

Lao Holding State Enterprise

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Chanthabouly District, P.O. Box - 11536
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**Financial Statements
(Unaudited)**

From 1 January 2009 to 31 December 2009

Refer to contract dated: 25 February 2010

**Lao Holding State Enterprise
General Manager**

**Accounting & Audit Services Ltd (A.S.L)
A.S.L Managing Director**



Dr. Somboune MANOLOM



Khamphay PHOMSAVATH

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ບໍລິສັດ ບໍລິການບັນຊີ ແລະ ກວດສອບ ຈຳກັດ ຜູ້ດຽວ

Accounting & Audit services L T D.

ບ້ານສີເມືອງ, ຖ້ຽມ 02, ໜ່ວຍ 08, ເມືອງ ສີສັດຕະນາກ ນະຄອນຫລວງວຽງຈັນ

Simuang Village, Sisattanak District, Vientiane capital

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Date: 3 March 2010

Financial Report (Unaudited)

To: Lao Holding State Enterprise
Lane Xang Avenue, Unit 1, HutsadyTai Village,
Chanthaboury District, Vientiane Capital, Lao PDR
Tel: (856-21) 263805, 263806
Fax: (856-21) 263804

Attention: **Dr. Somboune MANOLOM**
General Manager

I refer to the contract dated 25 February 2010 entered into by and between Lao Holding State Enterprise (LHSE) having its principal office located at Lane Xang Avenue, Unit 1, HutsadyTai Village, Chanthaboury District, Vientiane Capital and Accounting & Audit Service Ltd. (A.S.L.) having its principal office located at No 066, Ban Simuang Village, Sisattanak District, Vientiane Capital.

LHSE represents the Government of Lao PDR (GOL) in holding 25% Equity in Nam Theun 2 Power Company Limited (NTPC), with an amount of USD 87.50 Million, as Base Equity, provided by the GOL to LHSE as subsidiary loan from 5 sources namely ADB, IDA, EIB, AFD and GOL contribution.

To facilitate financial review process the expenditures in USD firstly have been converted into Lao Kip with exchange rate for accounting transactions of 10,500 Kip/USD and then the figures in the Financial Statements have been brought back to USD with the same exchange rate for the purpose of easy assessment.

As the result of detailed review, the Financial Statement of LHSE from 1 January to 31 December 2009 is explained as follows:

1. Income statement

(See the Income Statement from 1 January to 31 December 2009)

Actually, the LHSE did not generate any business revenue during this period, but it has financial income in amount of USD 91,311.39 which composes of interest and administration fee on the Personnel Services Agreement from NTPC and from the Hongsa Power Project.

There were some operating expenses, which are composed mainly of other purchase, external service, fees, wages and personal costs, net operating depreciation and financial expenses.

The personal income tax payment includes in the wages and personal cost (See Annex: 3).

There were capitalization expenses of accrued interests on subsidiary Loan from GOL in amount of USD 5,161,556.66 (See Annex: 5).

2. Balance Sheets (Assets – Liabilities)

2.1 Assets

2.1.1 Fixed Assets

From 1 January 2009 to 31 Dec 2009 LHSE had additional fixed assets as follows:

(In US Dollar)	<u>31 Dec 2008</u>	<u>1 Jan – 31 Dec 2009</u>	<u>Balance</u>
Fixed assets	320,427.43	655,959.83	976,387.26
Land use	295,440.00	-	295,440.00
Total	<u>615,867.43</u>	<u>655,959.83</u>	<u>1,271,827.26</u>

(See Annex 2)

2.1.2 Title of participation on investment

Up to the end of 31 December 2009, LHSE has already contributed its equity to NTPC from 5 sources of fund in the amount as below:

(In US Dollar)	<u>31 Dec 2008</u>	<u>1 Jan – 31 Dec 2009</u>	<u>Balance</u>
EIB =	44,747,407.35	0.00	44,747,407.35
ADB =	15,500,000.00	0.00	15,500,000.00
IDA =	19,851,000.00	118,077.00	19,969,077.00
AFD =	5,560,000.00	0.00	5,560,000.00
GOL =	3,000,000.00	0.00	3,000,000.00
Total	<u>88,658,407.35</u>	<u>118,077.00</u>	<u>88,776,484.35</u>

(See Annex: 4)

2.1.3 Cash and cash equivalents

After transactions during the period, the bank balance, cash on hand and cash advance at 31 December 2009 are as follows:

