



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of EDL-Generation Public Company

We have audited the accompanying financial statements of EDL-Generation Public Company ("the Company"), which comprises the statement of financial position as of 31 December 2011, and the related statements of income, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes (together the "financial statement"). The financial statements have been prepared on the basis set out in Note 2.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Note 2, 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements have been prepared, in all material respects, in accordance with the basis set out in Note 2.

For PricewaterhouseCoopers (Lao) Limited



By Paiboon Tunkoon
Partner
Vientiane, Lao PDR

9 March 2012

EDL-Generation Public Company
Statements of financial position
As at 31 December 2011

		31 December 2011	31 December 2010
	Notes	Million Kip	Million Kip
Assets			
Non-current assets			
Pre-operating expenses, net	4	1,982	2,382
Advance payment for investment	5	434,923	-
Assets under concession, net	6	3,947,527	3,935,381
Total non-current assets		4,384,432	3,937,763
Current assets			
Cash and cash equivalents	7	342,795	884,782
Short-term investment	8	100,000	-
Trade and other receivables	9	402,764	225,367
Spare parts and supplies, net		3,749	4,625
Other current assets		4,832	-
Total current assets		854,140	1,114,774
Total assets		5,238,572	5,052,537



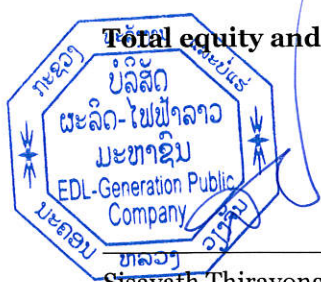
Sisavath Thiravong
Chief Executive Officer
9 March 2012

Bounsalong Southidara
Chief Financial Office
9 March 2012

The notes to the financial statements on pages 8 to 38 form an integral part of these financial statements.

EDL-Generation Public Company
Statements of financial position
As at 31 December 2011

		31 December 2011	31 December 2010
	Notes	Million Kip	Million Kip
Equity			
Shareholder's equity			
Share capital	10	3,474,388	2,605,792
Share premium	10	15,577	-
Legal reserve	11	58,408	2,051
Retained earnings		371,091	18,461
Total equity		<u>3,919,464</u>	<u>2,626,304</u>
Liabilities			
Non-current liabilities			
Long - term borrowings, net	12	<u>1,070,276</u>	<u>1,302,588</u>
Total non-current liabilities		<u>1,070,276</u>	<u>1,302,588</u>
Current liabilities			
Accounts payable		874	20,258
Current portion of long-term borrowings	12	211,921	197,742
Accrued expenses	13	22,228	19,184
Accrued income tax	14	13,786	2,289
Other current liabilities	15	23	884,172
Total current liabilities		<u>248,832</u>	<u>1,123,645</u>
Total liabilities		<u>1,319,108</u>	<u>2,426,233</u>
Total equity and liabilities		<u>5,238,572</u>	<u>5,052,537</u>



Sisavath Thiravong
Chief Executive Officer
9 March 2012


Bounsalong Southidara
Chief Financial Office
9 March 2012

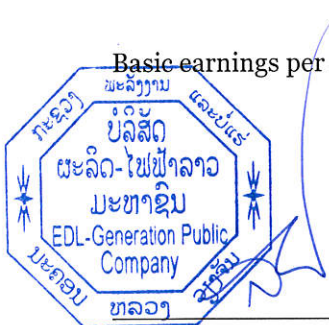
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EDL-Generation Public Company
Statements of Income
For the year ended 31 December 2011

		For the year ended 31 December 2011 Million Kip	For the period from 16 December to 31 December 2010 Million Kip
	Notes		
Sales		881,748	37,229
Cost of sales		(204,671)	(9,768)
Gross profit		677,077	27,461
Other income		9,781	69
Foreign exchange loss, net		(3,895)	(1,739)
Profit before expense		682,963	25,791
Administrative expenses		(48,013)	(597)
Operating profit before financial costs and corporate income tax	16	634,950	25,194
Financial costs – interest expense	17	(41,278)	(2,393)
Profit before corporate income tax		593,672	22,801
Income tax expense	18	(30,104)	(2,289)
Net profit for the year/ period		563,568	20,512

Earnings per share

Basic earnings per share for the year/period	19	681.76	31.48
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Sisavath Thiravong
Chief Executive Officer
9 March 2012


Bounsalong Southidara
Chief Financial Office
9 March 2012

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EDL-Generation Public Company
Statement of changes in shareholder's equity
For the year ended 31 December 2011

For the year ended 31 December 2011					
Note	Issued and paid-up ordinary shares (Note 10) Million Kip	Share premium (Note 10) Million Kip	Legal reserve (Note 11) Million Kip	Unappropriated retained earnings Million Kip	Total Million Kip
As at 1 January 2011					
Net profit for the year	2,605,792	-	2,051	18,461	2,626,304
Share issued	-	-	-	563,568	563,568
Dividend paid	868,596	15,577	-	-	884,173
Appropriation	-	-	-	(154,581)	(154,581)
	-	-	56,357	(56,357)	-
As at 31 December 2011	<u>3,474,388</u>	<u>15,577</u>	<u>58,408</u>	<u>371,091</u>	<u>3,919,464</u>

For the period from 16 December to 31 December 2010					
Notes	Issued and paid-up ordinary shares (Note 10) Million Kip	Share premium (Note 10) Million Kip	Legal reserve (Note 11) Million Kip	Unappropriated retained earnings Million Kip	Total Million Kip
	2,605,792	-	-	-	2,605,792
	-	-	-	20,512	20,512
11	-	-	2,051	(2,051)	-
As at 31 December 2010	<u>2,605,792</u>	<u>-</u>	<u>2,051</u>	<u>18,461</u>	<u>2,626,304</u>

As at 15 December 2010

Net profit for the period

Appropriation

As at 31 December 2010

Net profit for the period

Appropriation

As at 31 December 2010

Net profit for the period

Appropriation

As at 31 December 2010

Net profit for the period

Appropriation

As at 31 December 2010

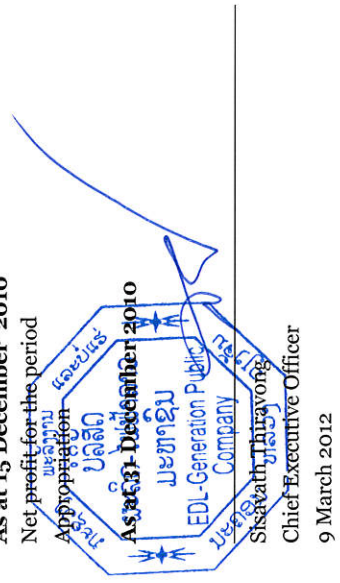
Net profit for the period

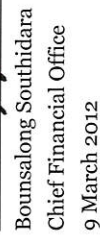
Appropriation

As at 31 December 2010

Net profit for the period

Appropriation


Sitsatthit Chiravong
 Chief Executive Officer
 9 March 2012


Bounsalong Southidara
 Chief Financial Officer
 9 March 2012

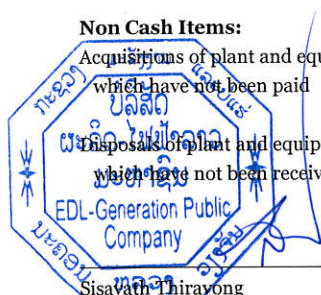
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EDL-Generation Public Company
Statements of Cash Flows
For the year ended 31 December 2011

