April 2012 onwards. On October 2013, the lenders have approved a reduction in the interest rate of the Tranche A Facility to be MLR less a stipulated margin (MLR - margin) per annum for the three years, effective from November 2013 onwards. The rate for the Tranche B Facility is LIBOR plus a stipulated margin (LIBOR + margin) per annum. The principal repayments under Tranche A and B Facilities shall be made semi-annually in 22 installments, 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 12th calendar month after the month in which the



Initial Operation Date falls or (b) the calendar month falling 72 months after the date of the long-term loan agreement.

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

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

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

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

As at 31 December 2016, the Company had fully drawn down the Tranche 1 Facility and Baht 1,042 million and USD 26 million of the Tranche 2 Facility had not yet been drawn down including Working Capital Facility of Baht 50 million.

**17. Other long-term liabilities - related party**

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

**18. Trade and other payables**

	(Unit: Thousand Baht)	
	<u>2016</u>	<u>2015</u>
Trade payables - related parties	106,550	309,725
Trade payables - unrelated parties	5,907	20,483
Project payables - related parties	14,898	1,000
Project payables - unrelated parties	4,765	755
Amounts due to related parties	5,326	13,866
Other payables - unrelated parties	8,624	1,919
Accrued expenses	10,833	13,028
Accrued finance cost	43,040	4,589
Total trade and other payables	<u>309,943</u>	<u>365,365</u>

## 19. Related party transactions

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

		(Unit: Million Baht)	
		<u>2016</u>	<u>2015</u>
<u>Transactions with the Parent</u>			
<u>Company of the Group</u>			
Management fee		138	135
Project administrative <sup>(1)</sup>		47	-
<u>Transactions with related parties</u>			
Revenue from sales of electricity	Major shareholder of a shareholder of the Parent Company	3,815	3,883
Cost of sales of electricity	Major shareholder of a shareholder of the Company, A shareholder of the Parent Company, Major shareholder of a shareholder of the Parent Company, Common shareholders of the Parent Company, A group of shareholder of the Company, Common Directors	439	570
Administrative expenses	Major shareholder of a shareholder of the Company, Common shareholder of the Parent Company, A shareholder of the Parent Company	1	7
Project cost and administration <sup>(1)</sup>	Common shareholder of the Parent Company, Major shareholder of a shareholder of the Parent Company A shareholder of the Parent Company	858	3

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



The balances of the accounts as at 31 December 2016 and 2015 between the Company and those related parties are as follows:

		(Unit: Thousand Baht)	
	<u>Relationships</u>	<u>2016</u>	<u>2015</u>
<b><u>Trade and other receivables - related parties (Note 11)</u></b>			
<b>Trade accounts receivable - related party</b>			
- Electricity Generating Authority of Thailand	Major shareholder of a shareholder of the Parent Company	483,426	923,471
<b><u>Other receivable - related party</u></b>			
- Electricity Generating Authority of Thailand	Major shareholder of a shareholder of the Parent Company	141	-
Trade and other receivables - related parties		483,567	923,471
<b><u>Advance for project costs - related party</u></b>			
- CH. Karnchang (Lao) Company Limited	Common shareholder of the Parent Company	100,269	-
		(Unit: Thousand Baht)	
	<u>Relationships</u>	<u>2016</u>	<u>2015</u>
<b><u>Trade and other payables - related parties (Note 18)</u></b>			
<b>Trade accounts payable - related parties</b>			
- CK Power Public Company Limited	Parent Company of the Group	6,084	6,008
- PT Sole Company Limited	A shareholder of the Parent Company	8,413	42,141
- RATCH - LAO Services Company Limited	Common shareholder of the Parent Company	-	184,647
- Electricité du Laos	Major shareholder of a shareholder of the Company	1,708	1,703
- The Government of the Lao People's Democratic Republic	A group of shareholder of the Company	68,929	72,079
- Electricity Generating Authority of Thailand	Major shareholder of a shareholder of the Parent Company	21,416	3,147
		106,550	309,725

		(Unit: Thousand Baht)	
	<u>Relationships</u>	<u>2016</u>	<u>2015</u>
<b>Other payables - related parties</b>			
<b>a) <u>Project payable - related parties</u></b>			
- PT Sole Company Limited	A shareholder of the Parent Company	-	1,000
- CH. Kamchang (Lao) Company Limited	Common shareholder of the Parent Company	110,668	-
- CK Power Public Company Limited	Parent company of the Group	4,230	-
		<u>114,898</u>	<u>1,000</u>
<b>b) <u>Amounts due to related parties</u></b>			
- CK Power Public Company Limited	Parent Company of the Group	5,326	5,299
- RATCH - LAO Services Company Limited	Common shareholder of the Parent Company	-	1,333
- Xayaburi Power Company Limited	Common directors	-	254
- CH. Kamchang (Lao) Company Limited	Common shareholder of the Parent Company	-	6,980
		<u>5,326</u>	<u>13,866</u>
Trade and other payables - related parties		<u>226,774</u>	<u>324,591</u>
<b><u>Retention payable - related party</u></b>			
- PT Sole Company Limited	A shareholder of the Parent Company	674	-
<b><u>Other long-term liabilities - related party (Note 17)</u></b>			
- Electricity Generating Authority of Thailand	Major shareholder of a shareholder of the Parent Company	169,688	157,688

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

During the year ended 31 December 2016, the Company had short-term employee benefit expenses of its directors and management amounting to Baht 29.0 million (2015: Baht 27.4 million).

