

EDL-GENERATION PUBLIC COMPANY



FINANCIAL STATEMENTS 31 DECEMBER 2013



pwc

www.pwc.com/la



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 comprise the statement of financial position as at 31 December 2013 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 information. The financial statements have been prepared by management of EDL-Generation Public Company in accordance with accounting policy described in Note 2 to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation of these financial statements in accordance with accounting policy described in Note 2 to the financial statements 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 statements, 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 statements 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 financial statements of EDL-Generation Public Company for the year ended 31 December 2013 are prepared, in all material respects, in accordance with accounting policy described in Note 2 to the financial statements

Basis of accounting

Without qualifying our opinion, we draw attention to Note 2 to the financial statements, which describe the basis of accounting. The accounting basis used in the preparation of these financial statements may differ from generally accepted accounting principles adopted in other countries and jurisdictions. The reader should therefore be aware that the accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with jurisdictions other than Lao PDR.

For PricewaterhouseCoopers (Lao) Co., Ltd.

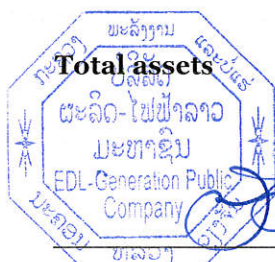
A blue ink signature of Paiboon Tunkoon is written over a blue circular official stamp. The stamp contains the text "Pricewaterhouse Coopers (Lao) Co., Ltd." in English and Lao script, along with the word "Partner" in Lao script.

By Paiboon Tunkoon
Partner
Vientiane, Lao PDR

Date: 24 MAR 2014

EDL-Generation Public Company
Statement of financial position
As at 31 December 2013

		31 December 2013	31 December 2012
	Notes	Million Kip	Million Kip
Assets			
Non-current assets			
Investments in associates	4	571,745	535,651
Interests in joint ventures	4	1,298,247	1,186,398
Advance payment for investment	5	474,411	379,001
Assets under concession, net	6	4,011,109	3,944,900
Other non-current assets		3,465	5,197
Total non-current assets		6,358,977	6,051,147
Current assets			
Cash and cash equivalents	7	159,914	164,511
Short-term investments	8	20,000	40,000
Trade and other receivables	9	519,355	413,633
Spare parts and supplies, net		3,020	3,128
Other current assets		5,905	1,805
Total current assets		708,194	623,077
Total assets		7,067,171	6,674,224



Boun Oum SYVANPHENG

Chief Executive Officer

Date: 24 MAR 2014

Bounsalong SOUTHIDARA

Chief Financial Officer

Date: 24 MAR 2014

The notes to the financial statements on pages 9 to 39 form an integral part of these financial statements.

EDL-Generation Public Company
Statement of financial position
As at 31 December 2013

		31 December 2013 Million Kip	31 December 2012 Million Kip
	Notes		
Equity			
Shareholder's equity			
Share capital	10	4,904,867	4,904,867
Share premium	10	142,229	142,229
Legal reserve	11	206,442	109,268
Translation adjustments	4	7,001	(324)
Retained earnings		744,348	436,292
Total equity		<u>6,004,887</u>	<u>5,592,332</u>
Liabilities			
Non-current liabilities			
Long - term borrowings, net	12	805,295	874,603
Total non-current liabilities		<u>805,295</u>	<u>874,603</u>
Current liabilities			
Trade and other payables		30,823	453
Current portion of long-term borrowings	12	132,003	173,753
Accrued expenses	13	66,077	22,983
Accrued income tax	14	9,278	6,829
Other current liabilities	15	18,808	3,271
Total current liabilities		<u>256,989</u>	<u>207,289</u>
Total liabilities		<u>1,062,284</u>	<u>1,081,892</u>
Total equity and liabilities		<u>7,067,171</u>	<u>6,674,224</u>

Boun Oum SYVANPHENG

Chief Executive Officer

Date: 24 MAR 2014

Bounsalong SOUTHIDARA

Chief Financial Officer

Date: 24 MAR 2014

The notes to the financial statements on pages 9 to 39 form an integral part of these financial statements.

EDL-Generation Public Company
Statement of Income
For the year ended 31 December 2013

		31 December 2013	31 December 2012
	Notes	Million Kip	Million Kip
Sales		862,429	779,887
Cost of sales	16	(203,935)	(185,990)
Gross profit		658,494	593,897
Other income		6,700	4,613
Administrative expenses	16	(113,489)	(61,846)
Foreign exchange gain/ (loss), net		24,463	22,998
Interest expense	17	(30,845)	(35,680)
Share of profit of associates and joints ventures	4	453,746	105,605
Profit before income tax expense		999,069	629,587
Income tax expense	18	(27,327)	(27,118)
Net profit for the year		971,742	602,469

Earnings per share

Basic earnings per share for the year	19	792.61	590.08
---------------------------------------	----	--------	--------



Boun Oum SYVANPHENG

Chief Executive Officer

Date: 24 MAR 2014



Bounsalong SOUTHIDARA

Chief Financial Officer

Date: 24 MAR 2014

The notes to the financial statements on pages 9 to 39 form an integral part of these financial statements.