		For the year ended 31 December 2011	For the period from 16 December to 31 December 2010
	Notes	Million Kip	Million Kip
Cash flow from operating activities :			
Net profit before income tax for the year/period		593,672	22,801
Adjustments to reconcile net profit to net cash			
Amortisation of pre-operation	4	2,104	51
Depreciation	6	151,951	4,429
Foreign exchange loss		3,895	1,739
Finance cost		10,815	2,393
Operating profit before working capital changes		762,437	31,413
Changes in operating assets and liabilities			
- Trade and other receivables		(177,396)	(4,162)
- Pre-operating expenses		(1,704)	-
- Sparepart and supplies		876	(888)
- Other current assets		(4,832)	-
- Accounts payable		(19,384)	4,542
- Accrued expenses		36,590	485
Cash generated from operations		596,587	31,390
Income tax paid		(18,607)	-
Net cash receipts from operating activities		577,980	31,390
Cash flows from investing activities :			
Advance payment for investment	5	(434,923)	-
Short-term loan to parent company	21	(250,000)	-
Loan repaid from parent company	21	250,000	-
Purchases of assets under concession	6	(164,097)	-
Purchase of short-term investments	8	(100,000)	-
Net cash used by investing activities		(699,020)	-
Cash flows from financing activities :			
Proceeds from the issuance of right to purchase the ordinary shares	7	884,172	884,172
Cash received from issuance of ordinary shares	15	(884,149)	-
Proceeds from long-term borrowings	12	2,574	-
Repayment on borrowing	12	(224,602)	(21,279)
Dividends paid to shareholders	20	(115,936)	-
Dividends paid to non-controlling interests	20	(38,645)	-
Interest payment		(44,361)	(9,501)
Net cash used by financing activities		(420,947)	853,392
Net increase (decrease) in Cash and cash equivalents		(541,987)	884,782
Cash and cash equivalent beginning of the year/period		884,782	-
Cash and cash equivalent ending of the year/period	7	342,795	884,782

Non Cash Items:

Acquisitions of plant and equipment which have not been paid	-	15,621
Disposals of plant and equipment which have not been received	-	69



Sisavath Thirayong
Chief Executive Officer
9 March 2012


Bounsalong Southidara
Chief Financial Office
9 March 2012

The notes to the financial statements on pages 8 to 38 form an integral part of these financial statements.

1. General information

EDL- Generation Public Company (the “Company” or “EDL GEN”) is a public company which is listed at Lao Securities Exchange (“LSX”) and is incorporated and domiciled in the Lao Peoples' Democratic Republic (“Lao PDR”). The Company was incorporated and registered with the Ministry of Industry and Commerce on 15 December 2010 (“Incorporation Date”).

On 15 December 2010, it was also the date that EDL GEN commenced its commercial business as it entered into related Assets and liability transfer arrangement, Concession Agreement (“CA”) Power Purchase Agreement (“PPA”) with Electricite Du Laos (“EDL” or “the parent company”).

The Company is engaged in the electricity generation business from the transferred assets from EDL in which the electricity generated is sold back to EDL at agreed terms and conditions. Key assets transferred mainly represent 7 hydro power dams under a 30 years concession. These 7 hydro power dams include Nam Ngum 1, Nam Leuk, Nam Mang 3, Nam Song, Xeset1, Xeset 2 and Xelabam.

The address of the Company’s registered office is as follows:
Nongbone Road, Ban Fai, Saysetha District,
Vientiane Capital, P.O. Box 30901000, Lao PDR.

During January 2012, the Company relocated its office to:

Lao-Thai Road, Thongkang Village, P.O.Box 2392 Vientiane Capital LAO PDR.

The Company was listed LSX on 11 January 2011 and its first trading day of the shares was on 11 January 2011.

These financial statements were authorized for issue by the Board of director on 9 March 2012.

a) The Company’s incorporation

The incorporation of the Company was initiated by Electricite Du Laos (“EDL”) in connection with the restructuring of the energy business of EDL by transferring the Existing Generation Assets according to the Prime Minister’s Office (“PMO”) Decision No. 180 dated 13 December 2010. Accordingly, the PMO approved the establishment of the Company to continue the operation of electricity generation and other necessary and relevant operations, as well as the listing of Company’s shares on the Lao Securities Exchange (“LSX”). The PMO also approved the transfer of EDL’s assets in relation to the electricity generation and other relevant assets, as well as relevant obligations under related borrowing agreements and other agreements relating to the transferred assets to the Company as a payment in kind for the shares of the Company. In addition, the PMO has approved the transfer of certain rights and obligations given by the Government of Lao PDR (“GOL”) for the current hydropower projects and approved EDL to sell its shares in the Independent Power Plants (“IPP”) projects to the Company.

1. General information (continued)

a) The Company's incorporation (continued)

In summary, EDL has transferred certain hydropower plants and other assets relating to such hydropower plants which are considered as the Existing Generation Assets to the Company as consideration for the subscription of 651,448,042 shares of the Company at a par value per share of Kip 4,000 totaling Kip 2,605,792 million at the Incorporation Date. These shares represent 99.99 percent of the total capital of the Company. The Company then has become a subsidiary of EDL. The minority shareholders of the Company holding one share each in the Company are eight individuals. The summary of Existing Generation Assets transferred from EDL to the Company is summarised in the below section.

b) Transferred Existing Generation Assets, other assets and related liabilities and nature of the business

On the Incorporation Date, EDL transferred the Existing Generation Assets and related liabilities, based on the net book value as at 20 October 2010, to the Company, while EDL will continue its activities on the transmission and distribution of electricity generated by the Existing Generation Assets to end-users. A summary of the Existing Generation Assets, other assets net of related liabilities is set out below.