## **20. Dividend payment**

On 10 September 2015, a Meeting of the Company's Board of Directors passed resolutions approving the payment of an interim dividend for the six-month period ended 30 June 2015 of Baht 0.40 per share to the Company's shareholders, or a total of Baht 352.4 million. The dividend was paid on 7 October 2015.

On 26 August 2016, a Meeting of the Company's Board of Directors passed resolutions approving the payment of an interim dividend for the six-month period ended 30 June 2016 of Baht 2.90 per share to the Company's shareholders, or a total of Baht 2,554.6 million. The dividend was paid on 25 October 2016.

## **21. Financial instruments**

### **Financial risk management and policies**

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

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

### **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 deposits**

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

As at 31 December 2016, total cash at banks of the Company amounted to Baht 2,114 million.



### **Trade receivable**

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

### **21.2 Liquidity risk**

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

Based on the undiscounted amounts contractually payable, as at 31 December 2016 the Company has financial liabilities due within one year amounting to Baht 1,777 million, long-term loans from financial institutions and expected interest payment due within 2 to 5 years amounting to Baht 8,345 million, and long-term loans from financial institutions, expected interest payment and other long-term liabilities to related party due in over 5 years amounting to Baht 17,261 million.

### **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 future long term loans with floating interest rates. The Company will use derivative financial instruments, as and when it considers appropriate, to manage this risk.

Significant financial assets and liabilities as at 31 December 2016 and 2015 classified by type of interest rates are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the earlier of (a) maturity date and (b) the repricing date.

(Unit: Million Baht)

As at 31 December 2016					
	Fixed interest rates	Floating interest rate	Non-interest bearing	Total	Interest rate (% p.a.)
<b>Financial assets</b>					
Trade and other receivables	-	-	487	487	
Cash at bank and on hand	-	1,152	14	1,166	0.05 to 0.50
Short-term restricted bank deposits	-	214	-	214	0.05 to 0.375
Long-term restricted bank deposits	500	235	-	735	0.05 to 1.05
	500	1,601	501	2,602	
<b>Financial liabilities</b>					
Long-term loans from financial institutions	-	16,347	-	16,347	MLR-1.0 and LIBOR+3.25
Other long-term liabilities - related party	-	-	170	170	
Trade and other payables	-	-	310	310	
	-	16,347	480	16,827	

(Unit: Million Baht)

As at 31 December 2015					
	Fixed interest rates	Floating interest rate	Non-interest bearing	Total	Interest rate (% p.a.)
<b>Financial assets</b>					
Trade and other receivables	-	-	930	930	
Cash at bank and on hand	-	1,374	4	1,378	0.05 to 0.50
Short-term restricted bank deposits	-	529	-	529	0.05 to 0.375
Long-term restricted bank deposits	951	270	-	1,221	0.05 to 1.50
	951	2,173	934	4,058	
<b>Financial liabilities</b>					
Long-term loans from financial institutions	-	16,209	-	16,209	MLR-0.5 and LIBOR+2.5
Other long-term liabilities - related party	-	-	158	158	
Trade and other payables	-	-	365	365	
	-	16,209	523	16,732	

Interest-rate risk sensitivity for the year ended 31 December 2016, if interest rates had been 50 basis points higher/(lower), with all other variables held constant, profit would have decreased/increased by Baht 81 million.

## 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.

The balances of financial assets and liabilities denominated in foreign currencies as at 31 December 2016 and 2015 are summarised below.

Foreign currency	Financial assets		Financial liabilities		Average exchange rate as at 31 December	
	2016	2015	2016	2015	2016	2015
	(Million)	(Million)	(Million)	(Million)	(Baht per 1 foreign currency unit)	
US dollar	30.0	34.8	147.6	140.6	36.0025	36.2538
CHF	-	-	-	0.1	35.5041	36.7180
JPY	-	0.1	46.2	35.1	0.3113	0.3027

As at 31 December 2016, the Company does not utilise any derivative contracts to hedge foreign exchange rate risk.

