EDL-GENERATION PUBLIC COMPANY

FINANCIAL STATEMENTS

31 DECEMBER 2012

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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 2012, 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 statements"). 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 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.

PricewaterhouseCoopers (Lao) Co,. Ltd. Units 1-3, 4th Floor, ANZ Commercial Building, 33 Lane Xang Avenue, PO Box 7003, Telelphone : + 856 21 222718-9, Faxsimile: + 856 21 222723, www.pwc.com/la

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) Co., Ltd.

By Paiboon Tunkoon
Partner
Vientiane, Lao PDR

28 March 2013

EDL-Generation Public Company
Statements of financial position
As at 31 December 2012

	Notes	31 December 2012 Million Kip	31 December 2011 Million Kip
Assets			
Non-current assets			
Pre-operating expenses, net	4	-	1,982
Interests in associates	5	535,651	-
Interests in joint ventures	5	1,186,398	-
Advance payment for investment	6	379,001	434,923
Assets under concession, net	7	3,944,900	3,947,527
Other non-current assets		5,197	-
Total non-current assets		6,051,147	4,384,432
Current assets			
Cash and cash equivalents	8	164,511	342,795
Short-term investments	9	40,000	100,000
Trade and other receivables	10	413,633	402,764
Spare parts and supplies, net		3,128	3,749
Other current assets		1,805	4,832
Total current assets		623,077	854,140
Total assets		6,674,224	5,238,572

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Boun Oum SYVANHPHENG
Chief Executive Officer
28 March 2013

Bounsalong Southidara
Chief Financial Office
28 March 2013

The notes to the financial statements on pages 9 to 42 form an integral part of these financial statements.

EDL-Generation Public Company
Statements of financial position
As at 31 December 2012

	Notes	31 December 2012 Million Kip	31 December 2011 Million Kip
Equity			
Shareholder's equity			
Share capital	11	4,904,867	3,474,388
Share premium	11	142,229	15,577
Legal reserve	12	109,268	58,408
Translating financial statements	5	(324)	-
Retained earnings		436,292	371,091
Total equity		5,592,332	3,919,464
Liabilities			
Non-current liabilities			
Long - term borrowings, net	13	874,603	1,070,276
Total non-current liabilities		874,603	1,070,276
Current liabilities			
Accounts payable		453	874
Current portion of long-term borrowings	13	173,753	211,921
Accrued expenses	14	22,983	22,228
Accrued income tax	15	6,829	13,786
Other current liabilities	16	3,271	23
Total current liabilities		207,289	248,832
Total liabilities		1,081,892	1,319,108
Total equity and liabilities		6,674,224	5,238,572

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EDL-Generation Public Company
Statements of Income
For the year ended 31 December 2012

	Notes	31 December 2012 Million Kip	31 December 2011 Million Kip
Sales		779,887	881,748
Cost of sales	17	(185,990)	(204,671)
Gross profit		593,897	677,077
Other income		4,613	9,781
Administrative expenses	17	(61,846)	(48,013)
Foreign exchange gain/ (loss), net		22,998	(3,895)
Interest expense	18	(35,680)	(41,278)
Share of profit of associates and joints ventures	5	105,605	-
Profit before income tax expense		629,587	593,672
Income tax expense	19	(27,118)	(30,104)
Net profit for the year		602,469	563,568

Earnings per share

Basic earnings per share for the year	20	590.08	681.76

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	Note	Issued and paid-up ordinary shares (Note 11) Million Kip	Share premium (Note 11) Million Kip	Translating financial statements Million Kip	Legal reserve (Note 12) Million Kip	Unappropriated retained earnings Million Kip	Total Million Kip
		For the year ended 31 December 2012					
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	11	1,430,479	126,652	-	-	-	1,557,131
Translation adjustment		-	-	(324)	-	-	(324)
Dividend paid	20	-	-	-	-	(486,408)	(486,408)
Appropriation	12	-	-	-	50,860	(50,860)	-
As at 31 December 2012		4,904,867	142,229	(324)	109,268	436,292	5,592,332

	Note	Issued and paid-up ordinary shares (Note 11) Million Kip	Share premium (Note 11) Million Kip	Translating financial statements Million Kip	Legal reserve (Note 12) Million Kip	Unappropriated retained earnings Million Kip	Total Million Kip
		For the year ended 31 December 2011					
As at 1 January 2011		2,605,792	-	-	2,051	18,461	2,626,304
Net profit for the year		-	-	-	-	563,568	563,568
Share issued	11	868,596	15,577	-	-	-	884,173
Dividend paid	20	-	-	-	-	(154,581)	(154,581)
Appropriation	12	-	-	-	56,357	(56,357)	-
As at 31 December 2011		3,474,388	15,577	-	58,408	371,091	3,919,464

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28 March 2013

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The notes to the financial statements on pages 9 to 42 form an integral part of these financial statements.