Power plant	Location	Installed capacity (MW)	Annual energy (GWh p.a.)	Commercial operating date	Net asset transfer (Million Kip)
	Central-1				
Head office	Vientiane	-	-	-	220,343
Nam Ngum 1	Vientiane	155.00	1,002.0	1971	975,835
Nam Leuk	Vientiane	60.00	218.0	2000	397,351
Nam Mang 3	Vientiane	40.00	180.0	2005	345,009
Nam Song	Vientiane	6.00	13.5	Expected to be operated in 2012	-
	South				
Xeset 1	Saravanh	45.00	180.0	1991	643,909
Xeset 2	Saravanh	76.00	309.0	2009	
Xelabam	Champasak	5.00	21.0	1969	23,345
Total		387.0	1,923.5		2,605,792

Source: Power Development Plan prepared by EDL in August 2010.

1. General information (continued)

b) Transferred Existing Generation Assets and nature of the business (continued)

Details of net transferred assets as at the transfer date or at the Incorporate Date on 15 December 2010 are as follow:

	15 December 2010 Million Kip
Property, plant and equipment, net	3,924,189
Spare parts and supplies, net	3,737
Accounts receivable – others	221,075
Long-term borrowings from parent company	(1,519,761)
Accrued interest expense	(23,352)
Accounts payable	(96)
Book value of net assets	<u>2,605,792</u>

Monetary assets and liabilities denominated in foreign currencies as at Incorporation Date are translated in to Lao Kip (“KIP”) based on Banque Pour Le Commerce Extérieur Lao (“BCEL”) rates on that date which are set out below:

KIP/ USD = 8,060
KIP/ Yen = 99.21
KIP/Bath = 269

The above table discloses related balances at Net Book Value as at 20 October 2010 in EDL books as agreed by EDL and the Company as at the transfer date. The financial performance for the period 21 October 2010 to 14 December 2010 was included and reported in EDL financial statements.

Since 15 December 2010, the Company has commenced its electricity generation operation mainly based on such transferred assets to supply the electricity generated back to EDL.

1. General information (continued)

c) Significant agreements and arrangements

Significant agreements and arrangements affecting the business of the Company can be summarised below:

i) Concession Agreement (“CA”)

On 15 December 2010, the Company entered into the Concession Agreement (“CA”) with Government of Lao People’s Democratic Republic (“GOL”) represented by Ministry of Planning and Investment (“MPI”). The CA provides for a term of 30 years, together with a renewal period of 10 years for the Power Plant projects as described in Note 1 (b). At the end of the concession period, the Company must transfer to the GOL or its nominee, free of charge and encumbrances, all the Company’s right, title and interest in the projects and all assets held by the Company for operating the projects as agreed under this CA.

Under the CA, the GOL grants to the Company the exclusive rights, during the concession period. Significant exclusive rights under the CA include 1) right to own, operate and maintain the project facilities and any other property or assets which the Company procures 2) right to use dam, divert and river 3) right to sell electricity to EDL 4) right to waive or exempt from Value Added Tax (“VAT”) in respect of supplies of electricity it makes to EDL 5) corporate income tax 10% and 6) pay royalty fee 1% of sale of electricity.

In addition, the Company is required to comply with several terms and conditions which include but not limited to constructions, financing arrangement, royalty fee, health and safety, tax and land rental.

However, within 1 year from the CA date the Company and GOL will in good faith attempt to enter a more comprehensive agreement.

As at 31 December 2011, the revised CA had not been finalized by both parties. Nevertheless, the existing CA continues to be valid until it can be replaced by a comprehensive CA

ii) Purchase Power Agreement (“PPA”)

On 15 December 2010, the Company entered into the Purchase Power Agreement (“PPA”) with ELECTRICITÉ DU LAOS (“EDL”). The PPA provides for a term of 30 years, together with a renewal period of 10 years which is similar to CA.

The main source of the Company’s revenue is the sale to EDL pursuant to the PPA of the electricity produced by the Existing Generation Assets. The electricity sales are based on the tariffs as agreed with EDL which are set out in related PPA for each Existing Generation Asset.

1. General information (continued)

c) Significant agreements and arrangements (continued)

ii) Purchase Power Agreement (“PPA”) (continued)

Under the PPA, the Company is required to comply with several terms and conditions include 1) responsibilities in the operation and maintenance of the capacity under normal operation throughout the PPA period 2) prohibits to grant any third party any right to supply or use of electrical energy generated by the facility during the PPA period 3) obligation to agree the planned outages from the facilities or EDL grid system with EDL before each PPA year and 4) collect money from EDL for net electrical output.

As at 9 December 2011, the Company signed a revised PPA with EDL. The purpose of this revised agreement is make certain terms and conditions more comprehensive and clear. However, key terms and conditions remain unchanged from the PPA signed on 15 December 2010 except for but not limited to the followings:

- EDL can make partial payment and off-set unpaid balance with dividend payable announced by the Company in each year.
- Facility shall be made available to supply EDL not less than 90% of its declared availability taking into consideration all outage, force majeure, dispatch failures and the like and EDL agree to purchase from the Company not less than 90% of the net available output.
- Amendment conditions on tariffs including when there are fluctuations of exchange rates as stipulated in the agreement;

The revised PPA has become effective from 9 December 2011 onward.

1. General information (continued)

c) Significant agreements and arrangements (continued)

iii) Debt Repayment Agreement

The Company entered into the Debt Repayment Agreement (“the Agreement”) with the EDL on 15 December 2010. EDL is a borrower pursuant to several unsecured borrowing agreements with the Government of Lao PDR (“GOL”) in which the original funds were provided from various lenders and made through the GOL. In addition to the asset transfer, the Company has agreed with EDL that the Company will make payments on the outstanding debts to EDL and EDL will make such payments to the GOL, for the GOL’s further repayments to the lenders pursuant to the original borrowing agreements. Summary of significant borrowings under this agreement is disclosed in Note 12.

iv) Employees transferred from EDL

After the Incorporation Date, certain EDL’s employees who mainly operate existing generation assets will be transferred and work for the Company under certain terms and conditions to be agreed in related Employee Transfer Agreement in which such agreement is being prepared and finalised.

On 28 February 2011, the transferred employees have signed new employment contracts with the Company in which the benefits to be provided by the Company are still the same as those provided by EDL. For employee costs incurred from their work performed for the Company from 15 December 2010 (Incorporation date) until the signing date of the new employment agreements, these employee costs incurred during such period will be borne by EDL.

v) Land lease agreement

According to Prime Minister’s Office Instruments no.180 on 13 December 2010, the Company has the right to use land for electricity generation operation. Ministry Natural Resources and Environment and the Company are in process of survey and prepare land lease agreement. Rental fee will be recorded when both party can agree related terms and conditions in the land lease agreement. No provision for land lease is made in these financial statements.

