

Petroleum Trading Lao Public Company

Separate financial statements

31 December 2016

Petroleum Trading Lao Public Company

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Petroleum Trading Lao Public Company

GENERAL INFORMATION

THE COMPANY

Petroleum Trading Lao Public Company ("the Company"), formerly known as Petroleum Trading Lao Company Limited, is a company incorporated in Lao PDR in accordance with the Enterprise Registration No. 0458 issued by the Enterprise Registration Office, Domestic Trade Department of the Ministry of Industry and Commerce on 3 October 2008 and the subsequent amendments, with the latest is the Registration No. 508 dated 5 December 2014 issued by the Enterprise Registration Office, Department of Enterprise Registration and Management of the Ministry of Industry and Commerce.

The Company's head office is located at Kamphaeng Mueang street, Phonthan village, Xaysettha district, Vientiane capital, Lao PDR.

The Company also has 5 depot branches which are located in Vientiane Capital, Bolikhamxay province, Savannakhet province, Xayyabouly province and Champasack province, Lao PDR.

The principal activities of the Company are to distribute fuel and petroleum products.

BOARD OF DIRECTORS

Members of the Board of Directors during the year and at the date of this report are:

Mr. Vang Rattanavong	Chairman (*)
Mrs. Savanhthong Phongsavanh	Vice Chairman
Mr. Chanthone Sitthixay	Vice Chairman
Mrs. Daly Pholsena	Director (*)
Mr. Noupnan Mahaphone	Director (*)
Mrs. Chanthadom Meksavanh	Director
Mr. Bounthanh Chittavong	Director
Mr. Phoxay Chanthavongsa	Director
Mr. Viengkhone Sitthixay	Director

(*) Independent Directors.

MANAGEMENT

Members of the management of the Company during the year and at the date of this report are:

Mr. Chanthone Sitthixay	Chief Executive Officer
Mrs. Chanthadom Meksavanh	Acting Chief Financial Officer
Mr. Phoxay Chanthavongsa	Internal Auditor
Mr. Bounthanh Chittavong	Acting Chief Operating Officer
Mr. Takounsine Xaphackdy	Director of Commercial
Mr. Bounyuen Duangsone	Director of Administration
Mrs. Sengduean Kiosouvath	Director of Accounting

Petroleum Trading Lao Public Company

GENERAL INFORMATION (continued)

AUDIT COMMITTEE

Members of the audit committee during the year and at the date of this report are:

Mr. Vang Rattanaavong
Mrs. Daly Pholsena
Mr. Noupnan Mahaphone

Chairman
Vice Chairman
Member

LEGAL REPRESENTATIVE

The legal representative of the Company during the year and at the date of this report is Mr. Chanthone Sitthixay, Vice Chairman and Chief Executive Officer.

AUDITOR

The auditor of the Company is Ernst & Young Lao Limited.

Petroleum Trading Lao Public Company

REPORT OF MANAGEMENT

The management of Petroleum Trading Lao Public Company ("the Company") presents its report and the Company's separate financial statements for the year ended 31 December 2016.

STATEMENT OF THE MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE SEPARATE FINANCIAL STATEMENTS

The management is responsible for the preparation of the separate financial statements which have been prepared in accordance with the accounting policies as described in Note 3 to the separate financial statements. These accounting policies are not intended to present the separate financial position, the separate results of operations and the separate cash flows of the Company in accordance with international generally accepted accounting principles. In preparing those separate financial statements, the Company's management is required to:

- ▶ select suitable accounting policies and then apply them consistently;
- ▶ make judgments and estimates that are reasonable and prudent;
- ▶ state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the separate financial statements; and
- ▶ prepare the separate financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue its business.

The management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the separate financial position of the Company and for ensuring that the separate financial statements comply with the selected accounting policies. It is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The management has confirmed that the Company has complied with the above requirements in preparing the accompanying separate financial statements.

APPROVAL OF THE SEPARATE FINANCIAL STATEMENTS

We hereby approve the accompanying separate financial statements for the year ended 31 December 2016 which are prepared in accordance with the accounting policies as described in Note 3 to the separate financial statements.

For and on behalf of the management:



Chanthone Sithixay
Chief Executive Officer

Vientiane Capital, Lao PDR

28 April 2017

Reference: 61101883/18743388

INDEPENDENT AUDITORS' REPORT

To: The shareholders of Petroleum Trading Lao Public Company

Qualified opinion

We have audited the separate financial statements of Petroleum Trading Lao Public Company ("the Company"), which comprise the separate balance sheet as at 31 December 2016, and the separate income statement, separate statement of changes in equity and separate cash flow statement for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying separate financial statements are prepared, in all material respects, in accordance with the accounting policies as described in Note 3 to the separate financial statements.

Basis for Qualified Opinion

We refer to Note 10 to the separate financial statements. The Company has not accounted for the results of the smart card operations, which were managed by Well Tech Lao Co., Ltd. ("Well Tech") during the period from 2013 to 2015 even though the Company is the legal owner of the smart card operating system and is also the party who signed contracts with the smart card customers. Based on the available information, we are unable to assess whether the Company should have consolidated the results of the smart card operations from its inception, and to determine whether any adjustments to the corresponding figures for the year ended 31 December 2015 were necessary.

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 are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Lao PDR, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of matters

We draw attention to Note 2 of the separate financial statements. The Company has prepared the consolidated financial statements of the Company and its subsidiary for the year ended 31 December 2016 in accordance with the accounting policies as described in Note 3 to the consolidated financial statements. We have audited these consolidated financial statements and our auditors' report dated 28 April 2017 has expressed a qualified opinion on those consolidated financial statements due to the same matter as described in the *Basis for Qualified Opinion* section.

We also draw attention to Note 3 to the separate financial statements, which describes the accounting policies adopted by the Company. These accounting policies are not intended to present the separate financial position, the separate results of its operations and the separate cash flows of the Company in accordance with international generally accepted accounting principles.

Our opinion is not modified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current year. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the *Basis for Qualified Opinion* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Recognition and disclosure of related party transactions, including revenue recognition

As disclosed in Note 28 to the separate financial statements, a significant portion of the Company's revenue in current year is generated from the sale of fuel and from the lease of petrol stations to related parties, which are entities under common control of the Company's largest shareholder. In addition, the Company also has had a significant number of other transactions with these related parties in prior years and up to the reporting date, such as provision of advance, provision of interest free and interest bearing loans, and making payment on behalf of related parties. This has resulted in significant balances of trade receivables, other receivables and loan receivables from related parties outstanding as of the balance sheet date.

There is a risk that, if not being carried out at arm's length or not reflecting the goods or services provided in the period, such transactions could be used to affect earnings, or to distribute profits to the largest shareholder.

We evaluated the appropriateness of management's process for identifying and recording related party transactions.

- ▶ We read contracts and agreements with related parties to understand the nature of the transactions.
- ▶ Throughout the performance of our audit procedures, we remained alert for any related party transactions outside the normal course of business.
- ▶ With respect to revenue recognition, our procedures included:
 - On a sample basis we performed testing to support physical deliveries of product in the year.
 - We performed revenue cut-off testing.
 - We compared prices charged to related parties on sale of fuel with those applied to other parties for transactions with similar terms and conditions.
- ▶ With respect to assessing collectability of outstanding receivables from related parties, our procedures included:
 - On a sample basis we verified the payment terms against the underlying contracts, agreements with the related parties. We checked actual collection progress against those agreed payment terms. We inquired management on the status of overdue balances and risks of default.
- ▶ We verified that related party disclosures in the financial statements are consistent with the results of our audit procedures.

Responsibilities of the Management for the separate financial statements

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

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

Auditors' Responsibilities for the Audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate financial statements.

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

- ▶ Identify and assess the risks of material misstatement of the separate 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 management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate 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 Board of Directors 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 Board of Directors 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, related safeguards.



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From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the separate financial statements of the current year 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.