EDL-Generation Public Company
Statements of cash flows
For the year ended 31 December 2012

	Notes	31 December 2012 Million Kip	31 December 2011 Million Kip
Cash flow from operating activities:			
Net profit before income tax for the year		629,587	593,672
Adjustments to reconcile net profit to net cash			
Amortisation of pre-operation	4	1,982	2,104
Depreciation	7	156,597	151,951
(Profit) on sale of assets under concession		(38)	-
Foreign exchange (gain)/ loss		(22,998)	3,895
Gain on translation		-	-
Share profit From investment	5	(105,605)	-
Finance cost		35,680	10,815
Operating profit before working capital changes		695,205	762,437
Changes in operating assets and liabilities			
- Trade and other receivables		868	(177,396)
- Pre-operating expenses		-	(1,704)
- Spare part and supplies		621	876
- Other current assets		3,027	(4,832)
- Accounts payable		(421)	(19,384)
- Other assets		(5,197)	-
- Other current liabilities		3,248	-
- Accrued expenses		2,429	36,590
Cash generated from operations		699,780	596,587
Income tax paid	15	(34,075)	(18,607)
Net cash receipts from operating activities		665,705	577,980
Cash flows from investing activities :			
Advance payment for investment	6	(200,366)	(178,635)
Advance payment for acquisition of associates and joint ventures	6	-	(256,288)
Cash received from advance payment for acquisition of associates and joint ventures	6	256,288	-
Acquisition of associates and interests in joint ventures	5	(1,628,506)	-
Short-term loan to parent company		-	(250,000)
Loan repaid from parent company		-	250,000
Purchases of assets under concession	7	(155,428)	(164,097)
Purchases of short-term investments, net	9	(40,000)	(100,000)
Proceeds from short-term investment, net		100,000	
Proceeds from sale of assets under concession		1,496	-

The notes to the financial statements on pages 9 to 42 form an integral part of these financial statements.

EDL-Generation Public Company
Statements of cash flows (contined)
For the year ended 31 December 2012

	Notes	31 December 2012 Million Kip	31 December 2011 Million Kip
Net cash used by investing activities		(1,666,516)	(699,020)
Cash flows from financing activities :			
Proceeds from issuance of ordinary share and right to purchase the ordinary shares	11	-	(884,149)
Cash received from issuance of ordinary shares	11	1,557,131	884,172
Proceeds from long-term borrowings	13	-	2,574
Repayment on borrowings	13	(210,843)	(224,602)
Dividends paid to shareholders	21	(364,806)	(115,936)
Dividends paid to non-controlling interests	21	(121,602)	(38,645)
Interest payment		(37,353)	(44,361)
Net cash used by financing activities		822,527	(420,947)
Net decrease in Cash and cash equivalents		(178,284)	(541,987)
Cash and cash equivalent beginning of the year		342,795	884,782
Cash and cash equivalent ending of the year	8	164,511	342,795

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Boun Oum SYVANHPHENG
Chief Executive Officer
28 March 2013

Bounsalong Southidara
Chief Financial Office
28 March 2013

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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 5.

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.

In 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 at 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 28 March 2013.

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 totally 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") 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. The Company and GOL were reviewing new CA since 2011.

As at 31 December 2012, 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.

1. General information (continued)

c) Significant agreements and arrangements (continued)

ii) Purchase Power Agreement ("PPA")

On 15 December 2010, 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 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.

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 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.

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 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 2012, the Company and Ministry of natural Resources and Environment were still in the process of considering 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 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 2013.