EDL-Generation Public Company
Statement of changes in shareholder's equity
For the year ended 31 December 2013

For the year ended 31 December 2013						
Note	Issued and paid-up ordinary shares (Note 10) Million Kip	Share premium (Note 10) Million Kip	Translation adjustments Million Kip	Legal reserve (Note 11) Million Kip	Unappropriated retained earnings Million Kip	Total Million Kip
As at 1 January 2013	4,904,867	142,229	(324)	109,268	436,292	5,592,332
Net profit for the year	-	-	-	-	971,742	971,742
Share issued	-	-	-	-	-	-
Translation adjustments	-	-	-	-	-	-
Dividend paid	-	-	7,325	-	-	7,325
Appropriation	-	-	-	-	(566,512)	(566,512)
				97,174	(97,174)	-
As at 31 December 2013	4,904,867	142,229	7,001	206,442	744,348	6,004,887

For the year ended 31 December 2012						
Note	Issued and paid-up ordinary shares (Note 10) Million Kip	Share premium (Note 10) Million Kip	Translation adjustments Million Kip	Legal reserve (Note 11) Million Kip	Unappropriated retained earnings Million Kip	Total Million Kip
As at 1 January 2012	3,474,388	15,577	-	58,408	371,091	3,919,464
Net profit for the year	-	-	-	-	602,469	602,469
Share issued	1,430,479	126,652	-	-	-	1,557,131
Translation adjustments	-	-	(324)	-	-	(324)
Dividend paid	-	-	-	-	-	-
Appropriation	-	-	-	-	(486,408)	(486,408)
	-	-	-	50,860	(50,860)	-
As at 31 December 2012	4,904,867	142,229	(324)	109,268	436,292	5,592,332

As at 1 January 2012
Net profit for the year
Share issued
Translation adjustments
Dividend paid
Appropriation

As at 31 December 2012
Net profit for the year
Share issued
Translation adjustments
Dividend paid
Appropriation

As at 31 December 2013
Net profit for the year
Share issued
Translation adjustments
Dividend paid
Appropriation

Boun Oum SYVANPHENG
Chief Executive Officer
Date: **24 MAR 2014**

Bounsalong SOUTHDARA
Chief Financial Officer
Date: **24 MAR 2014**

The notes to the financial statements on pages 9 to 39 form an integral part of these financial statements.

EDL-Generation Public Company
Statement of cash flows
For the year ended 31 December 2013

		31 December 2013	31 December 2012
	Notes	Million Kip	Million Kip
Cash flow from operating activities:			
Net profit before income tax for the year		999,069	629,587
Adjustments to reconcile net profit to net cash			
Amortisation of pre-operation		-	1,982
Depreciation	6	167,060	156,597
(Profit) on sale of assets under concession		-	(38)
Foreign exchange (gain)/ loss		(25,753)	(22,998)
Share of profit of associates and joint ventures	4	(453,746)	(105,605)
Finance cost	17	30,845	35,680
Operating profit before working capital changes		717,475	695,205
Changes in operating assets and liabilities			
- Trade and other receivables		(105,722)	868
- Spare part and supplies		108	621
- Other current assets		(4,100)	3,027
- Accounts payable		(34,520)	(421)
- Other assets		1,732	(5,197)
- Other current liabilities		15,537	3,248
- Accrued expenses		43,945	2,429
- accrued income tax			
- other current liabilities			
Cash generated from operations		634,455	699,780
Income tax paid	14	(24,878)	(34,075)
Net cash receipts from operating activities		609,577	665,705
Cash flows from investing activities :			
Advance payment for investment	5	(95,410)	(200,366)
Cash received from advance payment for acquisition of associates and joint ventures		-	256,288
Acquisition of associates and interests in joint ventures		-	(1,628,506)
Purchases of assets under concession	6	(168,379)	(155,428)
Purchases of short-term investments	8	(20,000)	(40,000)
Proceeds from short-term investment	8	40,000	100,000
Dividends received	4	313,129	-
Proceeds from sale of assets under concession		-	1,496
Net cash used by investing activities		69,340	(1,666,516)

The notes to the financial statements on pages 9 to 39 form an integral part of these financial statements.

EDL-Generation Public Company
Statement of cash flows (continued)
For the year ended 31 December 2013

		31 December 2013	31 December 2012
	Notes	Million Kip	Million Kip
Cash flows from financing activities :			
Cash received from issuance of ordinary shares	10	-	1,557,131
Proceeds from long-term borrowings	12	90,113	-
Repayment on borrowings	12	(174,663)	(210,843)
Dividends paid to shareholders	20	(424,884)	(364,806)
Dividends paid to non-controlling interests	20	(141,628)	(121,602)
Interest payment		(31,696)	(37,353)
Net cash used by financing activities		(682,758)	822,527
Net decrease in cash and cash equivalents			
		(3,841)	(178,284)
Cash and cash equivalent beginning of the year		164,511	342,795
Effect of exchange rate changes on cash and cash equivalent		(756)	-
Cash and cash equivalent ending of the year	7	<u>159,914</u>	<u>164,511</u>

Non cash items

Other payable for purchase of assets under construction	64,890	3,505
---	--------	-------

Boun Oum SYVANPHENG

Chief Executive Officer

Date: 24 MAR 2014

Bounsalong SOUTHIDARA

Chief Financial Officer

Date: 24 MAR 2014

The notes to the financial statements on pages 9 to 39 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.