		(USD) 31-Dec-09	(USD) 31-Dec-08
Cash on hand	=	7,656.60	2,513.68
Cash advance	=	5,539.29	4,228.41
Cash in Bank	=	382,297.13	464,789.92
Total	=	<u>395,493.02</u>	<u>471,632.01</u>

(See Annex: 1)

2.2 Liabilities

- From 1 January 2009 to 31 December 2009 LHSE had withdrawn the loan in the amount of USD 118,077.00 for equity contribution to NTPC (See Annex: 4).
- There is accrued interest on subsidiary loan from GOL in the period 8 and 9 in amount of USD 5,161,556.66. The cumulative amount of accrued interest is USD 18,090,588.15. (See Annex: 5).

We have produced the following reports:

1. Income Statement
2. Balance Sheets (Assets and Liabilities)
3. Annexes
 - Annex - 1: Cash Balance
 - Annex - 2: Depreciation on Fixed Assets
 - Annex - 3: Tax payment (from 1 January 2009 to 31 December 2009)
 - Annex - 4: Loan withdrawn for Equity Contribution up to 31 December 2009
 - Annex - 5: Accrued Interests on Subsidiary Loan from GOL

We, the A.S.L hereby certify that the above Financial Statements are based on the International Accounting Standards (IAS), such as the objectivity principle, the matching principle, the consistency principle, the on going concerned principle, the historical cost principle, the separate entity principle and the principle of prudence as well as the other relevant accounting principles. We also based on the Lao Accounting Standards in order to comply with the Accounting Law of the Lao PDR.

We have gone through all of legal documents related to LHSE and conducted the sample testing, the physical counts and produced the depreciation, the tax payment records which are complied with the Taxation Law of Lao PDR.

Therefore, we certify that the financial statements are true and correct.

Yours sincerely,



Khamphay PHOMSAVATH
A.S.L Managing Director

LAO HOLDING STATE ENTERPRISE

INCOME STATEMENT

For the period from 1/1/2009 to 31/12/2009, In US dollars

	Note	31/12/2009	31/12/2008
Sales		-	-
Cost of sales		-	-
Gross profit		-	-
Other operating income		-	-
Distribution cost		-	-
Administrative expenses		-	-
Other operating expenses		(437,815.39)	(308,875.65)
Operating profit		(437,815.39)	(308,875.65)
Financial income		91,311.39	99,592.86
Financial expenses		(85,975.13)	-
Loss on foreign exchange		(1,446.73)	-
Net Financial Costs		3,889.53	99,592.86
Profit before tax		(433,925.86)	(209,282.79)
Income Tax		-	-
Profit after income tax		(433,925.86)	(209,282.79)
Extraordinary items "Income"		-	-
Extraordinary items "Expense"		-	-
Net profit		(433,925.86)	(209,282.79)

General Manager



Dr. Somboune MANOLOM

Accountant

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Accounting & Audit Service Ltd



Khamphay PHOMSAVATH

BALANCE SHEETS

For the period from 1/1/2009 to 31/12/2009, in US dollars

ASSETS	Note	31/12/2009		31/12/2008
		Book Value	Depreciation, Amortization	Net Value
Non-current assets		<u>1,271,827.26</u>	<u>206,707.38</u>	<u>1,065,119.88</u>
Intangible assets		295,731.43	204.00	295,527.43
Property, plant and equipment		976,095.83	206,503.38	769,592.45
Assets in process		-	-	-
Financial assets		<u>106,867,072.50</u>	<u>-</u>	<u>106,867,072.50</u>
Investment in associates		88,776,484.35	-	88,776,484.35
Interest during grace period due for amortization		18,090,588.15	-	18,090,588.15
Other non-current assets		<u>-</u>	<u>-</u>	<u>-</u>
Deferred tax assets		-	-	-
Total non-current assets		<u>108,138,899.76</u>	<u>206,707.38</u>	<u>107,932,192.38</u>
Current assets		<u>402,587.69</u>	<u>-</u>	<u>402,587.69</u>
Inventories		-	-	-
Receivables and prepayments		7,094.67	-	7,094.67
Cash and cash equivalents		395,493.02	-	395,493.02
Total current assets		<u>402,587.69</u>	<u>-</u>	<u>402,587.69</u>
TOTAL ASSETS		<u>108,541,487.45</u>	<u>206,707.38</u>	<u>108,334,780.07</u>