As at 31 December 2012, the Company had paid for necessary costs related to the above MOU amounting to Kip 336,903 million (Note 6).

vii) Share transfer agreement and related shareholders' agreement

In July of 2012, the Company signed a Share Transfer Agreement with the following 4 Independent Power Plants ("IPP"s) from EDL. Under this Share Transfer Agreement, EDL will transfer the whole rights, titlse and interests in all 4 IPPs to the Company.

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

As part of the above agreement, the Company has replaced EDL and become a key shareholder of these 4 IPPs. Under the shareholders' agreements, the Company is required to comply with related terms and conditions including the right to appoint the Board of Directors and voting rights for key strategic and financial decisions.

As at 31 December 2012, the Company were in the process of selecting its representative in the Board of Directors of those 4 IPPs which was expected to complete within 2nd quarter of 2013.

1. General information (continued)

c) Significant agreements and arrangements (continued)

iix) 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 2013. The Company is required to pay i) an advance payment of USD 2,000,000 ii) the remaining balance of the total consideration, additional advance, or any adjustment to be made or paid in accordance with the Share Transfer Agreement.

During the six-month period ended 31 December 2012, 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 6).

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 2.5.

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 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.

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

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. At the same time, the Company's management also wish to present certain "audited" and "unaudited" information of the investments and related financial statements at cost and under a proportionate consolidation method, repecitvely, as additional information to the users of the financial statements concerned as disclosed in Note 26 to these financial statements.

According to IAS 31 – Interests in joint ventures, there is an option to recognise its interest in a jointly controlled entity either by proportionate consolidation or equity method. However, this standard will be replaced by IFRS 11 – joint arrangements from 1 January 2013. Under this new standard, jointly controlled entity can only be recognised it interest in jointly controlled entity only by using equity accounting method.

Consequently, this financial information is addressed only to those who are informed about the Company's accounting principles, procedures and practices.

The financial statements have been generally prepared under the historical cost convention, except investment in associates and interest in joint venture (Note 2.2).

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 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.

2. Accounting policies (continued)

2.2 Investments in associates and interests in joint ventures (continued)

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 5.

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.

A list of the Company's principal joint ventures is set out in Note 5.

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. Accounting policies (continued)

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 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. Accounting policies (continued)

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

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 or pension scheme are as below:

2. Accounting policies (continued)

2.9 Employee benefits (continued)

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.

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 incurred.

2. Accounting policies (continued)

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 base on period in the contract.

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 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.

2. Accounting policies (continued)

2.14 Revenue recognition (continued)

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

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.

2.15 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.

2.16 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 or a minimum tax calculated at a fixed percentage of revenue whichever is higher.

2 Accounting policies (continued)

2.16 Taxation (continued)

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 13 and from purchases in foreign currencies such as machineries , equipment and parts.

As at 31 December 2012, 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. Financial risk management (continued)

3.1 Financial risk factors (continued)

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. 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

	2012 Million KIP	2011 Million KIP
Cost:		
As at 1 January	4,137	2,433
Additions	-	1,704
As at 31 December	4,137	4,137
Accumulated depreciation:		
As at 1 January	(2,155)	(51)
Charge for the year	(1,982)	(2,104)
As at 31 December	(4,137)	(2,155)
Net book value as at 31 December	-	1,982

5. Investments in associates and interests in joint ventures

	2012 Million KIP	2011 Million KIP
Beginning balance	-	-
Addition	1,628,506	-
Share of profit of associates	59,663	-
Share of profit of interest in joint ventures	45,942	
Dividend receive	(11,738)	
Exchange differences	(324)	-
Ending balance	1,722,049	-

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

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 1c) 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.

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

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 venture to EDL by netting off with advance payment to EDL (Note 6) in July 2012. The remaining balance was paid in cash in July 2012.

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

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 Hydopower Project", 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 2012, the joint venture was not yet commenced its operation.

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

5.1 Associates

The associate entities are:

Name	Country of Incorporation	Country of Business	Portion of Investment (%)	Equity Method	Cost Method	Dividend
					2012 (Million Kip)	
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.