Further, the Company has continued acquiring more power projects and establishing new joint venture with counterparties concerned including 4 more Independent Power Plants (“IPP”) from EDL in 2012 as disclosed in Note 4.

The address of the Company’s registered office is as follows:

7th Floor, EDL Headquarter Building,
Lao-Thai Friendship Road, Thongkang Village, Sisattanak District,
Vientiane Capital, P.O.Box 2392, Lao PDR

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

These financial statements were authorised for issue by the Board of Directors on 24 March 2014.

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 and certain rights and obligation according to the Prime Minister’s Office (“PMO”) Decision No. 180 dated 13 December 2010, PMO approved EDL to sell its shares in the Independent Power Plants (“IPP”) projects to the Company.

1. General information (continued)

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

On the 15 December 2010, Incorporation Date, EDL transferred the Existing Generation Assets and related liabilities of 7 hydro power dams, based on the net book value as at 20 October 2010, to the Company of Kip 2,605,792 million. EDL will continue its activities on the transmission and distribution of electricity generated by the Existing Generation Assets to end-users. 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.

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”) which was subsequently revised on 24 July 2013, 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) corporate income tax 10% and 5) royalty fee payable at 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, Value Added Tax (“VAT”) in respect of supplies of electricity it makes to EDL.

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.

1. General information (continued)

c) Significant agreements and arrangements (continued)

ii) Purchase Power Agreement (“PPA”)

On 15 December 2010 and revised on 9 December 2011, the Company entered into the Purchase Power Agreement (“PPA”) with EDL. The PPA provides for a term of 30 years, together with a renewal period of 10 years which is similar to the 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.

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 5) EDL can make partial payment and off-set unpaid balance with dividend payable announced by the Company in each year 6) 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 7) Amendment conditions on tariffs including when there are fluctuations of exchange rates as stipulated in the agreement.

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 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. These borrowings are unsecured and no other obligations other than the repayments required as per agreed schedules.

1. General information (continued)

c) Significant agreements and arrangements (continued)

iii) Debt Repayment Agreement (continued)

On 28 February 2013, the Company entered into the addition Debt Repayment Agreement ("the Agreement") with the EDL. EDL is a borrower pursuant to Nam Song Hydro Power Project under Sub-Loan Agreement No. 0229/EDL, dated 21 January 2013 with the Government of Lao PDR ("GOL") in which the original fund is provided from Export-Import Bank of India (the lender) and made through the GOL. In addition to the asset transfer, both parties agreed that the Company will make payments to EDL equal to payments due by EDL to the GOL, for the GOL's further repayments to the lender pursuant to the original borrowing agreements. These borrowings are unsecured and no other obligations other than the repayments required as per agreed schedules.

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. On 28 February 2011, the transferred employees have signed new employment contracts with the Company and all obligations from EDL to staff was transferred to the Company and the benefits to be provided by the Company are still the same as those provided by EDL.

v) Land lease agreement

According to Prime Minister's Office Instruction No.180 on 13 December 2010, the Company has the right to use related land for electricity generation operation. Ministry of Natural Resources and Environment and the Company are in process of survey and preparation of land lease agreement. Rental fee will be recorded when both party can agree related terms and conditions in the land lease agreement.

Subsequently, Ministry of Natural Resources and Environment and the Company signed the land lease agreement (the Agreement) on 30 January 2014. According to the Agreement, the Company has right to use related land over 30 years for its business, commencing from the Agreement date should disclose about 1) pricing basis 2) settlement basis Obligations for land lease fees were disclose in Note 23.

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 the completion 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. The Company expects to finalize these projects with key parties concerned by the end of 2015.

As at 31 December 2013, the Company had paid for necessary costs related to the above MOU amounting to Kip 432,313 million (Note 5).

vii) Memorandum of Understanding (MOU) for share transfer

As at 20 February 2012, the Company and EDL signed an MOU for the transfer of the equity shareholdings in Nam Ngum 5 Power Company Limited ("NNG5").

Both parties intend to finalise the transfer of EDL's interests in NNG5 no later than 31 December 2014. The Company is required to pay i) an advance payment of USD 2,000,000 ii) the remaining balance of the total consideration, additional advances or any adjustments to be made or paid in accordance with the Share Transfer Agreement.

As at 31 December 2013, the Company paid for necessary costs related to the above MOU amounting to USD 5,250,000 or equivalent to Kip 42,098 million (Note 5).

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 have been prepared under the historical cost convention except investment in associates and interest in joint ventures (Note 2.2).

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 the 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 differences 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, consolidated and separate financial statements, associates, joint ventures and pre-operation cost (Note 2.15). The accounting principles applied may materially differ from generally accepted accounting principles including International Financial Reporting Standards ("IFRS") adopted in certain countries and jurisdictions.

In Lao PDR, there are no accounting standards and guidelines applicable for certain areas such as investments in associates and interests in joint ventures. In the absence of the accounting standards concerned, the Company has decided to adopt certain accounting policies e.g. equity accounting method for its investments as described in Note 2.2 in which management believe it is in line with international practices.