As at 31 December 2011, the Company and Ministry of natural Resources and Environment were still in the process of reviewing related terms and conditions.

1. General information (continued)

c) Significant agreements and arrangements (continued)

vi) Memorandum of Understanding (MOU) for the transfer of the project assets of Houay Lamphan Ngai and Nam Khan2 (the Project)

As at 8 July 2011, the Company and EDL signed a MOU for the transfer of the project assets of Houay Lamphan Ngai and Nam Khan2. According to the conditions in this MOU, EDL wish to transfer all assets of those projects to the Company after the Commercial Operation Date (COD) or at any other date as each party agree, under the conditions that i) if it is successful, the Company shall agree to fully reimburse EDL for all costs incurred by EDL up to date and, on a continuing or recurring basis, up to and through the time of completion of transfer of ownership of the respective projects and ii) the Company shall be responsible to repay to EDL or to advance to EDL, on a continuing or recurring basis as both parties agreed, all of EDL's further financial obligations with respect to the Project as may be contractually required.

As at 31 December 2011, the Company had paid for necessary costs related to the above MOU amounting to Kip 178,635 million. (Note 5).

vii) Memorandum of Understanding (MOU) for share transfer

As at 8 July 2011, the Company and EDL signed an MOU for related shares transfer. According to this MOU, the Company wishes to purchase, all of EDL's equity shareholdings in the following Independent Power Project (IPP) :

- Theun Hinnoun Power Company Limited
- Houay Ho Power Company Limited
- Nam Lik 1-2 Power Company Limited
- Nam Ngum 2 Power Company Limited

Both parties intend to finalise the transfer of EDL's interests in those IPPs no later than 31 December 2012. The Company is required to pay i) an advance payment of Kip 406,534 million ii) the remaining consideration less the advance and less any adjustments to be made at the completion date of the share transfer which is subject to certain terms and conditions including related due diligence work and approvals from key parties concerned including the GoL.

As at 31 December 2011, the Company had paid for necessary costs related to the above MOU amounting to Kip 256,288 million (Note 5).

1. General information (continued)

c) Significant agreements and arrangements (continued)

Viii) Shareholder agreement between the Company and Vientiane Automation and Solution Engineering (VASE)

As at 6 October 2011, the Company signed a shareholder agreement with Vientiane Automation and Solution Engineering (the Agreement). According to the Agreement, the Company and VASE agreed to establish a new company to operate “Lower Houay Lamphan Hydropower Project”, located in Sekong province Lao PDR. Under this agreement, the Company has various commitments including i)each of the shareholders shall be entitled to reimbursement from the new company of all relevant development costs incurred by each of them up on or before financial closing date and ii) relevant shareholder shall provide reasonable assistance to the Company in obtaining source of fund for equity.

As at 31 December 2011, the new company was not yet established. Management expects the establishment of new company to be completed by 2012.

2 Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

2.1 Basis of preparation

The accompanying financial statements have been prepared in accordance with the Company’s principal accounting policies as described in Note 2 of these financial statements which are generally similar to EDL except assets under concession agreement as described in Note 2.4.

There are no comprehensive set of accounting standards in Laos (“LAS”). LAS is currently under development by the Accounting Department and Laos Institution of Certified Public Accountant (LICPA). At present, companies apply Laos Accounting Manual (LAM) issued by the Ministry of Finance. LAM is a set of instructions based on accrual basis of accounting. Accordingly there are significant difference between LAM and International Financial Reporting Standards (IFRS). These areas of significant difference are, for example, Property, Plant and Equipment, Leases, employee benefit, the effects of changes in foreign exchange rate, income tax and deferred income tax, financial instrument and pre-operation cost (Note 2.12). The accounting principles applied may materially differ from generally accepted accounting principles including International Financial Reporting Standards (“IFRS”) adopted in certain countries and jurisdictions. Consequently, this financial information is addressed only to those who are informed about the Company’s accounting principles, procedures and practices.

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

The financial statements have been generally prepared under the historical cost convention.

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

2.2 Foreign currency translation

Items included in the financial statements are measured using Lao Kip ("KIP") which is a primary economic environment in the country in which the Company makes its primary records.

Foreign currency transactions are translated into Lao Kip ("KIP") using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated into KIP at the exchange rates prevailing at the balance sheet date. Gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statements.

2.3 Spare parts and supplies

Spare parts and supplies are stated at the lower of cost or net realisable value. Cost is determined by the weighted average method. The cost of purchases comprises both the purchase price and costs directly attributable to the acquisition of the inventory, such as transportation charges, less all distributable discounts, allowances or rebates. Net realisable value is the price at which the inventories can be realised in the normal course of business after allowing for the costs of realisation. Allowance is made, where necessary for obsolete, slow moving and defective spare parts and supplies.

2. Accounting policies (continued)

2.4 Assets under concession

Assets under concession consist of assets in relation to the electricity generation transferred from EDL (Note 1 a). According to concession agreement, the Company must transfer all assets for operating the projects as mentioned in the concession held by the Company to GOL at the end of concession period (Note 1 c i).

Assets under concession are stated at cost less accumulated amortisation. Amortisation is calculated on a straight-line basis over its expected useful life but not over than the concession period under related concession agreement which is 30 years. The annual rates used for this purpose by category of assets are set out below:

	Years
Buildings	1,2, 4-30
Hydroelectric dams	20-30
Plant and machineries	1,4, 10-30
Motor vehicles	1-6
Office equipment	1-9
Furniture and fixtures	1-10

The Company records amortisation as an expense for the period. When a long-term asset is retired, the Company will write-off both the asset and the related accumulated amortisation from the accounts and recognise any gain or loss from retirement of the asset in the income statement.

Subsequent costs are included in the carrying amount, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance expenses are charged to the income statement during the financial period in which they are incurred.

2.5 Impairment of assets

Assets that are subject to amortisation are reviewed for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount which is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2. Accounting policies (continued)

2.6 Borrowings

Borrowings are recognised at the original value of proceeds received, net of transaction costs incurred, if any.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.7 Leases - where a Company is the lessee

Leases not transferring a significant portion of the risks and rewards of ownership to the lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of income on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2.8 Employee benefits

(i) Pension obligations

The Company operates pension scheme. This is a defined contribution scheme under which the Company contributes fixed contributions based on employee's basic salary, number of service years and level of education to eligible employees at the time of their resignation or retirement. Key terms and conditions of pension scheme are as below:

Resignation:

The Company provides for onetime payment to employees who resign and when length of year of service meets the Company's policies. Length of year of service depends on roles and responsibilities and position. The amount payable is calculated based on the salary of the last working month multiplied by the length of years of services plus any additional position allowance or specials allowance as per the Company's policy.