5.2 Interests in joint ventures

The jointly controlled entities are:

Name	Country of Incorporation	Country of Business	Portion of Investment (%)	Equity Method	Cost Method	Dividend
					2012 (Million Kip)	
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 venture				1,141,524	1,186,398	-

6. Advance payment for investments

Advance payments for investments consist of:

	31 December 2012 Million KIP	31 December 2011 Million KIP
Advance payment under MoU project transfer (i)	379,001	178,635
Advance payment under MoU share transfer (ii)	-	256,288
	379,001	434,923

i) These relate to the advance payments paid to EDL for the cost occurrd in project assets of Houay Lamphan Ngai and Nam Khan2 (the Projects) amounting to 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. Such advance shall be returned in the event that related MOU is terminated as disclosed in note 1 c iix).

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. Such advance shall be returned in the event that related MOU is terminated. The Company acquired those 4 IPPs from EDL in July 2012 (Note 5).

7. Assets under concession, net

	Buildings Million Kip	Hydroelectric dams Million Kip	Plant and machineries Million Kip	Motor vehicles Million Kip	Office equipment Million Kip	Furniture and fixture Million Kip	Construction in progress Million Kip	Total Million Kip
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
At 31 December 2011								
Open net book amount								
- As at 1 January 2012	251,801	2,351,157	1,218,971	1,105	856	650	122,987	3,947,527
Additions	8,360	-	8,566	2,648	840	1,688	133,326	155,428
Disposals	(614)	-	-	(795)	(12)	(37)	-	(1,458)
Charge for the year	(16,878)	(81373)	(56,459)	(1,027)	(391)	(469)	-	(156,597)
Net book amount	242,669	2,269,784	1,171,078	1,931	1,293	1,832	256,313	3,944,900
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

As at 31 December 2012, the assets under concession also included the construction in progress of new equipment acquired and installation of Nam Song project which was anticipated to be completed by 2013.

8. Cash and cash equivalents

	31 December 2012 Million KIP	31 December 2011 Million KIP
Cash on hand	80	9
Cash at banks - current account	164,431	342,786
	164,511	342,795

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 2 currencies being USD, and LAK in current accounts with interest at 0%-1% per annum.

9. Short-term investments

As at 31 December 2012, the Company invested in 6 and 12 months short-term deposit start from period 9 November 2012 to 9 May 2013 and 15 November 2012 to 15 November 2013 bearing interest rates at 8% per annum and 10% per annum, respectively, and with a local financial institution.

10. Trade and other receivables

	31 December 2012 Million KIP	31 December 2011 Million KIP
Trade receivable – parent company (Note 22 b) (i)	291,850	292,230
Receivable - parent company (Note 22 b)(ii)	121,783	110,534
	413,633	402,764

10. Trade and other receivables (continued)

i) Trade account receivables can be analysed as follows:

	31 December 2012 Million KIP	31 December 2011 Million KIP
Not overdue	104,775	130,000
Overdue less than 3 months	187,075	162,230
Overdue 3 - 6 months	-	-
Overdue 6 - 12 months	-	-
Overdue over 12 months	-	-
	291,850	292,230
Less Allowance for doubtful Receivables	-	-
Trade account receivables, net	291,850	292,230

Subsequently on 29 January, 27 February and 25 March 2013, the Company collected money from EDL for outstanding balance as at 31 December 2012 amounting to Kip 208,380 million.

ii) Receivable from parent company is expected to be settled in 2013. Discussions with EDL are underway. This receivable arises at the time of the transfer of Existing Generation Assets as disclosed in Note 1 a).

11. Share capital and share premium

	Number of Shares (Shares)	Share (Million Kip)	Share premium (Million Kip)	Total (Million Kip)
At 1 January 2011	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	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

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.

11. Share capital and share premium (continued)

2011:

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.

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

As at 31 December 2012 the total authorised number of ordinary shares is 1,226,216,765 shares (31 December 2011: 868,597,050 shares) with a par value of Kip 4,000 per share (31 December 2011: Kip 4,000 per share). All issued shares are fully paid.

12. Legal reserve

	31 December 2012 Million KIP	31 December 2011 Million KIP
At 1 January 2012 and 2011	58,408	2,051
Appropriation during the year	50,860	56,357
At 31 December	109,268	58,408

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.

