

MAHATHUEN LEASING PUBLIC COMPANY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS AND THE BOARD OF DIRECTORS OF MAHATHUEN LEASING PUBLIC COMPANY

Our opinion

In our opinion, the financial statements of Mahathuen Leasing Public Company (the Company) for the year ended 31 December 2021 are prepared, in all material respects, in accordance with accounting policies described in Note 3 to the financial statements.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2021;
- the statement of income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (Including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with IESBA Code.

Emphasis of Matter - Basis of accounting

We draw attention to Note 3 to the financial statements, which describes the basis of accounting. The financial statements have been prepared in accordance with the Company's accounting policies which the accounting basic used in the preparation of the financial statements may differ from International Financial Reporting Standards (IFRS). The readers should therefore be aware that the accompanying financial statements are not intended to present the financial position and its financial performance and cash flows in accordance with IFRS. Our opinion is not modified in respect to this matter.

Key audit matters

Key audit matters are those matter that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. We determine one key audit matter: Allowance for doubtful accounts. The matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matters.

Key audit matter	How our audit addressed the key audit matter
<p>Allowance for doubtful accounts</p> <p>As of 31 December 2021, finance lease and loan instalment receivable balance were LAK 81.8 billion and represented 84.7% of the total asset. The Company has set an allowance for doubtful accounts for finance lease and loan instalment receivable of LAK 4.7 billion which represented 5.7% of finance lease and loan instalment receivable.</p> <p>The Company has a policy to assess the collectability of outstanding finance lease and loan instalment receivable and set up an appropriate allowance for doubtful accounts. Management focused on finance lease and loan instalment receivables that overdue which hadn't been collected after the period ended and assessed the allowance based on the historical payment and expectations regarding the collectability of finance lease and loan instalment receivable.</p> <p>We focused on this area due to the significance of finance lease and loan instalment receivable and because allowance for doubtful accounts was a management's accounting estimate. The estimates were developed by management based on their judgment on assumptions concerning the customer's ability to repay and other related credit risks.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> • understanding policies and process, methods and assumptions used to develop the estimate of the allowance for doubtful accounts, and write offs and verifying that the accounting policies were consistent with prior period, • obtaining a detailed analysis supporting the allowance for doubtful accounts, agreeing balances and testing mathematical accuracy, • assessing the reasonableness of management's assumptions used in the detailed analysis supporting the allowance for doubtful accounts, • testing the reliability of the reports finance lease and loan instalment detailed listing that would be used to assess the allowance for doubtful accounts, • challenging management on the collectability of these accounts and obtaining additional supporting information to verify that the allowance for doubtful accounts was appropriate at period end, • obtaining the movement schedule of the allowance for doubtful accounts including opening balance, write-offs, additional provision recognised and closing balance, agreeing balances and testing mathematical accuracy, • considering whether any extent of write-offs occurring during the period, and determining whether there were unusually high volumes that might indicate the potential for additional uncollectible amounts. <p>From those procedure performed, we found that management's judgements and assumptions regarding allowance for doubtful account is reasonable based on the supporting evidence.</p>



Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of the auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statement, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the audit committee.

Responsibilities of directors and audit committee for the financial statements

Directors are responsible for the preparation and presentation of the financial statements in accordance with accounting policies described in Note 3 to the financial statements, and for such internal control as directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The audit committee assists the director in discharging their responsibilities for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by director.
- Conclude on the appropriateness of director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.



From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For PricewaterhouseCoopers (Lao) Sole Company Limited.



By Apisit Thientrongpinyo
Partner

Vientiane Capital, Lao PDR
Date: 18 March 2022

MAHATHUEN LEASING PUBLIC COMPANY


STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Notes	2021 LAK	2020 LAK
Assets			
Current assets			
Cash and cash equivalents	4	13,057,187,126	12,404,353,323
Current portion of finance lease receivables and instalment loan receivables, net	5	47,696,091,192	47,412,873,880
Asset held for sale, net	6	262,786,334	187,570,860
Other current assets	7	503,095,189	334,581,595
Total current assets		61,519,159,841	60,339,379,658
Non-current assets			
Cash deposit at Bank of Lao PDR	8	2,000,002,700	2,000,002,700
Finance lease receivables and instalment loan receivables, net	5	32,091,186,121	25,302,582,221
Property plant and equipment, net	9	939,382,351	1,037,381,048
Intangible assets, net	10	205,780,698	60,019,000
Other non-current asset		174,497,244	-
Total non-current assets		35,410,849,114	28,399,984,969
Total assets		96,930,008,955	88,739,364,627