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. Accounting policies (continued)

2.2 Investments in associates and interests in joint ventures

Associates

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

The Company's share of its associates' post-acquisition profits or losses is recognised in the profit or loss. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Company. Dilution gains and losses arising in investments in associates are recognised in the profit or loss.

A list of the Company's principal associates is set out in Note 4.

Joint ventures

Interests in jointly controlled entities are entities over which the Company joint control, but which it does not control. Interests in joint ventures are accounted for by the equity method of accounting in the financial statements. Under this method the Company's share of the post-acquisition profits and losses of joint ventures is recognised in the profit or loss. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Company's share of losses in an interest in a joint venture equals or exceeds its interest in the joint venture, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains or losses on transactions between the Company and its joint ventures is eliminated to the extent of the Company's interests in the joint ventures, except that unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Company. Dilution gains and losses arising in investments in joint ventures are recognised in the profit or loss.

A list of the Company's principal joint ventures is set out in Note 4.

2. Accounting policies (continued)

2.3 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 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 statements of income.

2.4 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.

2.5 Assets under concession

Assets under concession comprise mainly building, hydroelectric dams, plant and machines are initial shown at net book value as at transferred date from EDL (Note 1 b) and historical cost for assets acquired after 15 December 2010. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

According to the 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).

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. Accounting policies (continued)

2.5 Assets under concession (continued)

Assets under concession are stated at cost less accumulated depreciation. Depreciation 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 depreciation 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 depreciation from the accounts and recognise any gain or loss from retirement of the asset in the statements of income.

The asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.6).

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains – net' in profit or loss.

2.6 Impairment of assets

Assets that are subject to depreciation are reviewed for impairment. Assets that are subject to depreciation 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. Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2. Accounting policies (continued)

2.7 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.

2.8 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.

2.9 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 paid.

2. Accounting policies (continued)

2.9 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.

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. Basic monthly salary for calculation is at the maximum of Kip 1.5 million. The Company recognises related liabilities and expenses when paid.

2.10 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 2.9.

2.11 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 based on the period as mention in related agreement.

2. Accounting policies (continued)

2.12 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.

2.13 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.

2.14 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 account 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.

Generally, the sales of electricity are 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 Accounting policies (continued)

2.15 Taxation

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 related Lao Tax Law and tax rate. Under Lao Tax Law and Accounting Law and related privileges as a listed company at LSX, tax expenses for the year are determined on the basis of the profit of the Company calculated.

In Lao PDR, income tax returns are reviewed in details by the relevant authorities on a regular basis. In addition, tax issues raised from the reviews may require judgments and interpretation by parties concerned in a number of areas. Such reviews could therefore potentially result in additional tax payments or refunds being necessary. This would result in the payment or refund being recognized as income tax expense in the year in which the reviews are completed

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 2013, 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 conditions and prospects.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

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.

3.1.4 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and short term investments. 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.

EDL- Generation Public Company
Notes to financial statements
For the year ended 31 December 2013

4. Investments in associates and interests in joint ventures

	2013 Million KIP	2012 Million KIP
Beginning balance	1,722,049	-
Addition	-	1,628,506
Share of profit of associates	63,782	59,663
Share of profit of interest in joint ventures	389,964	45,942
Dividend received	(313,128)	(11,738)
Translation adjustment	7,325	(324)
Ending balance	<u>1,869,992</u>	<u>1,722,049</u>

Changes in investments in associates and interests in joint ventures during the year are summarised as below:

2013: Nil

2012:

Acquisition

In July of 2012, the Company signed a Share Transfer Agreement of the following 4 Independent Power Plants (IPPs) from EDL. Under these Share Transfer Agreements, EDL has transferred the whole rights, titles and interests in 4 IPPs to the Company (note 1 c Vii).

These 4 IPPs have engaged in electricity generation in Lao PDR. Purchase price is calculated based on the net book value of each IPP adjusted by expected dividend from those 4 IPPs for remaining years of concession agreement and adjusted with time value of money.

Associate name	% of interest acquired	Amount paid Million Kip
Theun Hinboun Power Company Limited	60%	1,120,696
Houay Ho Power Company Limited	20%	17,447
Nam Lik 1-2 Power Company Limited	10%	32,240
Nam Ngum 2 Power Company Limited	25%	454,742
	Total	1,625,125

The Company paid for the amounts due from the acquisition of the above associates and joint ventures to EDL by netting off with advance payments to EDL in July 2012. The remaining balance was paid in cash in July 2012.

EDL- Generation Public Company
Notes to financial statements
For the year ended 31 December 2013

4. Investments in associates and interests in joint ventures (continued)

On 4 August 2012, the Board of Directors of Nam Lik1-2 Power Company Limited approved a dividend payment totaling USD 14.66 million. The Company therefore recognized dividend income based on its % of interest totalling USD 1.465 million or equivalent to Kip 11,738 million in the financial statements for the year ended 31 December 2012.

All shares were transferred to the Company in July 2012.

New joint venture

2013: Nil

2012:

As at 6 October 2011, the Company signed a Shareholder Agreement (the Agreement) with Vientiane Automation and Solution Engineering (VASE). According to the Agreement, the Company and VASE agreed to establish a new company namely Lower Houay Lamphanh Power Company Limited ("LHPC") to operate "Lower Houay Lamphan Hydroproject", located in Sekong province Lao PDR. According to the Agreement, the Company has 60% of interest in this joint venture.