13. Long-term borrowings

	31 December 2012 Million KIP	31 December 2011 Million KIP
Total long-term borrowings	1,048,356	1,282,197
Less: current portion for long-term borrowings	(173,753)	(211,921)
Long-term borrowings, net	874,603	1,070,276

13. Long-term borrowings (continued)

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

	31 December 2012 Million KIP	31 December 2011 Million KIP
As at 31 December	1,282,197	1,500,330
Addition during the year	-	2,574
Less: payment during the year	(210,843)	(224,602)
(Gain)/loss on exchange rate	(22,998)	3,895
As at 31 December	1,048,356	1,282,197

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 has with the lenders (Note 1 c iii).

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

	31 December 2012	31 December 2011
US dollar (million)	112	135
Yen (million)	1,627	1,831

The aging analysis of these borrowings is as follows:

	31 December 2012 Million KIP	31 December 2011 Million KIP
Less than one year	173,753	211,921
One year but not over 5 years	513,377	570,260
Over 5 years	361,226	500,016
	1,048,356	1,282,197

14. Accrued expenses

Accrued interest expenses comprise of:

	31 December 2012 Million KIP	31 December 2011 Million KIP
Accrued interest expense (i)	8,799	10,472
Accrued royalty fee and others tax (ii)	4,802	6,108
Others	9,382	5,648
	22,983	22,228

i) This represents accrued interest from long-term borrowing (Note 13). Subsequently the Company paid accrued interest expense amounting to LAK 8,963 million in January 2013, including the accrued interest period January to March 2013, according to related payment schedule.

ii) This mainly comprises accrued royalty fee amounting to Kip 4,429 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% per annum of gross sale on semi-annual basis. Accrued royalty fee was subsequently paid on 9 January 2013.

15. Accrued income tax

	31 December 2012 Million KIP	31 December 2011 Million KIP
Beginning balance	13,786	2,289
Payment during the year	(34,075)	(18,607)
Income tax expense for the year (Note 19)	27,118	30,104
	6,829	13,786

16. Other current liabilities

As at 31 December 2012, these mainly comprise the retention of subcontractor for construction amounting to Kip 3,050 million.

17. Expenses by nature

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

	31 December 2012 Million KIP	31 December 2011 Million KIP
Staff cost	32,658	26,006
Repair and maintenance	12,362	32,775
Depreciation on assets under concession (Note 7)	156,597	151,951
Amortisation - pre-operating expenses (Note 4)	1,982	2,104
Fuel	3,657	3,232
Others	40,580	36,616
	247,836	252,684

18. Interest expense

	31 December 2012 Million KIP	31 December 2011 Million KIP
Interest expense from borrowings	35,680	41,278

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

19. Income tax expense

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 in tax rate at 5% from the normal rate for 4 years start from 2011 (which is then equivalent to 5% from a normal rate of 10%).

19. Income tax expense (continued)

	31 December 2012 Million KIP	31 December 2011 Million KIP
Current tax - minimum tax computed on 0.25% of annual turnover base	2,019	2,229
Reconciliation between income tax expense and accounting profit:		
Accounting profit before income tax	629,587	593,672
Non-deductible expense for tax purpose	6,649	8,406
Dividend from a associate (Note 5)	11,738	-
Share of profit of associates and joint ventures under equity accounting method (Note 5)	(105,605)	-
Taxable income	542,369	602,078
Tax calculated at tax rate of 5% (2011: 5%)	27,118	30,104
Income tax expense	27,118	30,104

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

20. 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 2012	31 December 2011
Net profit attributable to ordinary shareholders (Million Kip)	602,469	563,568
Weighted average number of ordinary shares in issue (Million shares)	1,021	826.64
Basic earnings per share (Kip)	590.08	681.76

21. 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 2012 and 2011 are described below:

Description	Approval date/by	Dividend per share (Kip/share)	Amount Million Kip	Payment date
2012:				
Dividend from the operating result of 6 month 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 month period from 1 January to 30 June 2012	10 August 2012 by Board of Directors	170	208,457	In August 2012
		Total	**486,408**	
2011:				
Interim dividend from the operating result of 6 month period from 1 January to 30 June 2011	4 October 2011 by Board of Directors	177.97	154,581	In October 2011
		Total	**154,581**	

22. 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 2012 Million KIP	31 December 2011 Million KIP
Sales of electricity to EDL	779,887	881,748

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 expense

	31 December 2012 Million KIP	31 December 2011 Million KIP
Interest expense - EDL (Note 18)	35,680	41,278

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.

c) Outstanding balances from related party transaction

	31 December 2012 Million KIP	31 December 2011 Million KIP
Trade account receivable (Note 10)	291,850	292,230
Accounts receivable-others (Note 10)	121,783	110,534
Advance payment for investments (Note 6)	379,001	434,923
Long-term borrowings (Note 13)	1,048,356	1,282,197

22. Related party transactions (continued)

c) Directors and managements remuneration

For the years ended 31 December	31 December 2012 Million KIP	31 December 2011 Million KIP
Key management compensation	611	585

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

d) 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 13.