Ernst x Young Law Ltd



Vientiane, Lao PDR

28 April 2017

Petroleum Trading Lao Public Company

SEPARATE BALANCE SHEET
as at 31 December 2016

Currency: LAK

	Notes	31 December 2016	31 December 2015 (Restated)
Assets			
Current assets			
Cash	4	77,446,458,912	74,657,189,719
Short-term investments	28	-	11,727,093,359
Trade receivables	5	123,926,666,763	98,642,692,232
Advance to suppliers	6	37,669,346,163	4,953,370,656
Other receivables	28	38,145,662,933	40,194,690,016
Inventories	7	73,651,625,171	11,737,495,355
Other current assets	8	32,444,811,857	20,724,340,660
		383,284,571,799	262,636,871,997
Non-current assets			
Tangible fixed assets	9	138,667,446,743	112,981,550,159
Intangible fixed assets	10	130,020,912,193	129,778,209,610
Investment properties	11	156,087,051,056	152,575,976,414
Construction in progress	12	24,443,078,998	16,261,139,486
Long-term investments	13	32,123,065,571	16,749,572,212
Investment in subsidiary	14	3,010,781,039	-
Other non-current assets	15	12,632,915,200	20,355,129,514
		496,985,250,800	448,701,577,395
Total assets		880,269,822,599	711,338,449,392
Liabilities and equity			
Current liabilities			
Short term loans and borrowings	16	123,598,400,000	119,244,814,122
Trade payables	17	125,512,901,166	16,901,236,157
Advance from customers		-	555,256,210
Tax payables	18	3,044,584,590	7,814,428,781
Accruals		1,339,809,255	2,920,001
Other payables		141,164,523	210,063,091
		253,636,859,534	144,728,718,362
Non-current liabilities			
Long-term loans	19	162,024,840,000	56,000,000,000
		162,024,840,000	56,000,000,000
Total liabilities		415,661,699,534	200,728,718,362
Equity	20		
Contributed share capital		470,000,000,000	470,000,000,000
Share premium reserves		27,638,932,340	27,638,932,340
Statutory reserve fund		3,708,530,711	1,977,267,979
Other reserve fund		1,977,267,979	1,977,267,979
(Accumulated losses)/Undistributed earnings		(38,716,607,965)	9,016,262,732
Total equity		464,608,123,065	510,609,731,030
Total liabilities and equity		880,269,822,599	711,338,449,392

Chanthadom Meksavanh
Acting Chief Finance Officer



Chanthone Sithixay
Chief Executive Officer

28 April 2017

Petroleum Trading Lao Public Company

SEPARATE INCOME STATEMENT for the year ended 31 December 2016

			Currency: LAK
	Notes	Current year	Previous year (Restated)
Revenue	21	939,683,055,659	833,060,610,905
Cost of sales	22	(875,867,785,318)	(735,200,764,960)
Gross profit		63,815,270,341	97,859,845,945
Other income		922,194,746	1,408,113,689
Administrative expenses	23	(52,865,083,730)	(45,535,347,730)
Selling expenses	24	(33,927,399,127)	(19,826,409,780)
Other expenses		(138,928,954)	(24,095,979)
Operating (loss)/profit		(22,193,946,724)	33,882,106,145
Finance income	25	8,147,397,931	7,156,791,836
Finance expenses	26	(24,222,745,404)	(16,044,027,041)
(Loss)/profit before income tax		(38,269,294,197)	24,994,870,940
Corporate income tax expenses	27	(447,313,768)	(5,711,752,041)
(Loss)/profit after tax		(38,716,607,965)	19,283,118,899


Chanthadom Meksavanh
Acting Chief Finance Officer




Chanthone Sitthixay
Chief Executive Officer

28 April 2017

Petroleum Trading Lao Public Company

SEPARATE STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2016

Currency: LAK

	Registered, contributed charter capital	Share premium reserves	Statutory reserve fund	Other reserve fund (Accumulated losses)	Undistributed earnings/ Total
Previous year					
Beginning balance	470,000,000,000	27,638,932,340	-	-	517,411,612,131
Profit for the year (Restated)	-	-	-	-	19,283,118,899
Reserve appropriation (Restated)	-	-	1,977,267,979	1,977,267,979	(3,954,535,958)
Dividends declared	-	-	-	-	(26,085,000,000)
Ending balance (Restated)	470,000,000,000	27,638,932,340	1,977,267,979	1,977,267,979	510,609,731,030
Current year					
Beginning balance	470,000,000,000	27,638,932,340	1,977,267,979	1,977,267,979	510,609,731,030
Loss for the year	-	-	-	-	(38,716,607,965)
Reserve appropriation (*)	-	-	1,731,262,732	-	(1,731,262,732)
Dividends declared (*)	-	-	-	-	(7,285,000,000)
Ending balance	470,000,000,000	27,638,932,340	3,708,530,711	1,977,267,979	464,608,123,065

(*) Dividends declaration and reserves appropriation were made in accordance with the Resolution of Annual General Shareholder meeting dated 26 April 2016. However, due to subsequent restatement of undistributed earnings as of 1 January 2016 (as disclosed in Note 31), the Company's management has decided (1) not to provide for other reserves and (2) to provide for statutory reserves at only 9% of undistributed earnings as at 1 January 2016 in current year. As of the date of these separate financial statements, the Company is in the process to obtain approval from the General Shareholders Meeting for such revision of reserves appropriation.

Chanthadom Meksavanh
Acting Chief Finance Officer



Chanthonone Sithixay
Chief Executive Officer

28 April 2017

Petroleum Trading Lao Public Company

SEPARATE STATEMENT OF CASH FLOWS for the year ended 31 December 2016

		Currency: LAK	
	Notes	Current year	Previous year (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		(38,269,294,197)	24,994,870,940
Adjustments for:			
Depreciation of tangible fixed assets and investment properties and amortisation of intangible fixed assets	9, 10, 11	18,467,672,895	14,989,124,453
Provision		2,819,194,125	1,705,689,492
Profits from investing activities	25	(2,625,315,200)	(4,479,495,740)
Unrealized foreign exchange losses		2,303,762,362	257,330,111
Interest expenses	26	18,294,875,727	13,370,684,565
Operating profit before changes in working capital		990,895,712	50,838,203,821
Increase in trade and other receivables		(66,936,108,029)	(37,050,411,924)
(Increase)/decrease in inventories		(62,810,525,109)	464,647,738
Decrease/(increase) in prepaid expenses		7,722,214,314	(13,924,812,829)
Interest received		-	6,312,603,552
Interest paid		(18,294,875,727)	(14,482,535,147)
Corporate income tax paid	27	(2,322,405,148)	(7,644,097,833)
Increase in trade and other payables		101,968,994,709	(2,305,150,971)
Net cash flows used in operating activities		(39,681,809,278)	(17,791,553,593)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of fixed assets		(51,661,404,006)	(54,390,780,402)
Loans to other entities		(3,646,400,000)	(19,156,346,972)
Collection of loans to other entities		-	23,783,093,784
Payments for investments in other entities		(3,010,781,039)	-
Net cash flows used in investing activities		(58,318,585,045)	(49,764,033,590)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		355,828,227,981	375,514,115,594
Repayment of borrowings		(247,698,722,103)	(339,503,503,965)
Payment of finance lease liabilities		-	(5,840,775,389)
Dividends paid		(7,285,000,000)	(26,085,000,000)
Net cash flows from financing activities		100,844,505,878	4,084,836,240
Net increase/(decrease) in cash		2,844,111,555	(63,470,750,943)
Cash at beginning of year	4	74,657,189,719	138,122,895,155
Impact of exchange rate fluctuation		(54,842,362)	5,045,507
Cash at end of year	4	77,446,458,912	74,657,189,719

Chanthadom Meksavanh
Acting Chief Finance Officer

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ບໍລິສັດ
ບໍລິຫານການ
ມະຫາຊົນ
Petroleum Trading Lao
Public Company
ຫລວງ

Chanthone Sithixay
Chief Executive Officer

28 April 2017

Petroleum Trading Lao Public Company

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
as at 31 December 2016 and for the year then ended

1. CORPORATE INFORMATION

Petroleum Trading Lao Public Company ("the Company"), formerly known as Petroleum Trading Lao Company Limited, is a company incorporated in Lao PDR in accordance with the Enterprise Registration No. 0458 issued by the Enterprise Registration Office, Domestic Trade Department of the Ministry of Industry and Commerce on 3 October 2008 and the subsequent amendments, with the latest is the Registration No. 0508 dated 5 December 2014 issued by the Enterprise Registration Office, Department of Enterprise Registration and Management of the Ministry of Industry and Commerce.