 Mr. Manop Tririthvilai
 Chief Executive Officer

Date: 18 March 2022



 M.L. Thongthawal Thongtham
 Chief Financial Officer

Date: 18 March 2022

MAHATHUEN LEASING PUBLIC COMPANY

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Notes	2021 LAK	2020 LAK
Liabilities and equity			
Current liabilities			
Trade and other payables	11	4,580,752,344	4,074,936,047
Current portion of liability under a finance		-	78,339,545
Income tax payable		2,041,935,197	1,722,492,613
Other current liabilities		44,011,600	26,759,477
Total current liabilities		6,666,699,141	5,902,527,682
Non-current liabilities			
Borrowings	12	17,894,400,000	11,936,400,000
Other non-current liabilities		217,250,000	140,375,000
Total non-current liabilities		18,111,650,000	12,076,775,000
Total liabilities		24,778,349,141	17,979,302,682
Equity			
Share capital	13	40,000,000,000	40,000,000,000
Share premium		12,832,667,550	12,832,667,550
Retained earnings			
Appropriated Legal Reserve	14	4,785,832,107	4,026,672,320
Unappropriated		14,533,160,157	13,900,722,075
Total equity		72,151,659,814	70,760,061,945
Total liabilities and equity		96,930,008,955	88,739,364,627




 Mr. Manop Tririthvilai
 Chief Executive Officer

Date: 18 March 2022



 M.L. Thongthawal Thongtham
 Chief Financial Officer

Date: 18 March 2022

MAHATHUEN LEASING PUBLIC COMPANY

STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 LAK	2020 LAK
Revenue from interest - finance lease and installment loans		26,137,465,817	24,401,153,859
		26,137,465,817	24,401,153,859
Other income	17	1,313,706,358	1,188,628,696
Administrative expenses	18	(13,644,173,357)	(12,618,257,278)
Doubtful accounts and bad debt expenses		(1,334,475,241)	(1,367,357,647)
Net loss on foreign exchange rate		(1,611,858,554)	(537,589,578)
Operating profit		10,860,665,023	11,066,578,052
Finance expense		(1,969,624,570)	(2,197,475,810)
Profit before income tax expenses		8,891,040,453	8,869,102,242
Income tax expenses	19	(1,299,442,584)	(1,124,319,067)
Net profit for the year		7,591,597,869	7,744,783,175
Earnings (loss) per share			
Basic earnings (loss) per share	15	18.98	19.36




 Mr. Manop Trithvilai
 Chief Executive Officer

Date: 18 March 2022



 M.L. Thongthawal Thongtham
 Chief Financial Officer

Date: 18 March 2022

MAHATHUEN LEASING PUBLIC COMPANY

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

Note	Share capital LAK	Share Premium LAK	Retained earnings		Total LAK
			Appropriated Legal Reserve LAK	Unappropriated LAK	
As at 1 January 2020	40,000,000,000	12,832,667,550	3,252,194,002	10,930,417,218	67,015,278,770
Profit for the year	-	-	-	7,744,783,175	7,744,783,175
Appropriation of legal reserve	-	-	774,478,318	(774,478,318)	-
Dividends paid	-	-	-	(4,000,000,000)	(4,000,000,000)
As at 31 DECEMBER 2020	40,000,000,000	12,832,667,550	4,026,672,320	13,900,722,075	70,760,061,945
As at 1 January 2021	40,000,000,000	12,832,667,550	4,026,672,320	13,900,722,075	70,760,061,945
Profit for the year	-	-	-	7,591,597,869	7,591,597,869
Appropriation of legal reserve	-	-	759,159,787	(759,159,787)	-
Dividends paid	-	-	-	(6,200,000,000)	(6,200,000,000)
As at 31 December 2021	40,000,000,000	12,832,667,550	4,785,832,107	14,533,160,157	72,151,659,814



Mr. Manop Tririthvilai
Chief Executive Officer



M.L. Thongthawal Thongtham
Chief Financial Officer

Date: 18 March 2022

Date: 18 March 2022

The accompanying notes on pages 12 to 26 from part of these financial information