23. Contingencies

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.

24. Commitments and significant transactions

As at 31 December 2012

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

- During the second half of 2012, 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 106,953million in which the balance is due for payments over 1 to 2 years.

24. Commitments and significant transactions (continued)

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 11).

25. Post statement of financial position event

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 iix). Investment in NNG5 will be acquired and transferred to the Company when related conditions in Share Transfer Agreement are met. Management expect this investment acquisition to be completed within the 2nd quarter of 2013.

25. Post statement of financial position event (continued)

2011:

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 (31December 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.

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.

26. Summary of financial information at cost and proportionate consolidation methods

As explained in Note 2.1, management has decided to disclose "additional" information which management believes this will benefit the users of the financial statements particularly in Lao which are more familiar with cost accounting method. This is unaudited information (except for 26.1 financial statements presented under the cost method). The users of this information must be well informed about Lao accounting and International Financial Reporting Standards ("IFRS") environment. In addition, reading only this summary of financial information which consist of unaudited information is not a substitute for reading the audited financial information.Under related IFRS or IAS 31 – Interest in joint ventures, there is an option to recognise its interest in a jointly controlled entity either by proportionate consolidation or equity method. However, this standard will be replaced by IFRS 11 – joint arrangements from 1 January 2013. Under this new standard, jointly controlled entity can only be recognised it interest in jointly controlled entity only by using equity accounting method.

The condensed financial information of the Company under a cost method and proportionate consolidation are set out below:

26.1 Condensed financial information under cost method:

At cost method, the Company recognize income from investment (e.g. dividend income) when the right to receive is established, which is normally at the time where the investee companies (e.g. associates and JV) approve for dividend payments by the shareholders.

26. Summary of financial information at cost and proportionate consolidation methods (continued)

26.1.1 Statement of financial position

	("Audited") 31 December 2012 Million Kip
Non-current asset	5,957,604
Current assts	623,074
Total assets	6,580,678
Non-current liabilities	874,603
Current liabilities	207,290
Total liabilities	1,081,893
Net assets	5,498,785

26.1.2 Statements of income

	("Audited") 31 December 2012 Million Kip
Sale	779,887
Cost of sale	(185,990)
Gross profit	593,897
Other income (expenses), net	(58,177)
Profit before income tax expense	535,720
Income tax expense	(27,118)
Net profit for the year	508,602

26. Summary of financial information at cost and proportionate consolidation methods (continued)

26.2 Condensed financial information under proportionate consolidation:

Based on a proportionate consolidation method, investment in joint venture is accounted for using the proportionate consolidated method of accounting. Investments in associates are accounted for using the equity method of accounting.

The Company combines its share of the joint ventures' individual income and expenses, after acquisition date, assets and liabilities as at accounting date on a line-by-line basis with similar items in the Company's financial statements based on its percentage of interest. The Company recognises that portion of gains or losses on the sale of assets by the Company to the joint venture that is attributable to the other ventures. The Company does not recognise its share of profits or losses from the joint venture that result from the purchase of assets by the Company from the joint venture until it resells the assets to an independent party.

Proportionate consolidation financial information for key financial statements line items is set out below:

	("Unaudited") 31 December 2012 Million Kip
Non-current asset	8,325,123
Current assts	1,224,320
Total assets	9,549,443
Non-current liabilities	3,860,247
Current liabilities	528,512
Total liabilities	4,388,759
Net assets	5,160,684

	("Unaudited") 31 December 2012 Million Kip
Sale	998,898
Cost of sale	(297,284)
Gross profit	701,614
Other income (expenses), net	(114,982)
Share of profit of associates	47,924
Profit before income tax expense	634,556
Income tax expense	(32,087)
Net profit for the year	602,469