The Company's head office is located at Kamphaeng Mueang street, Phonthan village, Xaysettha district, Vientiane capital, Lao PDR.

The Company also has 5 depot branches which are located in Vientiane capital, Bolikhamxay province, Savannakhet province, Xayyabouly province and Champasack province, Lao PDR.

The principal activities of the Company are to distribute fuel and petroleum products.

Corporate structure

The Company has a subsidiary, Petroleum Trading Lao Company Limited, which is incorporated in Thailand, with its head office located on 20th floor, Fortune Town building, A zone, Ratchadapisek road, Din Daeng district, Bangkok, Thailand. The principal activity of this subsidiary is to provide warehouse services. The Company owns 99.99% equity interest in this subsidiary as at 31 December 2016.

2. BASIS OF PREPARATION

Purpose of preparation of the separate financial statements

The Company has a subsidiary as disclosed in Note 1. The Company has prepared these separate financial statements to meet the reporting requirements on public announcement of financial information on the stock exchange. In addition, the Company has also prepared the consolidated financial statements of the Company and its subsidiary as at 31 December 2016 and for the year then ended on 28 April 2017.

Users of the separate financial statements should read them together with the consolidated financial statements of the Company and its subsidiary as at 31 December 2016 and for the year then ended in order to obtain full information on the consolidated financial position, consolidated results of operations and consolidated cash flows of the Company and its subsidiary as a whole.

Basis of preparation

The separate financial statements of the Company have been prepared using the historical cost convention. The separate financial statements are expressed in Lao Kip ("LAK").

The Company's separate financial statements have been prepared in accordance with the accounting policies as set out in Note 3. These accounting policies are not intended to present the financial position, results of operation and cash flows of the Company in accordance with international generally accepted accounting principles.

The accompanying separate financial statements, including their utilisation, are not designed for those who are not informed about the Company's accounting policies as described in Note 3.

Fiscal year

The Company's fiscal year starts on 1 January and ends on 31 December.

Petroleum Trading Lao Public Company

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash

Cash comprises cash on hand and cash at banks.

Receivables

Receivables are presented in the separate financial statements at the carrying amounts due from customers and other debtors, after provision for doubtful debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified. Amounts for doubtful of collection and bad debts are included in the operating expense account in the separate income statement.

The following policy on the provision rates is applied in creating provision for doubtful debts from third parties:

<i>Age of receivables</i>	<i>Rate of provision (%)</i>
From 6 months to 1 year	30
From 1 to 2 years	50
Above 2 years	100

The Company does not make provision on outstanding balances of loan receivables, trade receivables and other receivables from related parties.

Prepaid expenses

Prepaid expenses are recognized when paid. Prepayments are amortized over the period for which the amounts are paid or the period in which economic benefits is generated in relation to these expenses.

Inventories

Inventories are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realizable value.

Net realizable value represents the estimated selling price in the ordinary course of business less the estimated costs to complete and the estimated costs necessary to make the sale.

The perpetual method is used to record inventory which are valued based on cost of purchase on first-in, first-out basis.

Provision for decline in value of inventories

An inventory provision is created for the estimated loss arising due to the impairment of value (through diminution, damage, obsolescence, etc.) of inventories owned by the Company, based on appropriate evidence of impairment available at the reporting date.

Increases and decreases to the provision balance are recorded into the cost of goods sold in the separate income statement.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

The cost of a tangible fixed asset consists of purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, improvements and renewals are capitalized while expenditures for maintenance and repairs are charged to the separate income statement.

Petroleum Trading Lao Public Company

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tangible fixed assets (continued)

When an item of tangible fixed asset is sold or retired, their cost and accumulated depreciation are removed from the separate balance sheet and any gain or loss resulting from their disposal is included in the separate income statement.

Tools and equipments, such as gas pumps, tanks, fuel supply pillars, fuel dispensers which are installed at the customers' gas stations are recorded as tangible fixed assets.

Intangible fixed assets

Intangible fixed assets are stated at cost less accumulated amortisation.

The cost of an intangible fixed asset comprises of its purchase price and any directly attributable costs of preparing the intangible fixed asset for its intended use. Expenditures for additions, improvements are added to the carrying amount of the assets and other expenditures are charged to the separate income statement as incurred.

When intangible fixed assets are sold or retired, their costs and accumulated amortisation are removed from the separate balance sheet and any gain or loss resulting from their disposal is included in the separate income statement.

Land use rights

Land use rights are recorded as intangible assets at acquisition cost and upon the transfer of legal title on land use rights certificate. Land use rights with infinite term are not amortised.

Leased assets

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

A lease is classified as a finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are capitalised in the reporting date at the inception of the lease at the fair value of the leased assets or, if lower, at the net present value of the minimum lease payments. The principal amount included in future lease payments under finance leases are recorded as a liability. The interest amounts included in lease payments are charged to the income statement over the lease term to achieve a constant rate on interest on the remaining balance of the finance lease liability.

Capitalised financial leased assets are depreciated using straight-line basis over the shorter of the estimated useful lives of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Depreciation and amortisation

Depreciation of tangible fixed assets and intangible fixed assets are calculated on a straight-line basis over their estimated useful life of each asset as follows:

Building and renovation	10 - 20 years
Plant and machinery	5 years
Transportation vehicles	5 - 10 years
Furniture, fittings and office equipment	5 years
Software	5 years
Land use rights with infinite term	No amortisation

No depreciation is charged on assets under construction until the construction and installation is completed at which time the related costs are transferred to fixed assets.

Petroleum Trading Lao Public Company

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are stated at cost including transaction costs less accumulated depreciation and/or amortisation.

Subsequent expenditure relating to an investment property that has already been recognized is added to the net book value of the investment property when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing investment property, will flow to the Company.

Depreciation and amortisation of investment properties are calculated on a straight-line basis over the estimated useful life of each asset as follows:

Buildings	10 years
Infinite land use rights	No amortisation

Investment properties are derecognised when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the assets is recognised in the income statement in the year of retirement or disposal.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. The transfer from investment property to owner-occupied property or inventories does not change the cost or the carrying value of the property for subsequent accounting at the date of change in use.

Investments in subsidiary

Investments in subsidiary over which the Company has control are carried at cost.

Distributions from accumulated net profits of the subsidiary arising subsequent to the date of acquisition are recognised in the separate income statement. Distributions from sources other than from such profits are considered a recovery of investment and are deducted to the cost of the investment.

Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs are recorded as expense during the year in which they are incurred, except to the extent that they are capitalized as explained in the following paragraph.

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily take a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset.

Loan arrangement fees are recorded as prepaid-expenses and allocated into income statement over the loan period.

Payables and accruals

Trade and other payables are recognized for amounts to be paid in the future for goods and services received, whether or not billed to the Company.

Petroleum Trading Lao Public Company

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Statutory fuel-price stabilizing reserve fund

The Company is under an obligation to pay a fixed amount per liter of fuel imported to the fuel-price stabilizing reserve to the Government.

Taxation

Value added tax

Value added tax is the tax liability determined on revenue for the year computed using the applicable tax rate for the year after netting deductible value added tax input.

Corporate income tax

Corporate income tax is the expected tax payable which is computed on the following basis:

- ▶ Before 2014: using the deemed tax method, i.e. based on volume of fuel sold, multiplied with the deemed profit tax amount per liter of fuel sold, and any adjustments to tax payable in respect of previous years; and
- ▶ Since 2014: estimated taxable income for the year, using tax rate enacted at the reporting date and applicable to the reporting period, and any adjustments to tax payable in respect of previous years.

Personal income tax

Personal income tax is the tax payable on salaries paid to employees for the period determined using applicable tax rate for the period.

Charter capital

Charter capital is recognized at the registered amount in the Company's Business License. Charter capital includes contributed and the un-contributed capital which is also recognized as other receivables from owners at the reporting date.

Charter capital contribution in form of land use rights and buildings is made at an amount agreed between the Company and its shareholders in the capital contribution minutes.