The new joint venture was registered with Department of Industry and Commerce of Sekong Province on 23 May 2012 with objective to invest in hydropower project, known as Lower Houay Lamphanh Hydro Project. The Company partially paid USD 420,000 or equivalent in Kip 3,381 million for its portion of interest to the new joint venture on 20 August 2012. As at 31 December 2013, the joint venture was not yet commenced its operation.

4.1 Associates

The Company's share of the result of its associates, all of which are unlisted, and its share of the assets and liabilities are as follows:

						2013 (Million Kip)
Name	Country of Incorporation	Business	Portion of Investment (%)	Cost Method	Equity Method	Dividend
Nam Ngum 2 Power Company Limited	Lao PDR	Electricity generation	25	454,742	499,437	(19,431)
NamLik 1-2 Power Company Limited	Lao PDR	Electricity generation	10	32,240	72,308	(6,521)
Total investment in associates				486,982	571,745	(25,952)

EDL- Generation Public Company
Notes to financial statements
For the year ended 31 December 2013

4. Investments in associates and interests in joint ventures (continued)

4.1 Associates (continued)

2012						
(Million Kip)						
Name	Country of Incorporation	Business	Portion of Investment (%)	Cost Method	Equity Method	Dividend
Nam Ngum 2 Power Company Limited	Lao PDR	Electricity generation	25	454,742	510,875	-
NamLik 1-2 Power Company Limited	Lao PDR	Electricity generation	10	32,240	24,776	(11,738)
Total investment in associates				486,982	535,651	(11,738)

With respect to NamLik 1-2, the Company has obtained voting rights and Board of Directors' seat and has abilities to make certain key decisions in finance and operations (but not as much as a joint control party) as stipulated in related shareholders' agreements concerned. Management therefore concludes this investment as an associate.

4.2 Interests in joint ventures

Assets, liabilities and net profit (loss) of joint ventures by percentage of shareholding consist of:

2013						
(Million Kip)						
Name	Country of Incorporation	Business	Portion of Investment (%)	Cost Method	Equity Method	Dividend
Theun- Hinboun Power Company Limited	Lao PDR	Electricity generation	60	1,120,696	1,280,118	(274,816)
Houay Ho Power Company Limited	Lao PDR	Electricity generation	20	17,447	14,748	(12,360)
Lower Houay Lamphanh Company Limited	Lao PDR	Electricity generation	60	3,381	3,381	-
Total interest in joint ventures				1,141,524	1,298,247	(287,176)

EDL- Generation Public Company
Notes to financial statements
For the year ended 31 December 2013

4. Investments in associates and interests in joint ventures (continued)

4.2 Interests in joint ventures (continued)

						2012
						(Million Kip)
Name	Country of Incorporation	Business	Portion of Investment (%)	Cost Method	Equity Method	Dividend
Theun-Hinboun Power Company Limited	Lao PDR	Electricity generation	60	1,120,696	1,157,926	-
Houay Ho Power Company Limited	Lao PDR	Electricity generation	20	17,447	25,091	
Lower Houay Lamphanh Company Limited	Lao PDR	Electricity generation	60	3,381	3,381	-
Total interest in joint ventures				1,141,524	1,186,398	-

5. Advance payment for investments

Advance payments for investments consist of:

	31 December 2013	31 December 2012
	Million KIP	Million KIP
Advance payment under MoU project transfer	474,411	379,001
	<u>474,411</u>	<u>379,001</u>

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) amounting to Kip 432,313 million (31 December 2012: Kip 336,903 million) under related MOU signed on 8 July 2011 as disclosed in note 1 c vi) and Nam Ngum 5 Power Company Limited ("NNG5") amounting to USD 5,250,000 or equivalent to Kip 42,098 million (31 December 2012: Kip 42,098 million) described in note 1 c vii).

EDL- Generation Public Company
Notes to financial statements
For the year ended 31 December 2013

6. Assets under concession, net

	Buildings Million Kip	Hydroelectric dams Million Kip	Plant and machineries Million Kip	Motor vehicles Million Kip	Office equipment and fixture Million Kip	Furniture and fixture Million Kip	Construction in progress Million Kip	Total Million Kip
At 31 December 2012								
Cost	276,072	2,434,875	1,282,537	3,818	1,852	2,410	256,313	4,257,877
Accumulated depreciation	(33,403)	(165,091)	(111,459)	(1,887)	(559)	(578)	-	(312,977)
Net book amount	242,669	2,269,784	1,171,078	1,931	1,293	1,832	256,313	3,944,900
Open net book amount								
At 1 January 2013	242,669	2,269,784	1,171,078	1,931	1,293	1,832	256,313	3,944,900
Additions	6,911	22,721	186,819	1,813	117	3,156	11,732	233,269
Transfers from construction in progress	26,046	-	230,267	-	-	-	(256,313)	-
Charge for the year	(16,829)	(81,853)	(66,287)	(797)	(161)	(1,133)	-	(167,060)
Net book amount	258,797	2,210,652	1,521,877	2,947	1,249	3,855	11,732	4,011,109
At 31 December 2013								
Cost	309,029	2,457,596	1,699,623	5,631	1,969	5,566	11,732	4,491,146
Accumulated depreciation	(50,232)	(246,944)	(177,746)	(2,684)	(720)	(1,711)	-	(480,037)
Net book amount	258,797	2,210,652	1,521,877	2,947	1,249	3,855	11,732	4,011,109

As at 31 December 2013, the assets under concession included the construction in progress of new equipment acquired and installation of Nam Song project.