General Manager



Dr. Somboune MANOLOM

Accountant

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LAO HOLDING STATE ENTERPRISE

BALANCE SHEETS

For the period from 1/1/2009 to 31/12/2009, in US dollars

LIABILITIES	Note	31/12/2009	31/12/2008
<u>EQUITY AND LIABILITIES</u>			
<u>Capital and reserves</u>		(412,379.06)	21,546.80
Registered capital		666,666.67	666,666.67
Net profit or net loss		(433,925.86)	(209,282.78)
Reserves		-	-
Retained earnings		(645,119.87)	(435,837.09)
<u>Non-current liabilities</u>		108,738,408.15	101,514,510.91
Deferred tax liabilities		-	-
Repayable capital contributed by state		1,002,238.33	1,002,238.33
Borrowing (Domestic Bank)		869,097.31	400,000.00
Borrowing (Subsidiary Loan from Ministry of Finance- GOL)		106,867,072.50	100,112,272.58
<u>Current liabilities</u>		8,750.98	2,068.83
Trade and other payables		8,095.92	1,795.00
Current tax liabilities		655.05	273.83
<u>TOTAL EQUITY AND LIABILITIES</u>		108,334,780.07	101,538,126.54

General Manager



Dr. Somboune MANOLOM

Accountant

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Accounting & Audit Service Ltd



Khamphay PHOMSAVATH

Cash Balance

In USD

	31-Dec-09	31-Dec-08
Cash on hand	7,656.60	2,613.69
Cash advance	5,539.29	4,228.41
Cash in bank	382,297.13	464,789.92
TOTAL	395,493.02	471,632.01

General Manager

Accountant

Accounting & Audit Service Ltd



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Depreciation on Fixed Assets
For the period from 1/1/2009 to 31/12/2009

In USD

No.	Account Code	Description	Book Value	Depreciation			Balance in Book Value
				Accum. to 31 Dec 2008	This Period, Jan to Dec 2009	Accum. To the end of this Period	
I	201.1	Land use	295,440.00	0.00	0.00	0.00	295,440.00
II	204.1	Accounting Software APIS	291.43	145.71	58.29	204.00	87.43
III	212.2	Building	541,806.08	101.09	33.70	134.78	541,671.29
IV	214.2	Vehicles	229,300.19	92,594.20	45,823.48	138,417.68	90,882.51
V	2181	Fixture and Improvements	49,191.04	1,227.44	8,684.02	9,911.46	39,279.58
VI	2182	Office Equipments	57,583.99	9,207.74	10,642.32	19,850.06	37,733.93
VII	2183	Computer Equipment and Peripherals	51,354.09	20,238.41	8,969.34	29,207.75	22,146.34
VIII	2184	Furnitures	46,860.44	4,919.65	4,062.00	8,981.65	37,878.79
Net Total			1,271,827.26	128,434.24	78,273.15	206,707.38	1,065,119.88

General Manager



Dr. Somboune MANOLOM

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Tax Payments
For the period from 1/1/2009 to 31/12/2009

Monthly	Tax Payments (Kip)	Details			US Dollar (Equivalent)
		VAT (Kip)	Corporate Tax (Kip)	Personnel Income tax (Kip)	
January	6,342,423			6,342,423	741.80
February	2,885,723			2,885,723	337.51
March	2,969,498			2,969,498	347.31
April	2,960,327			2,960,327	346.24
May	3,041,784			3,041,784	355.76
June	3,006,986			3,006,986	351.69
July	2,977,893			2,977,893	348.29
August	2,970,753			2,970,753	347.46
September	4,453,612			4,453,612	520.89
October	3,123,412			3,123,412	365.31
November	3,280,472			3,280,472	383.68
December	4,731,964			4,731,964	553.45
TOTAL	42,744,847			42,744,847	4,999.40

General Manager

Accountant

Accounting & Audit Service Ltd



Dr. Somboune MANOLOM

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LAO HOLDING STATE ENTERPRISE

Loan withdrawn for Equity Contribution upto Dec 31, 2009

(Subsidiary Loan from Ministry of Finance-GOL)