Retained earnings are capitalized into contributed charter capital under approval of shareholders.

Share premium reserves

The share premium is recognized upon issuance of additional shares, at a surplus between the offering price of additional share issuance and the par value, after deduction of share issuance cost (such as underwriting fees and other relevant valuation, consulting costs).

In accordance with guidance under the Letter No. 056/LSCO issued by Lao Securities Commission Office on 28 April 2015, the Company was allowed to distribute 75% of share premium from the Company's initial public offering, after deduction of relevant share issuance costs, to the founding shareholders of the Company.

Petroleum Trading Lao Public Company

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Appropriation of net profits

Net profit after tax is available for appropriation to shareholders after making appropriation to below reserve funds (as proposed by the Board of Directors and subject to approval by shareholders at the annual general meeting).

Statutory reserve fund

Statutory reserve fund is set in order to secure against risks, whereby the Company shall annually appropriate up to 10% of its net profit into the reserve fund, after deducting accumulated losses. When the statutory reserve fund reaches half of the registered capital, the Company may suspend appropriating profit to such fund, except as otherwise provided by the Company's charter.

Other reserve fund

The other reserve fund is required by the Company's Articles of Association that the Company shall annually appropriate up to 10% of its net profit into the other reserve fund, after deducting accumulated losses in order to protect the Company against loss.

Foreign currency transactions

The separate financial statements are presented in Lao Kip ("LAK"). Transactions in currencies other than LAK are initially recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate ruling at the reporting date. All differences are taken to separate income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transactions.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognised:

Revenue from sale of fuel and lubricant

Revenue from fuel and lubricant is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually upon the delivery of the goods.

Interest

Revenue is recognised on an accrual basis using the effective interest method, unless collectability is in doubt.

Rental income

Rental income arising from operating leases is accounted for on a straight line basis over the terms of the lease.

Petroleum Trading Lao Public Company

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

4. CASH

	Currency: LAK	
	31 December 2016	31 December 2015
Cash on hand	66,213,269	51,530,000
Cash in transit	-	48,320,611
Cash at banks (*)	77,380,245,643	74,557,339,108
	77,446,458,912	74,657,189,719

(*) Balance of LAK 2,946,290,391 at Lao Development Bank are pledged as collaterals for the Company's borrowings. See Note 19 for details.

5. TRADE RECEIVABLES

	Currency: LAK	
	31 December 2016	31 December 2015
Trade receivables from related parties (Note 28)	35,903,794,058	33,214,253,333
Trade receivables	92,660,372,221	68,143,139,583
Provision for doubtful debts	(4,637,499,516)	(2,714,700,684)
	123,926,666,763	98,642,692,232

6. ADVANCE TO SUPPLIERS

	Currency: LAK	
	31 December 2016	31 December 2015
Advance to suppliers	26,431,171,817	4,953,370,656
Advance to related party (Note 28)	11,238,174,346	-
	37,669,346,163	4,953,370,656

7. INVENTORIES

	Currency: LAK	
	31 December 2016	31 December 2015 (Reclassified)
Fuel	73,031,261,395	9,975,652,919
Lubricant	1,208,535,014	1,341,996,758
Tools and supplies	308,224,055	419,845,678
Provision for inventories	(896,395,293)	-
	73,651,625,171	11,737,495,355

Fuel in depots in Vientiane, Champasack, Bolikhamxay, Savannakhet, Meuang Ngeun and Phetboulou are used as collaterals for the loans from banks (see also Note 16).

Petroleum Trading Lao Public Company

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

8. OTHER CURRENT ASSETS

		Currency: LAK
	31 December 2016	31 December 2015 (Reclassified)
Deposits to suppliers	4,598,981,712	11,056,165,621
Warehouse rental deposit to a subsidiary (Note 28)	7,391,504,340	-
Prepaid warehouse rental fees to a subsidiary (Note 28)	11,646,558,594	-
Prepaid operating expenses	2,571,209,639	957,550,194
Advance to employees	1,995,799,912	1,548,708,470
Overpaid excise tax receivables	966,600,000	966,600,000
Advances to gas station operators (for using Plus Smart Card)	920,000,000	990,000,000
Prepaid corporate income tax (Note 27)	800,000,000	-
Prepaid loan arrangement fees	1,423,507,660	1,138,183,440
Advance for pre-operating costs to related party	-	2,795,342,852
Advances for pre-establishment costs of overseas businesses	-	994,075,683
Others	130,650,000	277,714,400
	32,444,811,857	20,724,340,660

Petroleum Trading Lao Public Company

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

9. TANGIBLE FIXED ASSETS

Currency: LAK

	Buildings and structures	Machineries and equipment	Means of transportation	Office equipment	Total
Cost:					
Balance as at 1 January 2016 (restated)	99,041,806,835	38,937,157,923	9,835,608,392	15,418,178,377	163,232,751,527
- Transfer from construction in progress	13,962,722,030	10,322,334,391	-	54,541,027	24,339,597,448
- New purchase	1,914,945,862	1,959,629,892	407,960,165	1,521,628,172	5,804,164,091
- Transfer from investment property (Note 11) (*)	10,868,530,306	-	-	-	10,868,530,306
- Other additions	-	703,032,803	-	16,100,045	719,132,848
- Disposals	-	-	(137,535,000)	-	(137,535,000)
Balance as at 31 December 2016	125,788,005,033	51,922,155,009	10,106,033,557	17,010,447,621	204,826,641,220
Accumulated depreciation:					
Balance as at 1 January 2016 (restated)	19,666,151,802	18,222,070,559	5,858,340,328	6,504,638,679	50,251,201,368
- Depreciation for the year	6,318,373,428	5,072,607,702	1,447,688,952	2,490,104,061	15,328,774,143
- Transfer from investment property (Note 11) (*)	602,569,320	-	-	-	602,569,320
- Other increases	-	78,194,881	-	3,220,010	81,414,891
- Disposal	-	-	(104,765,245)	-	(104,765,245)
Balance as at 31 December 2016	26,587,094,550	23,372,873,142	7,201,264,035	8,997,962,750	66,159,194,477
Net book value:					
Balance as at 1 January 2016 (restated)	79,375,655,033	20,715,087,364	3,977,268,064	8,913,539,698	112,981,550,159
Balance as at 31 December 2016 (**)	99,200,910,483	28,549,281,867	2,904,769,522	8,012,484,871	138,667,446,743

(*) During the year, the Company has taken back Phonghong Gas station, Samphana Gas station, Meuang Ngeun Gas station, Vangvieng Gas station and Phadaeng Gas station (PLUS 4) from its related parties for its own operations (see Note 28).

(**) Certain tangible fixed assets are pledged as collaterals for the Company's borrowings (see Notes 16 and 19).

Petroleum Trading Lao Public Company

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

10. INTANGIBLE FIXED ASSETS

Currency: LAK

	<i>Land use rights with infinite term (*)</i>	<i>Computer software (**)</i>	<i>Total</i>
Cost:			
Balance as at 1 January 2016 (restated)	123,892,263,841	6,112,108,840	130,004,372,681
Addition	760,383,000	119,047,000	879,430,000
Balance as at 31 December 2016	<u>124,652,646,841</u>	<u>6,231,155,840</u>	<u>130,883,802,681</u>
Accumulated amortisation:			
Balance as at 1 January 2016 (restated)	-	226,163,071	226,163,071
Amortisation for the year	-	636,727,417	636,727,417
Balance as at 31 December 2016	<u>-</u>	<u>862,890,488</u>	<u>862,890,488</u>
Net carrying amount:			
Balance as at 1 January 2016 (restated)	<u>123,892,263,841</u>	<u>5,885,945,769</u>	<u>129,778,209,610</u>
Balance as at 31 December 2016	<u>124,652,646,841</u>	<u>5,368,265,352</u>	<u>130,020,912,193</u>

(*) Certain land use rights in Vientiane, Savannakhet, Khammouane, Bolikhamxay and Champasack provinces are pledged as collaterals for the Company's borrowings (see Notes 16 and 19).