Criteria for employee:

- Employee who work as expert or specialist should have lengths of years of services more than 5 years;
- Employee who does not meet the above criteria should have lengths of years of services more than 3 years.

Onetime payment paid to employees at resignation date is recognized when incurred.

2. Accounting policies (continued)

2.8 Employee benefits (continued)

Retirement:

At retirement, the Company provides for onetime payment to employees who reach the retirement age and meets the below criteria. The amount payable is based on the onetime payment as described in the above resignation section plus three times of salary of the last working month multiplied by the lengths of years of services and any additional position allowance or special allowance as per the Company's policy.

Criteria for employee:

- Employee, both male and female who reaches 60 year-old and with more than 25 working years with the Company. However, for female who reaches 55 year-old and have lengths of years of services not less than 25 years, if requested, is also entitled to a retirement benefit;
- Length of year of service in each position meets the Company's policy.

Provisions for employee benefits are not accrued in each year. The liability recognized in balance sheet and related expenses recognised in the income statement are based on actual amount when it is due at the time of employees' resignation or retirement.

(ii) Other employee benefit obligations

The Company also offers other employee benefits such as social security fund as required by local law. The Company and employee are required to contribute at 5% and 4.5% of employee salary to the social security fund respectively. Basis monthly salary for calculation is at the maximum of Kip 1.5 million. The Company recognises related liabilities and expenses when incurred.

2.9 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated, except provision for employee benefit as described in Note 2.8.

2.10 Short-term investment

Short-term investment is classified as held to maturity is carried at carrying value and recognize interest income into statements of income base on period in the contract.

2. Accounting policies (continued)

2.11 Related parties

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

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

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks but do not include deposits with banks which are held to maturity, and other short-term highly liquid investments with maturities of three months or less from the date of acquisition.

2.13 Revenue recognition

Revenues mainly comprise revenues from sales of electricity and services which include installation fees and dividend income.

(a) Sales of electricity

The Company accounts for sales when:

- Power Purchase Agreements (“PPA”) exists;
- Delivery has taken place;
- A quantifiable price has been established or can be determined;
- The receivables are likely to be recovered.

Delivery takes place when the risks and benefits associated with ownership are transferred to the buyer.

2 Accounting policies (continued)

2.13 Revenue recognition (continued)

Generally, the sales of electricity is measured from the agreed meters at the point of delivery multiplied by the rates as agreed and stipulated in the PPA.

(b) Other services

Other services primarily include installation fee which is recognised at the time of delivery completion.

(c) Dividend income

Dividend income is recognised when the right to receive payment by the Company is established which is normally at the point where the shareholder's right to receive payment is established.

2.14 Pre-operating expenses

Expenses associated with establishment of the Company before incorporation date which include pre-operating expenses paid by EDL, related professional fees and other direct fees and expenses related to the listing process of the Company at Lao Stock Exchange are capitalised as pre-operating expenses. Pre-operating expenses are amortized over the period of 2 years or at 50% per annum commencing from 16 December 2010.

This is in accordance with Chapter 6 – Pre-operating expenses under Advanced Lao Accounting practices as issued by Accounting Department in 2009 and Tax Law article 37 concerning depreciation periods of fixed assets.

2.15 Taxation

The Company does not recognise income taxes payable or receivable in future periods with respect to temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Tax expenses for the year are determined on the basis of the profits of the Company calculated under Lao tax accounting rules.

3. Financial risk management

3.1 Financial risk factors

The Company's activities expose it to certain financial risks, which are primarily the effects of changes in foreign exchange rates, interest rates, credit risk and liquidity risk.

The Company's overall risk management focuses on how to minimise potential adverse effects on the financial performance of the Company on a cost effective manner.

Risk management is generally carried out by a central finance department of parent company and management under the supervision from the Board of Directors.

3.1.1 Foreign exchange risk

The Company operates domestically but is exposed to foreign exchange risk arising from certain currency exposures, primarily with respect to the US dollar and Japanese YEN. Foreign exchange risk arises from transferred borrowings denominated in foreign currencies as disclosed in Note 12 and from purchases in foreign currencies such as machineries, equipment and parts.

As at 31 December 2011, management had no formal policies and had not used any financial instruments or derivatives to manage their foreign exchange risk. However, management has monitored the movements of foreign exchange rates on a timely basis and may use financial instruments or derivatives to manage this risk if management sees that it is necessary. Consequently, significant fluctuations in exchange rates could have a material adverse effect on the Company's business, results of operations, financial condition and prospects

3.1.2 Interest rate risk

The interest risk mainly arises from borrowings. Borrowings issued at variable rates expose the Company to interest risk. The Company analyses its interest rate exposure on a timely basis and does not yet decide to use any financial instrument or derivatives to manage this risk.

3.1.3 Credit risk

The Company mainly sells its products to EDL, major shareholder, and EDL is a key state own enterprise operated under the Ministry of Finance ("MOF") and is only a key customer. Although the credit risk is considered as concentrate or dependent to one customer, management considers the credit risk as low and manageable.

Cash and cash equivalents are deposited with reputable banks which have a good credit history.

3. Financial risk management

3.1.4 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash short term investment. As the Company is still during the early stage, the Company's management plans to maintain its cash forecasts to aid in liquidity management and ensures the sufficiency of its liquid funds to meet short term operational needs including borrowing repayments and for its long term investment plan.

3.1.5 Capital risk management

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

In order to maintain or adjust the capital structure to facilitate its operation and investment plan, the Company may borrow new funds, issue new shares, refinance existing borrowings and adjust the amount of dividends paid to shareholders in the future.

4. Pre-operating expenses, net

	<u>Million Kip</u>
Cost:	
As at 1 January 2011	2,433
Additions	1,704
As at 31 December 2011	<u>4,137</u>
Accumulated depreciation:	
As at 1 January 2011	(51)
Charge for the year	(2,104)
As at 31 December 2011	<u>(2,155)</u>
Net book value as at 31 December 2011	<u>1,982</u>

During the year, there are additional professional fees and other expenses occurred prior to the incorporation of the Company and related to the listing process at LSX of USD 211,524 or equivalent Kip 1,704 million which were charged to the Company. These expenses were just agreed and approved by management on 19 and 28 April 2011. These fees are capitalised as pre-operating expenses and amortised over 2 years period as per the Company's accounting policies.