In 2013, the total additions of Kip 233,269 million consisted of cash transactions of Kip 168,379 million and non-cash transactions of Kip 64,890 million.

EDL- Generation Public Company
Notes to financial statements
For the year ended 31 December 2013

7. Cash and cash equivalents

	31 December 2013 Million KIP	31 December 2012 Million KIP
Cash on hand	98	80
Cash at banks - current account	159,816	164,431
	<u>159,914</u>	<u>164,511</u>

Cash on hand consist of petty use for general purpose.

Cash at banks held at call with banks represent cash deposited with local reputable banks in 3 currencies being USD, THB and LAK in current accounts with interest at 0%-1% per annum.

8. Short-term investments

2013:

The Company invested in 12 months short-term, Kip 20,000 million, deposit with a local financial institution, commencing from 18 November 2013 to 18 November 2014, and bear interest rate at 10% per annum.

2012:

The Company invested in 6 and 12 months short-term, Kip 40,000 million, deposits with a local financial institution, commencing from 9 November 2012 to 9 May 2013 and from 15 November 2012 to 15 November 2013, and bear interest rates at 8% per annum and 10% per annum, respectively.

9. Trade and other receivables

	31 December 2013 Million KIP	31 December 2012 Million KIP
Trade receivable – parent company (Note 21 d) (i)	451,654	291,850
Receivable – parent company (Note 21 d)(ii)	65,944	121,783
Receivable – Others	1,757	-
	<u>519,355</u>	<u>413,633</u>

EDL- Generation Public Company
Notes to financial statements
For the year ended 31 December 2013

9. Trade and other receivables (continued)

i) Trade account receivables can be analysed as follows:

	31 December 2013 Million KIP	31 December 2012 Million KIP
Not overdue	235,404	104,775
Overdue less than 3 months	216,250	187,075
Overdue 3 - 6 months	-	-
Overdue 6 - 12 months	-	-
Overdue over 12 months	-	-
	<u>451,654</u>	<u>291,850</u>
<u>Less</u> Allowance for doubtful Receivables	<u>-</u>	<u>-</u>
Trade account receivables, net	<u>451,654</u>	<u>291,850</u>

ii) Receivable from parent company is expected to be settled in 2014. Discussions with EDL are underway. This receivable arises at the time of the transfer of Existing Generation Assets as disclosed in Note 1 a).

10. Share capital and share premium

	Number of Shares (Shares)	Share (Million Kip)	Share premium (Million Kip)	Total (Million Kip)
At 1 January 2012	868,597,050	3,474,388	15,577	3,489,965
Issue of shares	357,619,715	1,430,479	126,652	1,557,131
At 31 December 2012	1,226,216,765	4,904,867	142,229	5,047,096
Issue of shares	-	-	-	-
At 31 December 2013	<u>1,226,216,765</u>	<u>4,904,867</u>	<u>142,229</u>	<u>5,047,096</u>

2013: Nil

2012:

The Company offered 357,619,715 shares with par value of Kip 4,000 per share, totaling Kip 1,430,479 million under rights offering to existing shareholders ("RO") and Public Offering ("PO") with sales price of Kip 4,300 and Kip 4,800 for investors inside and outside Lao PDR respectively. The Company has premium on share capital totaling Kip 180,673 million and shares offering cost of Kip 54,021 million which is charged against the premium on share capital. Then net premium on share capital is Kip 126,652 million.

EDL- Generation Public Company
Notes to financial statements
For the year ended 31 December 2013

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 2013 total authorised number of ordinary shares is 1,226,216,765 shares (31 December 2012: 1,226,216,765 shares) with a par value of Kip 4,000 per share (31 December 2012: Kip 4,000 per share). All issued shares are fully paid.

11. Legal reserve

	31 December 2013 Million KIP	31 December 2012 Million KIP
At 1 January	109,268	58,408
Appropriation during the year	97,174	50,860
At 31 December	<u>206,442</u>	<u>109,268</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 of the Company until such reserve reaches 50% of authorised share capital.

12. Long-term borrowings

	31 December 2013 Million KIP	31 December 2012 Million KIP
Total long-term borrowings	937,298	1,048,356
Less: current portion for long-term borrowings	(132,003)	(173,753)
Long-term borrowings, net	<u>805,295</u>	<u>874,603</u>

EDL- Generation Public Company
Notes to financial statements
For the year ended 31 December 2013

12. Long-term borrowings (continued)

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

	31 December 2013 Million KIP	31 December 2012 Million KIP
As at 1 January	1,048,356	1,282,197
Additions during the year	90,113	-
Less: repayment made during the year	(174,663)	(210,843)
(Gain)/loss on exchange rate	(26,508)	(22,998)
As at 31 December	<u>937,298</u>	<u>1,048,356</u>

The Company entered into the Debt Repayment Agreement ("the Agreement") with the EDL on 15 December 2010 (Note 1 c iii). 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 then make such payments due to the GOL, for the GOL's further repayments to the lenders pursuant to the original borrowing agreements.