MAHATHUEN LEASING PUBLIC COMPANY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 LAK	2020 LAK
Cash flow from operating activities:			
Profit before income tax expense		8,891,040,453	8,869,102,242
Adjustments to reconcile net profit to net cash			
Bad debts and doubtful accounts		1,334,475,241	1,367,357,647
Amortisation of deferred commission expenses		3,852,211,867	4,116,923,471
Loss from write-off of property, plant and equipment		4,394,735	-
Impairment loss of asset held for sale		5,000,000	7,500,000
Depreciation and amortisation	9, 10	514,758,170	532,941,312
Finance expense		1,969,624,570	2,197,475,810
Unrealisation loss on exchange rate		1,447,413,093	331,993,356
Operating gain before working capital changes		18,018,918,129	17,423,293,838
Changes in working capital:			
Finance lease receivables		(8,302,002,387)	3,454,615,662
Asset held for sale		(80,215,474)	(59,291,911)
Other current and non-current assets		(343,010,836)	72,838,838
Trade and other payables		505,816,297	180,825,294
Other current liabilities		384,687,136	(2,590,029)
Other non-current liabilities		76,875,000	62,250,000
Cash generated from operation		10,261,067,864	21,131,941,692
Commission expense paid		(3,937,700,000)	(3,658,410,000)
Interest paid		(2,337,173,874)	(1,937,520,606)
Income tax paid		(980,000,000)	(2,239,100,434)
Net cash generated from operating activities		3,006,193,990	13,296,910,652




Mr. Manop Tririthyilai
Chief Executive Officer

Date: 18 March 2022



M.L. Thongthawal Thongtham
Chief Financial Officer

Date: 18 March 2022

MAHATHUEN LEASING PUBLIC COMPANY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 LAK	2020 LAK
Cash flows from investing activities:			
Acquisitions of property plant and equipment	9	(397,464,907)	(116,102,167.00)
Acquisitions of intangible asset	10	(169,451,000)	(60,019,000.00)
Net cash used in investing activities		(566,915,907)	(176,121,167)
Cash flows from financing activities:			
Proceeds from borrowings	12	4,083,200,000	14,433,600,000
Repayment of borrowings		-	(2,928,600,000)
Repayment of borrowings - related party		-	(20,100,000,000)
Repayment of liability under a finance lease agreement		(78,339,545)	(45,839,243)
Dividends paid	16	(6,200,000,000)	(4,000,000,000)
Net cash used in financing activities		(2,195,139,545)	(12,640,839,243)
Net increase in cash and cash equivalents		244,138,538	479,950,242
Cash and cash equivalents at the beginning of the period		12,404,353,323	11,898,879,158
Exchange gains on cash and cash equivalents		408,695,265	25,523,923
Cash and cash equivalents at the end of the period	4	13,057,187,126	12,404,353,323

Mr. Manop Tririthvithai
Chief Executive Officer



Date: 18 March 2022

M.L. Thongthawal Thongtham
Chief Financial Officer

Date: 18 March 2022

MAHATHUEN LEASING PUBLIC COMPANY

NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1 General information

Mahathuen Leasing Public Company (the Company) is a listed company in the Lao Securities Exchange and incorporated and resident in Lao PDR. The Company was incorporate and registered with the Ministry of Industry and Commerce on 2 September 2011. The Company commenced the operation after obtaining a license issued by Bank of the Lao PDR (BOL) on 11 June 2012.

On 13 June 2018 the Company was approved for offering its shares initial public offering by Lao Securities and Commission Office (LSCO).

The Company's head office is located at 628, Phonphanao Village, KM5, Kaisonphomvihan Road, Xaysettha District, Vientiane capital, Lao PDR.

The principal activities of the Company are to retail finance business through providing credit lines for individual customers to buy motorcycle and tractors.

The financial statements were authorised by the Board of Directors on 18 March 2022.

2 Significant events during the current period

The COVID-19 infections in Lao increased significantly during April of 2021 leading to the lockdown of Vientiane Capital and all provinces of Laos. This significant increase of infections is described as the second wave where stricter measures taken by various governments to contain the virus have affected the economic activity.

The Company has taken several measures to supports customers, who have the impact from COVID 19 pandemic, following the Bank of Lao's relief measurement to help debtors suffering from Lao economic situation, by providing grace periods for principal and interest and reducing rate according to the conditions and terms specified by the Company.