On 7 December 2016, the Company entered into an agreement with Sithi Logistics Lao Co., Ltd., a related party, to dispose certain land use rights in Nongheo village, Hatsayfong district, Vientiane with total area of 2,678 m². At the reporting date, the Company has not completed the transfer of legal title of the land to Sithi Logistics Lao Co., Ltd, and consequently, the results of such transfer has not been recorded in the income statement for the year ended 31 December 2016.

(**) In 2012, the Company had purchased an operating system for smart card operations (which are used by customers as a form of credit card for purchase of fuel at the Company's gas stations). The Company had since allowed Well Tech Lao Co., Ltd. ("Well Tech"), a related party, to operate this system and the Company had accounted for the cost of such operating system as receivables from Well Tech. During the period from 2012 to 2015, the Company had also purchased other tangible fixed assets (i.e. office equipment) for the operations of Well Tech, and had accounted for such purchases as receivables from Well Tech. The Company had also entered into contracts with the customers for the provision of the smart cards, even though the subsequent revenue from those smart card operations was recorded by Well Tech. On 22 December 2015, the Company reached an agreement with Well Tech to take back these smart card operations from Well Tech by offsetting the net assets acquired from Well Tech with the outstanding receivables due from this company.

Petroleum Trading Lao Public Company

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

11. INVESTMENT PROPERTIES

Currency: LAK

	<i>Land used rights with infinite term</i>	<i>Buildings</i>	<i>Total</i>
Cost:			
Balance as at 1 January 2016	123,983,600,703	31,492,915,293	155,476,515,996
Addition	2,179,883,426	14,737,041,495	16,916,924,921
Transfer to tangible fixed assets (Note 9)	-	(10,868,530,306)	(10,868,530,306)
Other decreases	-	(719,132,848)	(719,132,848)
Balance as at 31 December 2016	<u>126,163,484,129</u>	<u>34,642,293,634</u>	<u>160,805,777,763</u>
Accumulated depreciation:			
Balance as at 1 January 2016	-	2,900,539,582	2,900,539,582
Depreciation for the year	-	2,502,171,335	2,502,171,335
Transfer to tangible fixed assets (Note 9)	-	(602,569,320)	(602,569,320)
Other decreases	-	(81,414,890)	(81,414,890)
Balance as at 31 December 2016	-	<u>4,718,726,707</u>	<u>4,718,726,707</u>
Net carrying amount:			
Balance as at 1 January 2016	<u>123,983,600,703</u>	<u>28,592,375,711</u>	<u>152,575,976,414</u>
Balance as at 31 December 2016	<u>126,163,484,129</u>	<u>29,923,566,927</u>	<u>156,087,051,056</u>

Investment properties represent the lands, buildings and gas stations in Vientiane Capital, Lao PDR which are leased to the Company's related parties including Phonthan Plus Gas Station (PLUS 1), Nongheo Plus Gas Station (PLUS 2), Phakhao Plus Gas Station (PLUS 3), VSV Plus Gas Station (PLUS 5), Nongphaya Plus Gas Station (PLUS 7), Donekoy Plus Gas Station (PLUS 8); Khoua Louang Gas Station (PLUS); and other land lots in Savannakhet province where the Company plans to construct gas stations for lease.

Certain land use rights in Vientiane, Savannakhet, and Bolikhamxay provinces are pledged as collaterals for the Company's borrowings (see Note 16 and 19).

On 7 December 2016, the Company entered into agreements with Khouanchay Trading Import – Export Ltd., a related party, to dispose certain land use rights and buildings in Dongpaleab village, Chanthabouly district, Vientiane and South Phonesavanh and Sounantha village, Kaisone Phomvihane district, Savannakhet with total area of 5,884 m². At the reporting date, the Company has not completed the transfer of legal title of the land to Khouanchay Trading Import – Export Ltd, and consequently, the results of such transfer has not been recorded in the income statement for the year ended 31 December 2016.

Petroleum Trading Lao Public Company

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

12. CONSTRUCTION IN PROGRESS

Currency: LAK

31 December 2016 31 December 2015

New ERP system	2,132,799,418	1,904,024,305
Yommalar Gas Station	2,654,925,000	-
Vientiane Mai 450 years Depot	4,691,749,406	-
Roofs Knockdown for Gas stations	557,088,850	-
Plus gas station Kasy	3,036,176,616	-
Souksomboun gas station 1	3,278,595,683	-
Souksomboun gas station 2	2,300,013,719	-
Meuang Fueng gas station	1,960,078,976	-
Server in Vientiane	1,113,733,600	-
Black Canyon and Daily Mart Project	1,007,897,925	599,526,208
VSV Plus Gas Station (PLUS 5)	-	3,317,451,711
Sampana Gas Station	-	2,644,792,612
Khousa Louang Gas Station	-	3,493,013,333
Others	1,710,019,805	4,302,331,317
	24,443,078,998	16,261,139,486

13. LONG-TERM INVESTMENTS

Currency: LAK

31 December 2016 31 December 2015

Unsecured loan receivables from related parties (Note 28)	32,123,065,571	16,749,572,212
	32,123,065,571	16,749,572,212

Details of unsecured loan receivables from related parties are as follows:

Borrower	Contract date	Ending balance (LAK)	Original amount	Term/ Maturity date	Interest rate (% p.a.)
Sithi Logistics Lao Co., Ltd. (*)	30 December 2016	11,727,093,359	LAK 11,727,093,359	From September 2017 to September 2021	6.5% - 11%
	31 January 2016	3,646,400,000	THB 16,000,000	From August 2017 to August 2021	6.5%
Lao Daily Mart Import - Export Co., Ltd. (*)	30 December 2016	10,749,572,212	LAK 10,749,572,212	From December 2017 to December 2021	11%
	28 January 2016	6,000,000,000	LAK 6,000,000,000	From August 2017 to August 2020	11.5%
		32,123,065,571			

(*) Following the Letter of guarantee dated 24 April 2017, Mr. Chanthone Sitthixay, the key shareholder of the Company, has committed to pay for these loans in case these related parties are unable to settle the loans (see Note 28).

Petroleum Trading Lao Public Company

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

14. INVESTMENT IN SUBSIDIARY

Currency: LAK

Name	31 December 2016		31 December 2015	
	Ownership (%)	Voting right (%)	Ownership (%)	Voting right (%)
Petroleum Trading Lao Company Limited	99.99	99.99	-	-

See Note 1 for more details of the Company's subsidiary.

15. OTHER NON-CURRENT ASSETS

Currency: LAK

	31 December 2016	31 December 2015
Prepaid land rental	12,632,915,200	20,355,129,514
	12,632,915,200	20,355,129,514

16. SHORT-TERM LOANS AND BORROWINGS

Currency: LAK

	31 December 2016	31 December 2015
Short-term loans from banks	109,598,400,000	103,284,814,122
Current portion of long-term loans (Note 19)	14,000,000,000	15,960,000,000
	123,598,400,000	119,244,814,122

Petroleum Trading Lao Public Company

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

16. SHORT-TERM LOANS AND BORROWINGS (continued)

Details of short-term loans from banks are as follows:

Lender	Contract	Ending balance		Maturity date	Interest rate (% p.a.)	Collateral
		LAK equivalent	Original currency			
Phongsavanh Bank	No. 0199.16, dated 13 September 2016	63,932,400,000	THB 280,000,000	30 June 2017	8%	Fuel in depots in Vientiane, Champasack, Bolikhamxay, Savannakhet, Meuang Ngeun and Phetboully.
	No. 0256.16, dated 8 November 2016	45,666,000,000	THB 200,000,000	30 June 2017	5%	Land lots in Vientiane, Savannakhet, Khammouane and Bolikhamxay provinces.
		109,598,400,000				

Petroleum Trading Lao Public Company

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

17. TRADE PAYABLES

Currency: LAK

31 December 2016 31 December 2015

Trade payables	123,357,578,127	14,152,671,311
Trade payable to the related parties (Note 28)	2,155,323,039	2,748,564,846
	<u>125,512,901,166</u>	<u>16,901,236,157</u>

18. TAX PAYABLES

Currency: LAK

31 December 2016 31 December 2015

Corporate income tax (Note 27)	-	1,075,091,380
Value added tax	831,023,833	724,053,738
Personal income tax	91,838,549	66,682,726
Other taxes and statutory payables (*)	2,121,722,208	5,948,600,937
	<u>3,044,584,590</u>	<u>7,814,428,781</u>

(*) Other taxes represent road tax, excise tax, import tax and statutory fuel-price stabilizing reserve fund fee payable as at the balance sheet dates.