5. Advance payment for investments

Advance payments for investments consist of:

	<u>Million Kip</u>
Advance payment under MoU project transfer (i)	178,635
Advance payment under MoU share transfer (ii)	<u>256,288</u>
	<u>434,923</u>

- i) These relate to the advance payments paid to EDL for the cost occurred in project assets of Houay Lamphan Ngai and Nam Khan2 (the Projects) under related MOU signed on 8 July 2011 as disclosed in note 1 c vi). Such advance shall be returned in the event that related MOU is terminated.
- ii) These relate to the advance payments paid to EDL for the purchase of shares in 4 IPP projects under related MOU signed on 8 July 2011 as disclosed in note 1 c vii). Such advance shall be returned in the event that related MOU is terminated.

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6. Assets under concession, net

	Buildings	Hydroelectric dams	Plant and machineries	Motor vehicles	Office equipment	Furniture and fixture	Construction in progress	Total
	Million Kip	Million Kip	Million Kip	Million Kip	Million Kip	Million Kip	Million Kip	Million Kip
At 15 December 2010								
Cost	255,523	2,434,875	1,232,467	769	183	372	-	3,924,189
Accumulated depreciation	-	-	-	-	-	-	-	-
Net book amount	255,523	2,434,875	1,232,467	769	183	372	-	3,924,189
For the period from 16 December to 31 December 2010								
Open net book amount	255,523	2,434,875	1,232,467	769	183	372	-	3,924,189
Additions	12,795	-	-	-	-	-	2,826	15,621
Charge for the period	(617)	(2,346)	(1,095)	(359)	(7)	(5)	-	(4,429)
Net book amount	267,701	2,432,529	1,231,372	410	176	367	2,826	3,935,381
At 31 December 2010								
Cost	268,318	2,434,875	1,232,467	769	183	372	2,826	3,939,810
Accumulated depreciation	(617)	(2,346)	(1,095)	(359)	(7)	(5)	-	(4,429)
Net book amount	267,701	2,432,529	1,231,372	410	176	367	2,826	3,935,381

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6. Assets under concession, net (continued)

	Buildings	Hydroelectric dams	Plant and machineries	Motor vehicles	Office equipment	Furniture and fixture	Construction in progress	Total
	Million Kip	Million Kip	Million Kip	Million Kip	Million Kip	Million Kip	Million Kip	Million Kip
Open net book amount	267,701	2,432,529	1,231,372	410	176	367	2,826	3,935,381
Additions	8	-	41,505	1,196	841	386	120,161	164,097
Charge for the year	(15,908)	(81,372)	(53,906)	(501)	(161)	(103)	-	(151,951)
Net book amount	251,801	2,351,157	1,218,971	1,105	856	650	122,987	3,947,527
At 31 December 2011								
Cost	268,326	2,434,875	1,273,972	1,965	1,024	758	122,987	4,103,907
Accumulated depreciation	(16,525)	(83,718)	(55,001)	(860)	(168)	(108)	-	(156,380)
Net book amount	251,801	2,351,157	1,218,971	1,105	856	650	122,987	3,947,527

As at 31 December 2011, the assets under concession also included the construction in progress of new equipment acquired and installation of Nam Song project.

At 31 December 2010, the cost and net book value of assets under concession mainly represented the cost of property and equipment of 7 transferred hydro power dams under a 30 years concession (Note 1).

7. Cash and cash equivalents

	31 December 2011 Million Kip	31 December 2010 Million Kip
Cash on hand	9	-
Cash at banks	342,786	884,782
	<u>342,795</u>	<u>884,782</u>

Cash on hand is consisting of petty use for general purpose. The Company set up new policy for petty cash in 2011.

Cash at banks held at call with banks represent cash deposited in 2 currencies being USD, and Kip in current accounts at no interest with local reputable banks.

As at 31 December 2010, cash at banks mainly represent cash received from the issuance of right to purchase the ordinary shares amounting to Kip 884,172 (Note 15). Cash have been deposited in current accounts at local banks and carry no interest.

8. Short-term investment

As at 31 December 2011, the Company invested in 6 months short-term deposit start from period 4 July 2011 to 04 January 2012 bearing interest rates at 5% per annum with a local financial institution.

9. Trade and other receivables

	31 December 2011 Million Kip	31 December 2010 Million Kip
Trade receivable – parent company (Note 21 b)	292,230	37,229
Receivable - parent company (Note 21 b)	110,534	188,138
	<u>402,764</u>	<u>225,367</u>

9. Trade and other receivables (continued)

Trade account receivables can be analysed as follows:

	31 December 2011 Million Kip	31 December 2010 Million Kip
Not overdue	130,000	37,229
Overdue less than 3 months	162,230	-
Overdue 3 - 6 months	-	-
Overdue 6 - 12 months	-	-
Overdue over 12 months	-	-
	<u>292,230</u>	<u>37,229</u>
<u>Less</u> Allowance for doubtful Receivables	<u>-</u>	<u>-</u>
Trade account receivables, net	<u>292,230</u>	<u>37,229</u>

10. Share capital and share premium

	Number of Shares (Shares)	Share (Million Kip)	Share premium (Million Kip)	Total (Million Kip)
At 15 December 2010	651,448,050	2,605,792	-	2,605,792
Proceeds from share issued	-	-	-	-
At 31 December 2010	651,448,050	2,605,792	-	2,605,792
Issue of shares	217,149,000	868,596	15,577	884,173
At 31 December 2011	<u>868,597,050</u>	<u>3,474,388</u>	<u>15,577</u>	<u>3,489,965</u>

On 15 December 2010, Securities and Exchange Commission Office approved the Company's share amounting to 217,149,000 shares with a par value of KIP 4,000 per share for trading at the LSX, under code LA-3-00002-000-5, using the trading name as "EDL-GEN".

The Company offered 217,149,000 shares with par value of Kip 4,000 per share, totaling Kip 868,596 million under an Initial Public Offering ("IPO") with sales price of Kip 4,000 and Kip 4,300 for investors inside and outside Lao PDR respectively. The Company has premium on share capital totaling Kip 63,402 million and shares offering cost of Kip 47,825 million which is charged against the premium on share capital. Then net premium on share capital is Kip 15,577 million.

10. Share capital and share premium (continued)

The Company's shares were firstly traded at the LSX on 11 January 2011.

As at 31 December 2011 the total authorised number of ordinary shares is 868,597,050 shares (31 December 2010: 651,448,050 shares) with a par value of Kip 4,000 per share (31 December 2010: Kip 4,000 per share). All issued shares are fully paid.