Management will continue to monitor the ongoing development and regularly assess the financial information impact in respect for the valuation of assets, provisions and contingent liabilities.

3 Summary of significant accounting policies

These financial statements have been prepared in accordance with the Company's accounting policies which the significant accounting policies are as follows:

3.1 Basis of preparation

The accompanying financial statements have been prepared in accordance with the Company's principal accounting policies as described below and have been prepared generally of the historical cost convention.

According to the Accounting Law no. 47/NA issued on 26 December 2013, Public Interest Enterprises (PIEs) are required to apply IFRS. However, Ministry of Finance has issued announcement No. 1137/MoF issued on 27 April 2020 and from Lao Securities and Exchange Commission Office (LSCO) dated 25 May 2020, which provided options for PIEs to prepare action plan for adoption IFRS within four-year period. The management is presently preparing action plan for implementation IFRS in accordance with the announcement.

MAHATHUEN LEASING PUBLIC COMPANY

NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

3 Summary of significant accounting policies (Continued)

3.1 Basis of preparation (Continued)

The accounting principles applied may materially differ from International Financial Reporting Standards (IFRS). These areas of significant differences are, for example, leases, employee benefit, the effects of changes in foreign exchange rate, income tax.

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

3.2 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks and bank deposits with maturities of three months or less from the date of acquisition, excluding restricted cash deposits.

3.3 Finance lease and instalment loan receivables

Finance lease and instalment loan receivables are amounts due from customers for providing credit lines for individual customers to buy motorcycle and tractors in the ordinary course of business, which includes unearned interest income and commission expenses which directly relate to the contract.

Finance lease and instalment loan receivables presented at cost less allowance for doubtful accounts (Note 3.4)

3.4 Allowance for doubtful accounts and bad debts

The Company's management estimates the allowance for doubtful debts from the ending balance based on past collection experiences and relevant current information. As at 31 December 2021 and onward, management estimate the allowance for doubtful debt base on the notification number 512/BoL from Bank of Lao PDR (BoL). Bad debts are written off during the year in which they are identified and recognized in the statement of income. A bad debt recovery is recorded by reducing bad debt and doubtful account expenses in the statement of income.

3.5 Asset held for sale

Asset held for sale is the asset seized from the lessee or borrower and is stated at cost less the expenses necessary to make the sale.

MAHATHUEN LEASING PUBLIC COMPANY

NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

3 Summary of significant accounting policies (Continued)

3.6 Leasehold improvements and equipment

Leasehold improvements and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

The cost of an item of leasehold improvements and equipment comprises its purchase price, import duties and non-refundable purchase taxes (after deducting trade discounts) and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The cost of replacing parts of leasehold improvements and equipment is included in the carrying amount of the asset when it is probable that future economic benefits will flow to the Company and the carrying amount of those replaced parts is derecognized.

Repairs and maintenance are charged to the statement of income during the accounting period in which they are incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold improvements	5 years
Office furniture and fixtures	5 years
Office equipment	3 - 5 years
Vehicles	5 years

Whenever there is any indicator showing a permanent decrease in the amount of equipment such as evidence of obsolescence or physical damage of an asset, significant changes in the manner in which an asset is used or is expected to be used, the Company shall recognize loss on decrease in value of equipment in the statement of income where the carrying amount of an asset is higher than the recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

3.7 Intangible asset

Intangible asset represents the acquired computer software which is capitalized as intangible asset on the basis of the cost incurred to acquire and bring into use the specific software. Amortization is calculated on a straight-line basis over its estimated useful life of 5 years.

Cost associated with maintaining the computer software is recognized as an expense as incurred.

Expenditure which enhances or extends the performance of the computer software beyond its original specifications is recognized as a capital improvement and added to the original cost of the software.

MAHATHUEN LEASING PUBLIC COMPANY

NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

3 Summary of significant accounting policies (Continued)

3.8 Premium on ordinary shares

Premium on ordinary shares is recognized when the Company receives money from the initial public offering and the amount has been calculated from the difference between the initial public offer price and par value less cost of underwriting.

3.9 Revenue and expense recognition

Revenue from interest-bearing finance leases and instalment loans is recognized on an accrual basis which is calculated by using the effective interest rate method.

Processing fee and service income are recognized when services are rendered.