Annex 4

In USD

Period	Sources					Total
	EIB (Loan)	ADB (Loan)	IDA (Grant)	AFD (Grant)	GOL Contrib.	
At 31 December 2005	21,250,000.00	11,066,000.00	5,626,000.00	2,410,000.00	3,000,000.00	43,352,000.00
Additions in 2006	23,497,407.35	4,434,000.00	4,973,000.00	0.00	0.00	32,904,407.35
At 31 December 2006	44,747,407.35	15,500,000.00	10,599,000.00	2,410,000.00	3,000,000.00	76,256,407.35
Additions from Jan to Jun 2007	0.00	0.00	0.00	0.00	0.00	0.00
At 30 June 2007	44,747,407.35	15,500,000.00	10,599,000.00	2,410,000.00	3,000,000.00	76,256,407.35
Additions from July to Dec 2007	0.00	0.00	3,702,000.00	0.00	0.00	3,702,000.00
At 31 December 2007	44,747,407.35	15,500,000.00	14,301,000.00	2,410,000.00	3,000,000.00	79,958,407.35
Additions from Jan to Jun 2008	0.00	0.00	5,550,000.00	3,150,000.00	0.00	8,700,000.00
At 30 June 2008	44,747,407.35	15,500,000.00	19,851,000.00	5,560,000.00	3,000,000.00	88,658,407.35
Additions from Jul to Dec 2008	0.00	0.00	0.00	0.00	0.00	0.00
At 31 December 2008	44,747,407.35	15,500,000.00	19,851,000.00	5,560,000.00	3,000,000.00	88,658,407.35
Additions from Jan to Jun 2009	0.00	0.00	118,077.00	0.00	0.00	118,077.00
At 30 June 2009	44,747,407.35	15,500,000.00	19,969,077.00	5,560,000.00	3,000,000.00	88,776,484.35
Additions from Jul to Dec 2009	0.00	0.00	0.00	0.00	0.00	0.00
At 31 Dec 2009	44,747,407.35	15,500,000.00	19,969,077.00	5,560,000.00	3,000,000.00	88,776,484.35

General Manager

Accountant

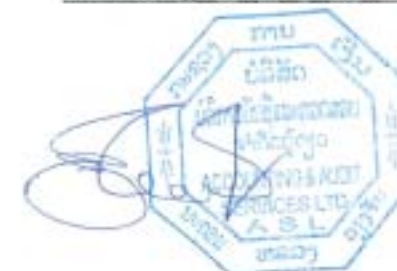
Accounting & Audit Service Ltd



Dr. Somboune MANOLOM

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Accrued Interests on Subsidiary Loan from GOL

(Note: 360 days=1Year or 30 days=1Month)

Annex 5

In USD

Periods (Revised)	Accrued Interest on the Sources of					Total
	EIB (Loan)	ADB (Loan)	IDA (Grant)	AFD (Grant)	GOL Contrib.	
1: from 1st W/D to 31/12/2005	509,911.46	211,277.50	152,370.83	65,270.83	72,916.67	1,011,747.29
2: from 1/1/2006 to 30/6/2006	631,212.71	376,770.27	144,459.27	61,881.77	76,822.92	1,291,146.93
3: from 1/7/2006 to 31/12/2006	1,018,908.23	402,201.19	191,496.03	63,428.82	78,743.49	1,754,777.76
4: from 1/1/2007 to 30/6/2007	1,177,393.45	412,256.22	277,183.15	65,014.54	80,712.08	2,012,559.44
5: from 1/7/2007 to 31/12/2007	1,207,344.53	422,562.63	332,444.40	66,639.90	82,729.88	2,111,721.34
6: from 1/1/2008 to 30/6/2008	1,238,067.42	433,126.70	437,116.34	70,055.90	84,796.13	2,263,164.48
7: from 1/7/2008 to 31/12/2008	1,269,582.26	443,954.86	534,651.75	148,807.29	86,918.08	2,483,914.25
8: from 1/1/2009 to 30/6/2009	1,301,909.70	455,053.73	549,116.82	152,527.48	89,091.03	2,547,698.76
9: from 1/7/2009 to 31/12/2009	1,335,070.96	466,430.08	564,697.89	156,340.66	91,318.31	2,613,857.90
Accumulating at 31/12/2009	9,689,400.72	3,623,633.19	3,183,536.49	849,967.18	744,050.57	18,090,588.15

General Manager



Dr. Somboune MANOLOM

Accountant

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Accounting & Audit Service Ltd



Khamphay PHOMSAVATH