19. LONG-TERM LOANS AND BORROWINGS

Currency: LAK

31 December 2016 31 December 2015

Loans from banks	176,024,840,000	71,960,000,000
	<u>176,024,840,000</u>	<u>71,960,000,000</u>
In which:		
Current portion of long-term loan (Note 16)	14,000,000,000	15,960,000,000
Non-current portion	162,024,840,000	56,000,000,000

Petroleum Trading Lao Public Company

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

19. LONG-TERM LOAN AND BORROWING (continued)

Details of the long-term loan from banks as at 31 December 2016 are as follows:

Lender	Contract	Ending balance		Maturity and repayment term	Interest rate (% p.a.)	Collaterals
		LAK equivalent	Original currency			
Lao Development Bank	No. 062/04/2015, dated 6 April 2015	29,980,000,000	LAK 29,980,000,000	60 months. Principal and interest are payable on monthly basis. Last instalment is due on 6 April 2022	10.5%	Land lots, houses, buildings and petroleum tanks in Savannakhet, Champasack and Vientiane provinces along with two bank account balances.
		46,900,000,000	LAK 46,900,000,000	60 months. Principal and interest are payable on monthly basis. Last instalment is due on 6 April 2020	10.5%	Land lots, houses, buildings and petroleum tanks in Savannakhet, Champasack and Vientiane provinces along with two bank accounts balances.
Phongsavanh Bank	No. 0385.15, dated 13 October 2015	65,352,000,000	USD 8,000,000	37 months. Principal and interest are payable on monthly basis. Last instalment is due on 31 October 2018	8%	Land lots in Vientiane, Pakse and Champasack provinces and stored fuel.
		33,792,840,000	THB 148,000,000	37 months. Principal and interest are payable on monthly basis. Last instalment is due on 31 Oct 2018	8%	Land lots in Vientiane, and Champasack provinces and stored fuel.
In which: current portion		14,000,000,000				
		176,024,840,000				

Petroleum Trading Lao Public Company

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

20. OWNER'S EQUITY

20.1 Shares

	<i>Number of shares</i>
Authorized shares	235,000,000
Issued and paid-up shares	
Ordinary shares	235,000,000
Preference shares	-
Shares in circulation	
Ordinary shares	235,000,000
Preference shares	-

Shares of the Company (under the ticker "PTL") have been officially listed on Lao Securities Exchange since 10 December 2014 in accordance with Listing License No. 005 dated 26 November 2014. The par value of the share is LAK 2,000.

20.2 Dividends

	<i>Current year</i>	<i>Previous year</i>
Dividends declared and paid during the year	7,285,000,000	26,085,000,000
Dividends on ordinary shares for 2016: LAK 31 per share (2015: LAK 111 per share)	7,285,000,000	26,085,000,000

21. REVENUE

	<i>Current year</i>	<i>Previous year</i>
Sales of fuel	935,130,454,575	828,580,134,338
Revenue from leasing activities	2,730,410,137	3,284,791,950
Sales of lubricant	1,302,346,822	1,573,202,894
Plus card fees	531,896,507	-
Less: Sales deduction	(12,052,382)	(377,518,277)
	939,683,055,659	833,060,610,905

22. COST OF SALES

	<i>Current year</i>	<i>Previous year</i>
Cost of fuel sold	872,982,561,145	732,292,581,414
Cost of leasing activities	1,899,602,015	1,605,032,360
Cost of lubricant sold	985,622,158	1,303,151,186
	875,867,785,318	735,200,764,960

Petroleum Trading Lao Public Company

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

23. ADMINISTRATIVE EXPENSES

	Currency: LAK	
	Current year	Previous year
Labor costs	15,079,484,613	11,871,660,464
Depreciation and amortisation expenses	15,965,501,558	14,898,105,535
Bank charges	3,805,254,453	2,744,146,078
Professional fees	3,488,850,999	3,143,530,276
Operating costs of representative offices	3,253,354,108	-
Provision for doubtful debt	1,922,798,832	1,705,689,492
Rental expenses	1,759,226,294	1,232,158,110
Repair and maintenance expenses	1,647,459,804	503,163,242
Others	5,943,153,069	9,436,894,533
	52,865,083,730	45,535,347,730

24. SELLING EXPENSES

	Currency: LAK	
	Current year	Previous year
Advertising expenses	7,327,064,006	3,968,741,230
Transportation expenses	17,143,859,457	15,857,668,550
Warehouse rental expenses	5,834,487,956	-
Others	3,621,987,708	-
	33,927,399,127	19,826,409,780

25. FINANCE INCOME

	Currency: LAK	
	Current year	Previous year
Interest income on loans to the related parties (*)	2,644,283,758	4,479,495,740
Early payment discount from suppliers	1,258,540,014	743,509,790
Foreign exchange difference gain	3,998,015,003	1,926,431,327
Late payment interest from Plus card customers	245,780,340	-
Others	778,816	7,354,979
	8,147,397,931	7,156,791,836

(*) Interest income has not been paid by the related parties during the year.

26. FINANCE EXPENSES

	Currency: LAK	
	Current year	Previous year
Interest expenses	18,294,875,727	13,370,684,565
Foreign exchange difference losses	5,927,869,677	2,673,342,476
	24,222,745,404	16,044,027,041

Petroleum Trading Lao Public Company

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

27. CORPORATE INCOME TAX

CIT determination method applied by the Company before 2014

In the years before 2014, the Company determined the CIT obligations using the deemed tax method, i.e. based on volume of fuel sold, multiplied with the deemed profit tax amount per litre of fuel sold. The Company's CIT returns, as prepared under the deemed tax method, have also been inspected by the local tax authorities up to the year ended 31 December 2013.

CIT determination method applied by the Company since 2014

Since 2014, the current tax payable is based on taxable profit for the year. The taxable profit of the Company for the period differs from the profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted at the reporting date.

Under the Revised Tax Law No. 05/NA dated 20 December 2011, which is effective on or after 1 January 2013, the Company is subject to corporate income tax ("CIT") at the rate of 24% of its estimated taxable profit recorded under the Lao Accounting System. Furthermore, as a company listed in the Stock exchange, the Company are also entitled to a 5% deduction from the normal CIT rate for 4 years commencing from the listing date according to Tax Law issued by National Assembly of Lao PDR. As a result, the statutory applicable CIT rate for the Company during the year is 19% of taxable profit.

The reconciliation between the (loss)/profit before tax and (tax loss)/taxable profit is presented below:

	Currency: LAK	
	Current year	Previous year
(Loss)/profit before tax	(38,269,294,197)	24,994,870,940
Adjustment to increase/(decrease) accounting (loss)/profit		
Provision for doubtful debts	1,922,798,832	1,705,689,492
Provision for inventories	896,395,293	-
Expenses that do not relate directly to business activities	3,253,354,108	-
Difference in depreciation of Smart card system between accounting base and tax base	(389,740,185)	-
Taxable (loss)/profit	(32,586,486,149)	26,700,560,432
Estimated current CIT expenses	-	5,711,752,041
Under accrual of prior year CIT expenses	447,313,768	-
CIT payable at beginning of the year	1,075,091,380	3,007,437,172
CIT paid during the year	(2,322,405,148)	(7,644,097,833)
CIT (prepayment)/payable at the end of the year	(800,000,000)	1,075,091,380

As the tax returns filed by the Company are subject to examination by the tax authorities and since the application of tax laws and regulations is susceptible to varying interpretations, the amounts reported in the separate financial statements could change at a later date upon final determination by the tax authorities.