Penalty fee (late payment charge) is recognized upon receipt.

Other income and expenses are recognized on an accrual basis.

3.10 Lease - where the Company is the lessor

Lease transferring a significant portion of the risks and rewards of ownership to the lessee is classified as a finance lease.

When assets are leased out under a finance lease, the net investment value in the lease is recognized as a receivable. The difference between the gross receivable and the net investment value of the receivable is recognized as an unearned interest income. Interest income from finance leases is recognized as described in Note 3.8.

3.11 Leases - where the Company is the lessee

Operating lease

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 are charged to the statement of income on a straight-line basis over the periods of the leases.

Finance lease

Lease in which substantially all the risk and reward of ownership, except legal title that is transferred to the Company is accounted for as a finance lease. The Company capitalized the asset and recorded the liabilities in the statements of financial position of the lessee in the amount at the lower of the estimated present value of the underlying lease payments or at the fair value of the leased asset at the contractual date. The leased assets are depreciated using the straight-line method over their estimated useful lives. Financial charge is calculated by the effective interest rate method over the terms of the contracts.

Financial charge and depreciation are recognized as expenses in the statement of income.

MAHATHUEN LEASING PUBLIC COMPANY

NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

3 Summary of significant accounting policies (Continued)

3.12 Foreign currency transactions

Foreign currency transactions are translated into LAK using the exchange rates prevailing at the date of the transaction.

At the end of each reporting period, foreign currency monetary assets and liabilities are retranslated by using the exchange rate at the closing rate. Non-monetary assets and liabilities denominated in foreign currencies are carried at cost using the exchange rate at the date of the transaction.

Gains and losses resulting from the settlement of foreign currency transactions and from the retranslation of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income.

3.13 Income tax expense

Income tax expense is recorded based on tax paid and accrued for the year.

3.14 Basic earnings per share

Basic earnings per share are calculated by dividing net profit for the year by the weighted average of the ordinary shares issued and paid up during the year. In case of a capital increase, the number of shares is weighted according to the time of the registration of the paid-up share capital increase.

4 Cash and cash equivalents

	2021 LAK	2020 LAK
Cash on hand	41,035,623	65,894,780
Cash at banks	13,016,151,503	12,338,458,543
Total	13,057,187,126	12,404,353,323

Deposits held at call with banks represent cash deposited in three different currencies being Lao Kip (LAK), Thai Baht and US Dollars with local reputable banks and foreign bank branches.

MAHATHUEN LEASING PUBLIC COMPANY

NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

5 Finance lease receivables and instalment loan receivable, net

Finance lease receivables and instalment loan receivable as at December 31, consist of the following:

	2021 LAK	2020 LAK
Current		
Current portion of finance lease receivables	1,142,390,791	1,417,264,839
Current portion of installment loan receivables	49,443,374,420	47,733,016,741
	50,585,765,211	49,150,281,580
<u>Add</u> Initial direct cost	1,366,237,006	1,447,725,719
<u>Less</u> allowance for doubtful accounts	(4,255,911,025)	(3,185,133,419)
	47,696,091,192	47,412,873,880
Non-current		
Finance lease receivables	323,369,606	207,374,737
Installment loan receivables	31,017,898,812	24,401,024,077
	31,341,268,418	24,608,398,814
<u>Add</u> Initial direct cost	1,293,716,612	1,126,739,763
<u>Less</u> allowance for doubtful accounts	(543,798,909)	(432,556,356)
	32,091,186,121	25,302,582,221
Total	79,787,277,313	72,715,456,101

As at 31 December, Finance lease and instalment loan receivables aged as follows:

	2021 LAK	2020 LAK
Not yet due	59,043,910,017	54,414,161,391
1 – 3 months	16,691,343,418	14,672,370,031
4 – 5 months	1,812,386,831	1,145,245,622
6 – 12 months	1,394,089,145	1,297,787,808
Over 12 months	2,985,304,218	2,229,115,542
	81,927,033,629	73,758,680,394
<u>Add</u> Initial direct cost	2,659,953,618	2,574,465,482
<u>Less</u> Allowance for doubtful accounts	(4,799,709,934)	(3,617,689,775)
Total	79,787,277,313	72,715,456,101