In addition, the Company enters into the new Debt Repayment with EDL on 28 February 2013 for Nam Song Hydro Power Project. According to this agreement, the Company will make payment to EDL equal to payments due by EDL to GOL (Note 1 c iii).

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

	31 December 2013	31 December 2012
US dollar (million)	103	112
Yen (million)	1,424	1,627

The aging analysis of these borrowings is as follows:

	31 December 2013 Million KIP	31 December 2012 Million KIP
Less than one year	132,003	173,753
One year but not over 5 years	524,745	513,377
Over 5 years	280,550	361,226
	<u>937,298</u>	<u>1,048,356</u>

EDL- Generation Public Company
Notes to financial statements
For the year ended 31 December 2013

13. Accrued expenses

Accrued interest expenses comprise of:

	31 December 2013 Million KIP	31 December 2012 Million KIP
Accrued interest expense	7,948	8,799
Accrued royalty fee and others tax	47,605	4,802
Others	10,524	9,382
	<u>66,077</u>	<u>22,983</u>

14. Accrued income tax

	31 December 2013 Million KIP	31 December 2012 Million KIP
Beginning balance	6,829	13,786
Payment during the year	(24,878)	(34,075)
Income tax expense for the year (Note 18)	27,327	27,118
	<u>9,278</u>	<u>6,829</u>

15. Other current liabilities

	31 December 2013 Million KIP	31 December 2012 Million KIP
Retention received from contractors (i)	18,785	3,050
Others	23	221
	<u>18,808</u>	<u>3,271</u>

(i) This is mainly the retention received from contractors for construction of Nam Ngum 1 Hydropower Project amounting to Kip 15,338 million.

EDL- Generation Public Company
Notes to financial statements
For the year ended 31 December 2013

16. Expenses by nature

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

	31 December 2013 Million KIP	31 December 2012 Million KIP
Staff costs	37,281	32,658
Repair and maintenance expenses	21,873	12,362
Depreciation on assets under concession (Note 6)	167,060	156,597
Amortisation - pre-operating expenses	-	1,982
Dividend tax expense	31,313	-
Fuel	4,026	3,657
Others	55,871	40,580
	<u>317,424</u>	<u>247,836</u>

17. Interest expense

	31 December 2013 Million KIP	31 December 2012 Million KIP
Interest expense from borrowings	<u>30,845</u>	<u>35,680</u>

Interest expense is relevant to transferred borrowings from EDL (Note 1 c iii).

18. Income tax expense

2013

According to revised CA on 24 July 2013 (Note 1 c i), the Company has an obligation to pay corporate income tax of either tax on profit at the rate of 10% on taxable profit of turnover, whichever is higher. In addition, under the tax privileges given to the listed companies at the LSX, the Company is subject to a further reduction to the rate of 5% during an initial period of 4 years start from 2011 to 2015 (which is then equivalent to 5% from a normal rate of 10%).

2012

According to CA (Note 1 c i), the Company has an obligation to pay corporate income tax of either tax on profit at the rate of 10% on taxable profit or minimum tax at 0.25% of turnover or revenue, whichever is higher. In addition, under the tax privileges given to the listed companies at the LSX, the Company is subject to a further reduction to the rate of 5% during an initial period of 4 years start from 2011 to 2015 (which is then equivalent to 5% from a normal rate of 10%).

EDL- Generation Public Company
Notes to financial statements
For the year ended 31 December 2013

18. Income tax expense (continued)

	31 December 2013 Million KIP	31 December 2012 Million KIP
Current tax - minimum tax computed on 0.25% of annual turnover base	-	2,019
<i>Reconciliation between income tax expense and accounting profit:</i>		
Accounting profit before income tax	999,069	629,587
Non-deductible expense for tax purpose	1,206	6,649
Dividend from associate (Note 4)	-	11,738
Share of profit of associates and joint ventures under equity accounting method (Note 4)	(453,746)	(105,605)
Taxable income	546,520	542,369
Tax calculated at tax rate of 5% (2012: 5%)	27,327	27,118
Income tax expense	27,327	27,118

Non-deductible expenses for tax purpose mainly consist of expenses that not allowed as tax deductible expenses such as donations and gifts.

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.

	31 December 2013	31 December 2012
Net profit attributable to ordinary shareholders (Million Kip)	971,742	602,469
Weighted average number of ordinary shares in issue (Million shares)	1,226	1,021
Basic earnings per share (Kip)	792.61	590.08

EDL- Generation Public Company
Notes to financial statements
For the year ended 31 December 2013

20. Dividend

The Company may distribute dividends at no less than 50 percent of the available net profits of the Company after deducting for taxes, statutory/legal reserve fund and other reserve funds (if any). Dividend allocation may depend on economic situation and the Company's investment plans. Annual dividends payable are not accounted for until they have been approved at the Annual General Meeting.