Petroleum Trading Lao Public Company

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

28. TRANSACTIONS WITH RELATED PARTIES

Significant transactions with the related parties during the year were as follows:

Currency: LAK

Related parties	Relationship	Transactions	Current year	Previous year
Mr. Chanthone Sitthixay	Chief Executive Officer and founding shareholder	Payment on behalf	600,000,000	7,500,200,000
		Dividends payment	5,363,000,000	5,141,250,000
		Collection of payment on behalf	5,363,000,000	2,740,260,566
		Collection of interest-free loan receivables	-	5,141,250,000
Petroleum Trading Lao Company Limited	Subsidiary	Contribution of capital	3,010,781,039	-
		Warehouse rental fee	13,169,324,506	-
		Payment and advance for warehouse rental fee	16,860,932,151	-
Lao Daily Mart Import – Export Co., Ltd	Under common control	Loan to related party	-	6,000,000,000
		Loan interest income	1,598,660,490	1,448,042,561
		Payment on behalf	216,402,709	646,402,855
Sithi Logistics Lao Co., Ltd.	Under common control	Loan to related party	3,646,400,000	12,632,000,000
		Collection of loan receivables	-	2,000,000,000
		Loan interest income	1,045,622,499	679,050,029
		Sales of fuel	2,899,007,273	3,196,641,818
		Collection of sales of fuel	2,820,268,182	3,386,769,091
		Disposal of vehicles	-	16,085,642,483
		Transportation charges	18,102,892,031	15,807,694,798
		Payment for transportation charges	18,347,242,280	15,807,894,698
Sudaphone Import-Export and Service Co., Ltd. (Moly Care)	Under common control	Sales of fuel	58,095,400	100,489,837
		Collection of loan receivables	-	1,353,398,494
		Collection of payment on behalf receivables	8,634,500	723,704,292
		Collection of sales of fuel	71,793,600	433,976,557

Petroleum Trading Lao Public Company

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

28. TRANSACTIONS WITH RELATED PARTIES (continued)

Significant transactions with the related parties during the year were as follows: (continued)

Currency: LAK

Related parties	Relationship	Transactions	Current year	Previous year
Phonethan Plus Gas Station (PLUS 1)	Under common control	Sales of fuel	21,713,709,091	16,116,518,182
		Rental income	294,545,455	243,000,000
		Collection from sales of fuel	21,605,788,636	15,741,127,727
		Collection of rental income	294,545,455	243,000,000
Nongheo Plus Gas Station (PLUS 2)	Under common control	Sales of fuel	10,701,845,455	8,767,881,818
		Rental income	185,454,545	204,000,000
		Collection from sales of fuel	10,844,458,182	8,499,881,818
		Collection of rental income	206,709,091	191,240,000
Phakhao Plus Gas Station (PLUS 3)	Under common control	Sales of fuel	28,699,800,000	26,115,190,909
		Rental income	610,909,091	672,000,000
		Collection from sales of fuel	28,282,078,182	25,366,274,545
		Collection of rental income	610,909,091	616,000,000
Phadaeng Gas Station (PLUS 4)	Under common control	Sales of fuel	8,713,224,853	10,616,200,000
		Rental income	260,909,091	492,000,000
		Collection from sales of fuel	5,123,971,417	10,938,586,000
		Collection of rental income	260,909,091	502,000,000
		Taking back fuel, office equipments and prepaid insurance in the gas station	364,164,918	-
VSV Plus Gas Station (PLUS 5)	Under common control	Sales of fuel	7,641,118,182	-
		Rental income	165,734,091	-
		Collection from sales of fuel	7,374,718,182	-
Nongbua Thong Plus Gas Station (PLUS 6)	Under common control	Sales of fuel	-	7,854,800,000
		Rental income	-	181,500,000
		Collection from sales of fuel	242,591,909	7,858,852,182
Khousa Louang Gas Station (PLUS)	Under common control	Sales of fuel	18,848,672,727	-
		Rental income	327,272,727	-
		Collection from sales of fuel	17,324,272,727	-
		Collection of rental income	254,545,455	-

Petroleum Trading Lao Public Company

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

28. TRANSACTIONS WITH RELATED PARTIES (continued)

Significant transactions with the related parties during the year were as follows: (continued)

Currency: LAK				
Related parties	Relationship	Transactions	Current year	Previous year
Nongphaya Plus Gas Station (PLUS 7)	Under common control	Sales of fuel	575,018,182	3,074,845,455
		Rental income	54,545,455	201,400,000
		Collection from sales of fuel	718,873,000	2,922,626,650
		Collection of rental income	60,363,636	231,400,000
Donekoy Plus Gas Station (PLUS 8)	Under common control	Sales of fuel	21,766,381,818	22,457,627,273
		Rental income	409,090,909	450,000,000
		Collection from sales of fuel	20,478,792,727	22,683,930,000
		Collection of rental income	409,090,909	412,500,000
Salakham Plus Gas Station (PLUS 9)	Under common control	Sales of fuel	-	11,114,536,364
		Rental income	-	150,687,500
		Collection from sales of fuel	-	11,439,632,364
		Collection of rental income	-	150,687,500
Vangvieng Plus Gas Station	Under common control	Sales of fuel	10,414,920,400	855,945,455
		Collection from sales of fuel	10,625,120,728	181,818,182
		Taking back fuel, office equipments and prepaid insurance in the gas station	339,433,717	-
Phonhong Plus Gas Station	Under common control	Sales of fuel	3,229,090,909	413,009,091
		Collection from sales of fuel	3,401,287,949	-
		Taking back fuel, office equipments and prepaid insurance in the gas station	240,812,051	-
Sampana Gas station	Under common control	Sales of fuel	1,668,358,500	-
		Collection from sales of fuel	1,338,791,083	-
		Taking back fuel, office equipments and prepaid insurance in the gas station	263,328,835	-
Meung Nguen gas station	Under common control	Sales of fuel	842,118,182	-
		Collection from sales of fuel	693,358,428	-
		Taking back fuel and office equipments in the gas station	146,581,288	-
Phongsavanh Bank	Affiliate	Borrowings	255,394,050,000	32,512,000,000
		Repayment of borrowings	79,162,810,000	-
		Interest expenses	7,761,035,787	520,192,000
		Interest payment	7,761,035,787	520,192,000
Sithi Logistics (Thailand) Co., Ltd	Under common control	Transportation charges	23,206,856,071	6,520,699,079
		Payment for transportation charges	23,490,317,515	7,614,602,885

Petroleum Trading Lao Public Company

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

28. TRANSACTIONS WITH RELATED PARTIES (continued)

Terms and conditions

Transactions with related parties are made on the basis of contract negotiations. Except for unsecured interest-bearing loan receivables, other outstanding balances at the reporting date are unsecured, interest-free and will be settled in cash. Payments of expenses on behalf of the Company are interest-free, reimbursed at actual cost incurred.

For the year ended 31 December 2016, the Company has not made any provision for doubtful debts relating to amounts owed by related parties (31 December 2015: nil). This assessment is undertaken each financial period through the examination of the financial position of the related party and the market in which the related party operates.

Amounts due to and due from related companies at the balance sheet dates were as follows:

			Currency: LAK	
<i>Related parties</i>	<i>Relationship</i>	<i>Transaction</i>	<i>31 December 2016</i>	<i>31 December 2015</i>
<i>Short-term investment</i>				
Sithi Logistics Lao Co., Ltd.	Under common control	Loan receivables (*)	-	11,727,093,359
			-	11,727,093,359

(*) Reclassified to long-term loan receivables as disclosed in Note 13.