MAHATHUEN LEASING PUBLIC COMPANY

NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

6 Asset held for sale, net

	2021 LAK	2020 LAK
Motorcycles	291,536,334	211,320,860
<u>Less</u> allowance for diminution in value of assets	(28,750,000)	(23,750,000)
Total	262,786,334	187,570,860

7 Other current assets

	2021 LAK	2020 LAK
Prepaid expenses	449,969,869	292,490,017
Advance payments	42,757,320	9,239,640
Value-added tax receivable	-	8,633,089
Others	10,368,000	24,218,849
	503,095,189	334,581,595

8 Cash deposit at Bank of Lao PDR

Restricted cash deposit of LAK 2,000 million is the mandatory reserve with Bank of the Lao P.D.R. which is at 5% of total registered share capital of LAK 40,000 million. Such cash cannot be used for day-to-day operations, it can only be refunded if the Company permanently closes its business.

MAHATHUEN LEASING PUBLIC COMPANY

NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

9 Property plant and equipment, net

	Leasehold improvements LAK	Office furniture and fixtures LAK	Office equipment LAK	Vehicles LAK	Total LAK
At 31 December 2020					
Cost	625,233,708	545,811,347	794,893,146	1,680,232,218	3,646,170,419
Less: Accumulated depreciation	(421,239,199)	(337,729,540)	(601,749,166)	(1,248,071,466)	(2,608,789,371)
Net book amount	<u>203,994,509</u>	<u>208,081,807</u>	<u>193,143,980</u>	<u>432,160,752</u>	<u>1,037,381,048</u>
Year ended 31 December 2021					
Opening net book amount	203,994,509	208,081,807	193,143,980	432,160,752	1,037,381,048
Additions	-	17,973,664	129,749,425	249,741,818	397,464,907
Disposal	(125,015)	(1,932,055)	(2,337,665)	-	(4,394,735)
Depreciation charge	(102,651,302)	(80,454,319)	(113,534,304)	(194,428,944)	(491,068,869)
Closing net book amount	<u>101,218,192</u>	<u>143,669,097</u>	<u>207,021,436</u>	<u>487,473,626</u>	<u>939,382,351</u>
At 31 December 2021					
Cost	625,233,708	563,785,011	924,642,571	1,929,974,036	4,043,635,326
Less: Accumulated depreciation	(524,015,516)	(420,115,914)	(717,621,135)	(1,442,500,410)	(3,104,252,975)
Net book amount	<u>101,218,192</u>	<u>143,669,097</u>	<u>207,021,436</u>	<u>487,473,626</u>	<u>939,382,351</u>

MAHATHUEN LEASING PUBLIC COMPANY

NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

9 Property plant and equipment, net (Continued)

	Leasehold improvements LAK	Office furniture and fixtures LAK	Office equipment LAK	Vehicles LAK	Total LAK
At 31 December 2019					
Cost	625,233,708	519,842,181	704,760,145	1,680,232,218	3,530,068,252
Less: Accumulated depreciation	(317,920,343)	(255,274,734)	(501,243,169)	(1,001,409,813)	(2,075,848,059)
Net book amount	<u>307,313,365</u>	<u>264,567,447</u>	<u>203,516,976</u>	<u>678,822,405</u>	<u>1,454,220,193</u>
Year ended 31 December 2020					
Opening net book amount	307,313,365	264,567,447	203,516,976	678,822,405	1,454,220,193
Additions	-	25,969,166	90,133,001	-	116,102,167
Depreciation charge	(103,318,856)	(82,454,806)	(100,505,997)	(246,661,653)	(532,941,312)
Closing net book amount	<u>203,994,509</u>	<u>208,081,807</u>	<u>193,143,980</u>	<u>432,160,752</u>	<u>1,037,381,048</u>
At 31 December 2020					
Cost	625,233,708	545,811,347	794,893,146	1,680,232,218	3,646,170,419
Less: Accumulated depreciation	(421,239,199)	(337,729,540)	(601,749,166)	(1,248,071,466)	(2,608,789,371)
Net book amount	<u>203,994,509</u>	<u>208,081,807</u>	<u>193,143,980</u>	<u>432,160,752</u>	<u>1,037,381,048</u>

MAHATHUEN LEASING PUBLIC COMPANY

NOTE TO THE FINANCIAL STATEMENTS
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10 Intangible assets, net