11. Legal reserve

	31 December 2011 Million Kip	31 December 2010 Million Kip
At 1 January 2011 and 15 December 2010	2,051	-
Appropriation during the year/period	56,357	2,051
At 31 December	<u>58,408</u>	<u>2,051</u>

Legal reserve is set-up in accordance with the Article 151 of the Enterprise Law of the Lao PDR which requires the appropriation of net profit as legal reserve of at least 10% of the annual net profit until such reserve reaches 50% of authorised share capital.

12. Long-term borrowings

	31 December 2011 Million Kip	31 December 2010 Million Kip
Total long-term borrowings	1,282,197	1,500,330
Less: current portion for long-term borrowings	(211,921)	(197,742)
Long-term borrowings, net	<u>1,070,276</u>	<u>1,302,588</u>

Movement of long-term borrowing can be analysing as below:

	Million Kip
As at 31 December 2010	1,500,330
Addition during the year	2,574
Less: payment during the year	(224,602)
Loss on exchange rate	3,895
As at 31 December 2011	<u>1,282,197</u>

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12. Long-term borrowings (continued)

According to the PMO Decision No. 180 dated 13 December 2010, the PMO approved the transfer of EDL's assets and related borrowings for electricity generation and other relevant assets and other liabilities as well as obligations under the borrowing agreements and other agreements to the Company as a payment in kind for the shares of the Company as discussed in Note 10.

The Company entered into the Debt Repayment Agreement ("the Agreement") with the EDL on 15 December 2010. The Company has agreed with EDL pursuant to the Debt Repayment Agreements that the Company will make payment of the outstanding debts to EDL and EDL will make such payment to the GOL, for the GOL's further repayment to the lenders pursuant to the borrowing agreements that GOL or BOL has with the lenders (Note 1 c iii)

Summary long-term borrowings due to EDL under the Agreement are as below:

Original lender	Original principal (original currency)	Payment period	Repayment term	Interest rate (per annum)	Outstanding balance (original currency)	Outstanding balance (Million Kip)
Asian Development Bank	USD 32 million	15 January 1998 to 15 July 2022	semi-annually on 15 January and 15 July	6.51 %	USD 11.0 million	89,265
Asian Development Bank	USD 36 million	1 June 2001 to 1 December 2020	semi-annually on 1 June and 1 December	6%	USD 25.1 million	201,487
Asian Development Bank	YEN 3,903 million	1 June 2001 to 1 December 2020	semi-annually on 1 June and 1 December	2.3%	Yen 1,831 million	189,148
Asian Development Bank	USD 15 million	1 February 1993 to 1 August 2011	semi-annually on 1 Feb and 1 August	7.03%	-	-
Asian Development Bank	USD 3 million	1 May 1993 to 1 May 2015	semi-annually on 1 May and 1 November	6.36%	USD 0.4 million	3,267
China International Water & Electric Corp.	USD 27 million	1 January 2005 to 10 July 2013.	semi-annually on 10 January and 10 July	2%	USD 11.20 million	90,082
Norinco International Cooperation	USD 108 million	7 August 2009 to 7 February 2020	semi-annually on 7 August to 7 February	2%	USD 83.7 million	673,723
Vientiane Automation and Solution Engineering	USD 4 million	2 June 2011 to 2 December 2014	semi-annually on 2 June to 2 December	6.5%	USD 4.33 million	35,225

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12. Long-term borrowings (continued)

Original lender	Original principal (original currency)	Payment period	Repayment term	Interest rate (per annum)	Outstanding balance (original currency)	Outstanding balance (Million Kip)
Vientiane Automation and Solution Engineering	USD 5.4 million	18 February 2011 to 18 August 2015	semi-annually on 18 Feb to 18 Aug	5%	-	-
					Total	1,282,197

The carrying amounts of the Company's borrowings are denominated in the following:

	31 December 2011	31 December 2010
US dollar (million)	135	161
Yen (million)	1,831	2,034

The aging analysis of these borrowings is as follows:

	31 December 2011 Million Kip	31 December 2010 Million Kip
Less than one year	211,921	197,742
One year but not over 5 years	570,260	674,182
Over 5 years	500,016	628,406
	1,282,197	1,500,330

13. Accrued expenses

Accrued interest expenses comprise of:

	31 December 2011 Million Kip	31 December 2010 Million Kip
Accrued interest expense	10,472	16,265
Accrued royalty fee and others tax i)	6,108	372
Accrued for pre-operating expenses	-	2,433
Others	5,648	114
	22,228	19,184

13. Accrued expenses (continued)

- i) This mainly comprises accrued royalty fee amounting to Kip 5,735 million. According to concession agreement dated 15 December 2010 (Note 1 ci), the Company has obligations to pay royalty fee to GoL base on 1% of gross sale on semi-annual basis. Accrued royalty fee was subsequently paid on 10 January 2012.

14. Accrued income tax

	31 December 2010 Million Kip	31 December 2010 Million Kip
Beginning balance	2,289	-
Payment during the year/period	(18,607)	-
Income tax expense for the year/period (Note 18)	<u>30,104</u>	<u>2,289</u>
	<u>13,786</u>	<u>2,289</u>

15. Other current liabilities

Other current liabilities comprise of:

	31 December 2010 Million Kip	31 December 2010 Million Kip
Advance received from the issuance of right to purchase the ordinary shares (Note 7)	-	884,172
Others	<u>23</u>	<u>-</u>
	<u>23</u>	<u>884,172</u>

Advances received from the issuance of right to purchase the ordinary shares represent cash received from BCEL-KT Security Company Limited as advanced booking for share subscription of the Company. These advances were subsequently converted into share capital on 7 January 2011.

16. Expenses by nature

The following significant expenditures, classified by nature, have been charged in arriving at operating profit:

	For the year ended 31 December 2011 Million Kip	For the period from 16 to 31 December 2010 Million Kip
Repair and maintenance	32,775	4,224
Depreciation on assets under concession (Note 6)	151,951	4,429
Amortisation – pre-operating expenses (Note 4)	2,104	51

17. Financial cost

	For the year ended 31 December 2011 Million Kip	For the period from 16 to 31 December 2010 Million Kip
Interest expenses from borrowings	41,278	2,393

Financial cost represents interest expense relevant to transferred borrowings from EDL (Note 1b and 12).

18. Income tax expense

The Company has an obligation to pay Corporate Income Tax of either Tax on Profit at the rate of 5% (which is the reduced rate as applicable for listed companies at the LSX) on taxable profit or Minimum Tax at 0.25% of turnover or revenue, whichever is higher.

The Company records corporate income tax on an accrual basis. The Company does not recognise corporate income tax payable or receivable in future periods in respect of temporary differences. Income tax expense is recognised based on the operating result for the year after adjusted non-deductible expenses and others transaction under Tax Law and tax rate.