Petroleum Trading Lao Public Company

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

28. TRANSACTIONS WITH RELATED PARTIES (continued)

Amounts due to and due from related companies at the balance sheet dates were as follows (continued):

			Currency: LAK	
Related parties	Relationship	Transaction	31 December 2016	31 December 2015
Trade receivables (Note 5)				
Sithi Logistics Lao Co., Ltd.	Under common control	Rental fees	7,407,011,472	7,455,815,760
		Disposal of vehicles	16,085,642,483	16,085,642,483
		Sales of fuel	219,895,000	-
Lao Daily Mart Import - Export Co., Ltd.	Under common control	Rental fee	524,460,720	286,417,740
Phonethan Plus Gas Station (PLUS 1)	Under common control	Rental fee	27,000,000	27,000,000
		Sales of fuel	2,087,210,000	1,968,497,500
Nongheo Plus Gas Station (PLUS 2)	Under common control	Rental fee	17,000,000	40,380,000
		Sales of fuel	1,056,930,000	1,213,804,000
Phakhao Gas Station (PLUS 3)	Under common control	Rental fee	56,000,000	56,000,000
		Sales of fuel	2,202,600,000	1,743,106,000
Phadaeng Gas Station (PLUS 4)	Under common control	Rental fee	41,000,000	41,000,000
		Sales of fuel	1,196,113,031	1,456,303,000
VSV Plus Gas Station (PLUS 5)	Under common control	Rental fee	182,307,500	-
		Sales of fuel	293,040,000	-
Nongbua Thong Plus Gas Station (PLUS 6)	Under common control	Sales of fuel	265,370,500	532,221,600
Nongphaya Plus Gas Station (PLUS 7)	Under common control	Rental fee	30,000,000	36,400,000
		Sales of fuel	483,842,050	642,082,350
Donekoy Plus Gas Station (PLUS 8)	Under common control	Rental fee	37,500,000	37,500,000
		Sales of fuel	1,721,830,000	319,782,000
Salakham Plus Gas Station (PLUS 9)	Under common control	Sales of fuel	-	76,450,900
Khoua Louang Gas Station (PLUS)	Under common control	Rental fee	80,000,000	-
		Sales of fuel	1,676,840,000	-
Vangvieng Plus Gas Station	Under common control	Sales of fuel	136,942,550	741,540,000
Sampana Gas station	Under common control	Sales of fuel	72,862,440	-
Meung Nguen gas station	Under common control	Sales of fuel	2,396,312	-
Phonhong Plus Gas Station	Under common control	Sales of fuel	-	454,310,000
			35,903,794,058	33,214,253,333

Petroleum Trading Lao Public Company

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

28. TRANSACTIONS WITH RELATED PARTIES (continued)

Amounts due to and due from related companies at the balance sheet dates were as follows:
(continued)

			Currency: LAK	
Related parties	Relationship	Transaction	31 December 2016	31 December 2015
Advance to suppliers (Note 6)				
Mr Chanthone Sitthixay	Chief Executive Officer	Advance for purchases of land	11,238,174,346	-
			11,238,174,346	-
Other receivables				
Mr Chanthone Sitthixay	Chief Executive Officer	Payment on behalf	5,976,877,700	10,739,877,700
		Interest-free loan receivables	22,497,682,340	22,497,682,340
Khouanchay Trading Import – Export Ltd.	Under common control	Payment on behalf	353,100	-
Lao Daily Mart Import – Export Co., Ltd	Under common control	Payment on behalf	2,741,679,446	2,787,863,657
		Interest receivables	4,256,634,016	2,657,973,526
Sithi Logistics Lao Co., Ltd.	Under common control	Payment on behalf	574,309,162	522,869,213
		Interest receivables	2,034,046,079	988,423,580
CS Holding	Under common control	Payment on behalf	64,081,090	-
			38,145,662,933	40,194,690,016
Other current assets (Note 8)				
Petroleum Trading Lao Company Limited	Subsidiary	Warehouse rental deposit	7,391,504,340	-
		Prepayment for warehouse rental	11,646,558,594	-
		Advance for pre- operating costs	-	2,795,342,852
			19,038,062,934	2,795,342,852

Petroleum Trading Lao Public Company

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

28. TRANSACTIONS WITH RELATED PARTIES (continued)

Amounts due to and due from related companies at the balance sheet dates were as follows:
(continued)

			Currency: LAK	
<i>Related parties</i>	<i>Relationship</i>	<i>Transaction</i>	<i>31 December 2016</i>	<i>31 December 2015</i>
Long-term investments (Note 13)				
Sithi Logistics Lao Co., Ltd.	Under common control	Loan receivables	15,373,493,359	-
Lao Daily Mart Import – Export Co., Ltd.	Under common control	Loan receivables	16,749,572,212	16,749,572,212
			32,123,065,571	16,749,572,212
Trade payables (Note 17)				
Sithi Logistics Lao Co., Ltd.	Under common control	Transportation charges	1,410,850,791	1,655,201,040
Sithi Logistics (Thailand) Co., Ltd.	Under common control	Transportation charges	744,472,248	1,093,363,806
			2,155,323,039	2,748,564,846
Loans and borrowings (Note 16 and Note 19)				
Phongsavanh Bank	Affiliate	Short-term borrowings	109,598,400,000	32,512,000,000
		Long-term borrowings	99,144,840,000	-
			208,743,240,000	32,512,000,000

In accordance with the Letter of guarantee dated 24 April 2017, Mr. Chanthone Sitthixay, the CEO and a major shareholder of the Company, has provided guarantee for the balances due from related parties as at 31 December 2016 if these related parties are unable to pay upon due date.

Other transactions with related parties

Remuneration to management during the year is as below:

		Currency: LAK	
		<i>Current year</i>	<i>Previous year</i>
Salaries and bonus		2,494,030,157	2,897,358,852
		2,494,030,157	2,897,358,852

Petroleum Trading Lao Public Company

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

29. COMMITMENTS

Operating lease commitment where the Company is the lessee

The Company leases land under operating lease arrangements. The minimum lease commitment as at the balance sheet dates under the operating lease agreements is as follows:

	Currency: LAK	
	31 December 2016	31 December 2015
Less than 1 year	27,508,833,968	1,133,580,000
From 1 - 5 years	5,995,796,000	4,025,031,000
More than 5 years	20,631,927,000	22,434,459,000
	<u>54,136,556,968</u>	<u>27,593,070,000</u>

Operating lease commitment where the Company is the lessor

The Company lets out gas stations and office under operating lease arrangements. The minimum future rental receivables as at the balance sheet dates under these operating lease agreements are as below:

	Currency: LAK	
	31 December 2016	31 December 2015
Less than 1 year	2,684,374,656	2,405,930,000
From 1- 5 years	9,175,200,000	14,971,460,000
More than 5 years	5,221,600,000	13,256,520,000
	<u>17,081,174,656</u>	<u>30,633,910,000</u>

Capital expenditure commitments

As at 31 December 2016, the Company has outstanding contractual commitment for the construction of gas stations which amount to approximately LAK 5.3 billion.

Regulated selling price

The selling price of petrol is determined by the Company's management but not higher than the ceiling price regulated and announced by the Ministry of Finance of Lao PDR.

30. EVENTS AFTER THE REPORTING DATE

There is no matter or circumstance that has arisen since the balance sheet date that requires adjustment or disclosure in the separate financial statements of the Company.

Petroleum Trading Lao Public Company

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

31. RESTATEMENT OF PRIOR YEAR'S FINANCIAL STATEMENTS

Certain corresponding figures in the financial statements for the year ended 31 December 2015 have been restated to correct certain prior year's accounting errors and to conform with the presentation of current year's separate financial statements. Details are as below:

		As previously presented LAK	Restatement LAK	Restated LAK
Balance sheet				
Inventories	(i)	11,317,649,677	419,845,678	11,737,495,355
Other current assets	(i)	21,144,186,338	(419,845,678)	20,724,340,660
Tangible fixed assets	(ii)	113,459,945,114	(478,394,955)	112,981,550,159
Intangible fixed assets	(ii)	132,661,107,070	(2,882,897,460)	129,778,209,610
Statutory reserves	(iii)	-	1,977,267,979	1,977,267,979
Other reserves	(iii)	-	1,977,267,979	1,977,267,979
Undistributed earnings	(ii),(iii)	16,332,091,105	(7,315,828,373)	9,016,262,732
Income statement				
Administrative expenses	(ii)	42,174,055,315	3,361,292,415	45,535,347,730

- (i) Adjustment to reclassify tools and supplies from other current assets to inventories.
- (ii) Adjustment to write off mark-up on costs of the tangible fixed assets and intangible fixed assets relating to smart card system taken back from Well Tech, a related party, in 2015.
- (iii) Adjustment to increase statutory and other reserves which were appropriated from undistributed earnings in accordance with the Resolution of the Annual General Shareholders meeting dated 5 June 2015.

32. APPROVAL FOR ISSUE

The separate financial statements as at 31 December 2016 and for the year then ended were authorised for issue by the Company's management on 28 April 2017.


Chanthadom Meksavanh
Acting Chief Finance Officer




Chanthone Sittixay
Chief Executive Officer

28 April 2017