Summary of dividend payments for the years 2013 and 2012 are described below:

Description	Approval date/by	Dividend per share (Kip/share)	Amount Million Kip	Payment date
2013:				
Interim dividend from the operating result of 6 months period from 1 July to 31 December 2012	28 March 2013 by Shareholders	280	343,341	In April 2013
Interim dividend from the operating result of 6 months period from 1 January to 30 June 2013	13 August 2013 by Board of Directors	182	223,171	In September 2013
		Total	566,512	
2012:				
Dividend from the operating result of 6 months period from 1 July to 31 December 2011	2 April 2012 by shareholders	320	277,951	In April 2012
Interim dividend from the operating result of 6 months period from 1 January to 30 June 2012	10 August 2012 by Board of Directors	170	208,457	In August 2012
		Total	486,408	

EDL- Generation Public Company
Notes to financial statements
For the year ended 31 December 2013

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

	31 December 2013 Million KIP	31 December 2012 Million KIP
Sales of electricity to EDL	<u>862,429</u>	<u>779,887</u>

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) Dividend paid

	31 December 2013 Million KIP	31 December 2012 Million KIP
Dividend paid to EDL	<u>424,884</u>	<u>364,806</u>

c) Interest expense

	31 December 2013 Million KIP	31 December 2012 Million KIP
Interest expense - EDL (Note 17)	<u>30,845</u>	<u>35,680</u>

According to Debt Repayment Agreement between the Company and EDL (Note 1 c iii), the Company 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.

21. Related party transactions (continued)

d) Outstanding balances from related party transaction

	31 December 2013 Million KIP	31 December 2012 Million KIP
Trade account receivable (Note 9)	451,654	291,850
Accounts receivable-others (Note 9)	65,944	121,783
Advance payment for investments (Note 5)	474,411	379,001
Long-term borrowings (Note 12)	937,298	1,048,356

e) Directors and managements remuneration

For the years ended 31 December	31 December 2013 Million KIP	31 December 2012 Million KIP
Key management compensation	1,984	611

Key management compensation mainly includes salary, meeting allowances and other benefits for the members of the Board and key management.

f) Significant agreements with EDL

The Company signed certain significant agreements with EDL as explained in Note 1 c and Note 12.

22. Commitments and significant transactions

2013:

Capital commitments

For the year ended 31 December 2013 and 2012, there were significant transactions and outstanding commitments from 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 as below:

Year	Amount (Million Kip)	Period cover
2013	633,227	1-5 years
2012	106,953	1-2 years

23. Post statement of financial position event

2013:

On 30 January 2014, the Company and the Ministry of Natural Resources and Environment signed the land lease agreement (the Agreement). According to the Agreement, the Company has right to use land 30 years from 30 January 2014 to 30 January 2043 for its. Land lease fees are based on area with agreed rental rate by both parties. These fees will pay in advance for one year on annual basis. In addition, the Company has obligations to pay the land lease agreement fees as the following:

Operating lease commitments – where a the Company is the lessee.

The Company leases land under non-cancellable operating lease agreements. The lease term is 30 years.

	31 December 2013 USD	31 December 2012 USD
For the years ended 31 December		
Not later than 1 year	28,637	-
Later than 1 year but not later than 5 years	124,963	-
More than 5 year	908,887	-
	<u>1,062,487</u>	<u>-</u>

At the Board of Directors' meeting No.1/2014 held on 5 March 2014, the Board of Directors approved significant transactions as below:

Dividend payment approval

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 2013 of Kip 293 per share (31 December 2012: Kip 280 per share) amounting to a total of Kip 359,281 million (31 December 2012: Kip 343,341 million).

This approved dividend will be paid on 30 April 2014. This recent approved dividend payment is in addition to the dividend payment for the 1st half of the year as disclosed in Note 20.

Acquisition of Independent Power Plants (IPPs) from EDL

The Board of Directors approved the acquisition of interest of Nam Sana Hydropower Project from EDL.

All investments will be acquired and transferred to the Company when related conditions in Memorandum of Understanding for the Transfer of the Project Asset are met.

23. Post statement of financial position event (continued)

Issuance of corporate bond

The Board of Directors approved the Company to issue corporate debenture in amount of USD 200-300 million for expansion of the Company's business.

All above transactions will be proposed to the Annual General Meeting Shareholders' s meeting to authorise the Board of Directors and/or person authorised by Board of Director to have authorisation to make decision and approval.

2012:

Dividend payment approval

At the Board of Directors' meeting No.1/2013 held on 28 March 2013, 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 2012 of Kip 280 per share (31 December 2011: Kip 320 per share) amounting to a total of Kip 343,341 million (31 December 2011: Kip 277,951 million). This approved dividend will be paid on 25 April 2013. This recent approved dividend payment is in addition to the dividend payment for the 1st half of the year as disclosed in Note 21.

Acquisition of Independent Power Plants (IPPs) from EDL

At the Board of Directors' meeting No.1/2013 held on 28 March 2013, the Board of Directors approved the acquisition of 15% of interest of Nam Ngum 5 Power Company Limited ("NNG5") in which Company signed the MOU with EDL on 20 February 2013 (Note 1 c vii). Investment in NNG5 will be acquired and transferred to the Company when related conditions in Share Transfer Agreement are met. Management expects this investment acquisition to be completed no later than 31 December 2014.