The foreign currency sensitivity for the net balance of financial assets and liabilities as at 31 December 2016, if Thai Baht had strengthened/(weakened) 5 percent against the US dollar, with all other variables held constant, profit would have decreased/(increased) by Baht 30 million and equity would have increased/(decreased) by Baht 242 million.

Since July 2013, the Company has applied cash flow hedge accounting in order to hedge the foreign exchange exposure on a certain portion of its forecasted revenue from sales of electricity in USD currency, which are designated as the hedged item and long-term loans in USD are the hedging instrument with an outstanding balance, as at 31 December 2016, USD 134 million.

For the year ended 31 December 2016, the Company has no ineffectiveness from cash flow hedge requiring recognition through profit or loss and therefore recognised an unrealised loss of Baht 74 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 2016, the outstanding of the hedging instrument are expected to mature and affect to the profit or loss were as follows.

	(Million USD)	
	As at 31 December	
Recyclable:	<u>2016</u>	<u>2015</u>
In up to 1 year	5	13
In over 1 and up to 5 years	29	73
In over 5 years	100	54

## 21.5 Fair value

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

## 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 with reference to its long-term loans from financial institutions to its paid up share capital ratio, which is long-term loans from financial institutions divided by paid up share capital. The Company intends to maintain this ratio at less than 2.5 times.

As at 31 December 2016, the long-term loans from financial institutions to paid up share capital ratio in the Company's financial statements is 1.90:1 (2015: 1.84 1).

## 22. Commitments and contingent liabilities

### 22.1 Capital commitments

As at 31 December 2016, the Company has capital commitments in respect of the following agreements.

- a) The Company has commitments in respect of Engineering, Procurement and Construction Contract for the upgrade and construction of the Nabong Substation Project with a related company totalling Baht 369.1 million and USD 24.2 million.
- b) The Company has commitments in respect of consultancy, administration and other service agreements for the upgrade and construction of the Nabong Substation Project with the Parent company of the Group and other companies totalling Baht 85.8 million and CHF 0.1 million.

### 22.2 Operating lease commitments

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

As at 31 December 2016, future minimum lease payments required under this operating lease contract were as follows.

			(Unit: Thousand USD)
			As at 31 December
			<u>2016</u> <u>2015</u>
Payable within:			
1 year	58 (equivalent to Baht 2 million)	54 (equivalent to Baht 2 million)	
2 - 5 years	230 (equivalent to Baht 8 million)	220 (equivalent to Baht 8 million)	
More than 5 years	691 (equivalent to Baht 25 million)	820 (equivalent to Baht 30 million)	

### 22.3 Management service agreements

The Company has commitments in respect of consultancy, administration and other service agreements with the Parent Company of the Group and other companies for the Nam Ngum 2 Hydroelectric Power Project totalling Baht 105.7 million and Baht 12.1 million per month (2015: CHF 0.1 million, JPY 52.9 million, Baht 91.9 million and Baht 11.4 million per month).

## **22.4 Operation and maintenance agreements**

- a) The Company has commitment in respect of the Agreement on Operation and Maintenance of Dam and Powerhouse for Nam Ngum 2 Hydroelectric Power Project with a related party, until the end of the concession period of the Nam Ngum 2 Hydroelectric Power Project, with the service fee as specified in the agreement and subject to increase on an annual basis at the rate specified in the agreement. The service fee for 2017 is approximately Baht 8.6 million per month.
- b) The Company has commitment in respect of the Agreement on Operation and Maintenance of Transmission Systems for Nam Ngum 2 Hydroelectric Power Project with a related party, until the end of the concession period of the Nam Ngum 2 Hydroelectric Power Project, with the service fee as specified in the agreement and subject to increase on an annual basis at the rate specified in the agreement. The service fee for 2017 is approximately USD 0.05 million per month.
- c) The Company has commitment amounting to approximately Baht 25.0 million per year in respect of the Service Agreement with a related company for consultancy services relating to operation and maintenance of the Nam Ngum 2 Hydroelectric Power Project.
- d) The Company has commitment in respect of the Agreement on Major Maintenance of Dam and Powerhouse for the Nam Ngum 2 Hydroelectric Power Project with a related party, until December 2018, with the service fee as specified in the agreement and subject to increase on an annual basis at the rate specified in the agreement. The service fee for 2017 is approximately Baht 4.3 million per month.

## **22.5 Royalty**

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

## **22.6 Bank guarantees**

As at 31 December 2016, there were outstanding bank guarantees of USD 25.0 million (equivalent to Baht 900.1 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 (2015: USD 22.5 million).

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

On 17 February 2017, the Board of Directors of Meeting of the Company No. 1/2017 passed a resolution to pay a dividend of Baht 0.7 per share, or a total of Baht 616.63 million, to the shareholders of the Company in respect of the profit for the year 2016. The resolution will be proposed to the Annual General Meeting of Shareholders of the Company for the year 2017 for approval.