	2021 LAK	2020 LAK
As at 1 January		
Opening net book amount at 1 January	60,019,000	-
Additions	169,451,000	60,019,000
Less: amortization	(23,689,302)	-
Net book amount as at 31 December	205,780,698	60,019,000
Cost	271,963,727	102,512,727
Less: Accumulated amortization	(66,183,029)	(42,493,727)
Net book amount as at 31 December	205,780,698	60,019,000

11 Trade and other payables

	2021 LAK	2020 LAK
Trade payables	2,727,309,000	2,179,740,000
Accrued expenses	1,451,698,670	1,624,132,234
Trade payables – related parties (Note 20)	313,206,000	190,075,000
Other payables – related parties (Note 20)	38,750,000	28,136,000
Other tax payables	49,788,674	52,852,813
	4,580,752,344	4,074,936,047

12 Borrowings

	2021 LAK	2020 LAK
Opening balance	11,936,400,000	-
Addition	4,083,200,000	14,433,600,000
Repayment	-	(2,928,600,000)
Loss on exchange rate	1,874,800,000	431,400,000
Ending balance	17,894,400,000	11,936,400,000

The Company entered into a loan agreement with a financial institution in February 2020. The available term-loan facility in an aggregate amount of USD 3 million with interest rate 1.2% per annum and the repayment period of borrowing is 3 years start from each drawdown date.

As at 31 December 2021, the total drawdown amount is USD 1.6 million (equivalent to LAK 17.8 billion) and it was classified as non-current.

The borrowing was guaranteed by major shareholder which is Mahathun Holding Company Limited.

MAHATHUEN LEASING PUBLIC COMPANY

**NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

13 Share capital

	Par value (LAK)	2021		2020	
		Number	LAK	Number	LAK
Authorised shares					
Ordinary shares	1,000	-	-	40,000,000	40,000,000,000
Ordinary shares	100	400,000,000	40,000,000,000	-	-
Issued and paid-up shares at opening					
Ordinary shares	1,000	-	-	40,000,000	40,000,000,000
Reduction in par value from LAK 1,000 to LAK 100	100	400,000,000	40,000,000,000	-	-
At Closing date					
Ordinary shares	1,000	-	-	40,000,000	40,000,000,000
Ordinary shares	100	400,000,000	40,000,000,000	-	-

On 4 December 2020, at the Extra Ordinary General Shareholders Meeting No.1, the shareholders passed a resolution to approve change in par value of the Company from of LAK 1,000 to LAK 100 each.

The Company has registered change in share capital with the Ministry of Industry and Commercial on 24 June 2021.

The ordinary shares were changed from 40,000,000 ordinary shares to 400,000,000 ordinary shares.

14 Legal reserved

Legal reserve is set-up in accordance with the Enterprise Law of the Lao PDR under article 156 which requires the appropriation of profit as a legal reserve of at least 10% of the annual net profit until such reserve reaches 50% of authorized share capital.

15 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, adjusted by the impact from change in par value of shares for comparative purpose as follows:

	2021	2020	
		After split share	Before split share
Net profit attributable to ordinary shareholders (LAK)	7,591,597,869	7,744,783,175	7,744,783,175
Weighted average number of ordinary shares in issue (shares)	400,000,000	400,000,000	40,000,000
Basic earnings per share (LAK)	18.98	19.36	193.62

MAHATHUEN LEASING PUBLIC COMPANY

NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

16 Dividends

At the Annual General Shareholder's Meeting for the year 2019 on 29 May 2020, shareholders approved the payment of annual dividend from net profit 12 months period ended 31 December 2019 at LAK 100 per share, totalling LAK 4,000 million and appropriate its net income to legal reserve amounting LAK 808,458,495.

At the Annual General Shareholder's Meeting for the year 2020 on 27 April 2021, shareholders approved the payment of annual dividend from net profit 12 months period ended 31 December 2020 at LAK 155 per share, totalling LAK 6,200 million and appropriate its net income to legal reserve amounting LAK 774,478,318.