18. Income tax expense (continued)

	For the year ended 31 December 2011	For the period from 16 to 31 December 2010
	Million Kip	Million Kip
Current tax – minimum tax computed on 0.25% of annual turnover base	2,229	93
<i>Reconciliation between income tax expense and accounting profit:</i>		
Accounting profit before income tax	593,672	22,801
Non deductible expense for tax purpose	8,406	89
Taxable income	602,078	22,890
Tax calculated at tax rate of 5% (2010: 10%)	30,104	2,289
Income tax expense	30,104	2,289

19. Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year/period.

	For the year ended 31 December 2011	For the period from 16 to 31 December 2010
Net profit attributable to ordinary shareholders (Million Kip)	563,568	20,512
Weighted average number of ordinary shares in issue (Million shares)	826.64	651.44
Basic earnings per share (Kip)	681.76	31.48

20. Dividends per share

Dividends payable are not accounted for until they have been approved at the Annual General Meeting.

However, an interim dividend in respect of net profit for the six-month period from 1 January to 30 June 2011 of Kip 177.97 per share (31 December 2010: nil) amounting to a total of Kip 154,581 million (31 December 2010: nil) was approved by the Board of Directors and was paid during the year.

20. Dividends per share (continued)

At the Board of Directors' meeting held on 9 March 2012, the Board of Directors approved a dividend in respect of net profit for the six-month period from 1 July to 31 December 2011 of Kip 320 per share (31 December 2010 : Kip nil) amounting to a total of Kip 277,951 million (31 December 2010: Kip nil). This dividend will pay on 9 April 2012. These financial statements do not reflect this dividend payable as of 31 December 2011 as it will be accounted for in the period when related approval is obtained or in the year ending 31 December 2012 (Note 24).

21. Related party transactions

The major shareholders of the Company are the Electricite Du Laos, holding 75%. The remaining shares in the Company are widely held.

Significant related party transactions during the period can be summarized as follows:

a) Sales of goods

	For the year ended 31 December 2011 Million Kip	For the period from 16 to 31 December 2010 Million Kip
Sales of electricity to EDL	881,748	37,299

Sales of electricity to EDL are based on agreed terms and conditions in the Power Purchase Agreement ("PPA") dated 15 December 2010 and revised in 9 December 2011 (Note 1 c ii).

b) Interest from short-term loan to parent company

Short-term loan to parent company of Kip 250,000 million (31 December 2010: nil) was secured by the investment in 4 hydro power dams as owned by EDL and was due for repayment within 180 days after the drawdown date. This loan carries an interest rate at 9% per annum. Both party agreed to off-set this balance and interest receivable Kip 6,287 million with advance payment for purchase of shares in 4 IPP projects under related MOU signed on 8 July 2011 as disclosed in note 1 c vii).

21. Related party transactions (continued)

c) Outstanding balances from related party transaction

	31 December 2011 Million Kip	31 December 2010 Million Kip
Accounts receivable-others (Note 9)	110,534	188,138
Trade account receivable (Note 9) ,	292,230	37,229
Pre-operating expenses – advance by EDL	-	192
Accounts payable-other	-	12,795

d) Directors and managements remuneration

Key management includes directors (executive and non-executive), Chief Executive Officer and Chief Financial Officer. The compensation paid or payable to key management for employee services is shown below:

For the years ended 31 December	31 December 2011 Million Kip	31 December 2010 Million Kip
Short-term employee benefits	585	-

e) Significant agreements with EDL

The Company signed certain significant agreements with EDL as explained in Note 1 C (ii), (iii), (iv), (vi), (vii) and Note 12.

22. Contingencies

Sale electricity to EDL

As at 19 October 2011, EDL issued a letter to the Company disputing to pay for some invoices charged from Nam Mang3 and Nam Leuk for the period from December 2010 to March 2011 totally Kip 36,122 million because of the variances arisen from related sale meters. The Company is still investigating related differences as claimed by EDL and has not yet finalized the process. However, management believe that it can defend and thus this will not cause any significant effects to what the Company has recorded or recognised in its book and thus related adjustments has not been made to the financial statements for the year ended 31 December 2011.

22. Contingencies (continued)

Land lease agreement

As disclosed in notes 1 C and 1 V, the Company is in discussion with the Ministry of Natural Resources and Environment about the compensation from the use of the land by Company for its electricity generation operation including the terms and conditions of the land lease contract. The Company's management believes that land lease expense will be charged from the date of the contract and thus it will not require for any retrospective charges to the Company.

23. Commitments and significant transactions

As at 31 December 2011

For the year ended 31 December 2011, there were significant transactions and outstanding commitments as follows:

- During the second half of 2011, the Company entered into various maintenance service agreements with respect to the maintenance of hydropower dams with suppliers and had outstanding capital commitments related to the ongoing installation of generation equipments. The Company had commitments under those agreement amounting to Kip 61,805 million in which the balance is due for payments over 1 to 2 years.
- As part of an agreement with the Underwriter, the commission and related professional fees of Kip 47,825 million (USD 5.9 million) was paid in 11 January 2011. These costs were deducted against premium on share capital (Note 10).

As at 31 December 2010

For the year ended 31 December 2010, there were significant transactions and outstanding commitments as follows:

Contract with underwriter/financial advisory

On 28 December 2010, the Company entered into an Underwriting Agreement ("the Agreement") with BCEL-KT Security Company Limited as the Underwriter of EDL GEN shares at Lao Securities Exchange of Lao PDR. The Underwriter is responsible to market the share and provide necessary services until the listing process is completed and the Company's share listing in Lao Security Exchange.

As part of this agreement, the Company is required to pay the Underwriter a commission and other professional service fees of approximately Kip 47,825 million (USD 5.9 million)

23. Commitments and significant transactions (continued)

As at 31 December 2010, the delivery of such services was considered outstanding. The date that the Company has accepted as the completion of such services is on 10 January 2011 which is the date that the Company was successfully listed its shares at the Lao Securities Exchange.

24. Post statement of financial position event

Dividend payment announcement

At the Board of Directors' meeting held on 9 March 2012, the Board of Directors approved a dividend payment in respect of net profit for the 2nd half of the year or for the six-month period from 1 July to 31 December 2011 of Kip 320 per share (31 December 2010 : Kip nil) amounting to a total of Kip 277,951 million (31 December 2011: Kip nil). This dividend will be paid on 9 April 2012. This dividend payment is in addition to the dividend payment for the 1st half of the year as disclosed in Note 20.

Change in key management

At the Board of Directors' meeting held on 9 March 2012, the Board of Directors approved the appointment of Mr. Boun Oum SYVANHPHENG as the new Chief Executive Officer to replace Mr. Sisavath Thiravong.