17 Other income

Other income consists of the following:

	2021 LAK	2020 LAK
Penalty - customers	1,073,589,183	883,308,009
Others	240,117,175	305,320,687
	<u>1,313,706,358</u>	<u>1,188,628,696</u>

18 Administrative expenses

	2021 LAK	2020 LAK
Staff costs	8,429,963,871	7,626,431,028
Remuneration of managements	805,000,000	829,630,856
Utility expenses	635,603,652	538,462,328
Net loss on sale of assets held for sale	949,090,695	1,179,382,249
Depreciation and amortization	519,152,905	532,941,312
Other expenses	2,305,362,234	1,911,409,505
	<u>13,644,173,357</u>	<u>12,618,257,278</u>

19 Income tax expenses

The Company has been granted the privileges under the Tax Law of Lao PDR by reducing 5% of the profit tax rate from the normal rate for four years from the date of registration on the Lao Securities Exchange (The date of registration of the Company is 13 June 2018).

According to the tax law no. 259 effective on 1 January 2020, the Company calculated Profit taxes on its net taxable income at the rate of 13% after considering the non-deductible income and expenses was in accordance with the Lao Tax Law.

In Lao PDR, income tax returns are regularly reviewed in detail by the relevant authorities. In addition, tax issues raised in the reviews may require substantive judgements and interpretation by the parties concerned.

MAHATHUEN LEASING PUBLIC COMPANY

**NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

19 Income tax expenses (Continued)

The reviews could therefore potentially result additional tax payments or refunds being necessary which may be significant. This would result in the payment or refund being recognised as income tax adjustment in the year in which the reviews are completed.

For the year ended 31 December 2021, the Company recognized income tax expense in statement of income of LAK 1,299 million (2020: LAK 1,124 million)

20 Related party transactions

Account name/Company's name	Relationship	2021 LAK	2020 LAK
Trade payables			
JB Honda	(1)	208,660,000	99,375,000
JB Honda Nonsavang	(1)	104,546,000	79,604,000
JB Honda Thangon	(1)	-	11,096,000
		313,206,000	190,075,000
Other payables			
JB Honda	(1)	21,250,000	13,020,000
JB Honda Nonsavang	(1)	17,500,000	9,410,000
JB Honda Thangon	(1)	-	5,706,000
		38,750,000	28,136,000
Accrued guarantee expense			
Mahathun Holding Co.,Ltd	Shareholder	-	367,549,304
Total		-	367,549,304

MAHATHUEN LEASING PUBLIC COMPANY

NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

20 Related party transactions (Continued)

Account name/Company's name	Relationship	2021 LAK	2020 LAK
Purchase of leasing assets			
JB Honda	(1)	3,006,647,000	3,357,246,000
JB Honda Nonsavang	(1)	2,685,163,000	2,168,491,000
JB Honda Thangon	(1)	332,538,000	800,688,000
		6,024,348,000	6,326,425,000
Commission expense			
JB Honda	(1)	164,250,000	207,250,000
JB Honda Nonsavang	(1)	148,750,000	136,950,000
JB Honda Thangon	(1)	18,750,000	53,400,000
		331,750,000	397,600,000
Other expense			
JB Honda	(1)	58,198,000	26,832,000
JB Honda Nonsavang	(1)	53,830,000	14,861,500
JB Honda Thangon	(1)	7,020,000	19,072,100
		119,048,000	60,765,600

Transactions for the year consist of the following.

	Relationship	2021 LAK	2020 LAK
Interest expense			
Ms. Inthavilay Oudom	Shareholder and director	-	122,228,021
Mahathun Holding Co.,Ltd	Shareholder	-	723,288,207
		-	845,516,228
Guarantee expense			
Mahathun Holding Co.,Ltd	Shareholder	1,793,954,174	367,549,304
Total		1,793,954,174	367,549,304

(1) The director of the Company is the shareholder of the entity.

Managements remuneration for the year consists of the following:

	2021 LAK	2020 LAK
Short-term benefits	805,000,000	829,630,856

MAHATHUEN LEASING PUBLIC COMPANY

**NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

21 Commitments

A. Capital commitments

As at 31 December 2021, the Company has no capital commitments relating to Computer software under installation (2020: LAK 96.02 million)

B. Operating lease commitments

The Company has commitment under long-term lease for office space.

Operating lease commitment contracted but not recognised as liabilities is as follow:

	2021 LAK	2020 LAK
Within one year	126,981,858	150,037,955
Over 1 year but nit over 5 years	1,340,322,412	1,381,246,738
Over 5 years	31,006,070	362,514,661
	<u>1,498,310,340</u>	<u>1,893,799,354</u>

22 Subsequent events

There have been no significant post balance sheet events that would significantly impact the figures in the Company's financial statements.