

ROYAL RAILWAY PLC.

**Condensed Interim Financial Statements
for the three-month period
ended 31 March 2024
and
Independent Auditors' Report on Review of
Condensed Interim Financial Statements**

Corporate information

Company	Royal Railway Plc.	
Registration No.	00018504	
Registered office	Central Railway Station, Russian Federation Boulevard Sangkat Sras Chork, Khan Daun Penh, Phnom Penh Kingdom of Cambodia	
Shareholders	Inter Logistics (Cambodia) Co., Ltd. Neak Oknha Kith Meng	
Board of Directors	Neak Oknha Kith Meng Mr. Raymond Thornton Yager Mr. William Mark Hanna Mr. Paul Clements Mr. Lun Yeng	Chairman Director Director Director Independent Director
Management team	Mr. John Guiry Ms. Tauch Sothyda	Chief Executive Officer Chief Financial Officer
Audit and Risk Committee	Mr. Lun Yeng Mr. Paul Clements Mr. William Mark Hanna	Chairman Director Director
Nomination and Remuneration Committee	Mr. William Mark Hanna Mr. Paul Clements Mr. Raymond Thornton Yager	Chairman Director Director
Principal banker	Wing Bank (Cambodia) Plc	
Auditors	KPMG Cambodia Ltd	

Royal Railway Plc.

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Report of the Board of Directors

The Board of Directors (“the Directors”) of Royal Railway Plc. (“the Company”) hereby presents its report and the Company’s condensed interim financial statements for the three-month period ended 31 March 2024.

Principal activities

The Company is principally engaged in operating railway services including, inter alia, railway freight and passenger services, the provision of substitute transportation by other modes in the event transport by rail is impractical, and the maintenance of railway infrastructure and equipment.

Financial results

The financial results of the Company for the three-month period ended 31 March 2024 were disclosed in the condensed interim statement of profit or loss and other comprehensive income. Refer to page 9.

Dividends

No dividend was declared nor paid during the period and the Directors do not recommend any dividends to be paid as at the reporting date.

Share capital

There was no shareholding structure changes during the three-month period ended.

Reserves and provisions

There were no material movements to or from reserves and provisions during the period other than those disclosed in the condensed interim financial statements.

Expected credit losses on trade and other receivables

Before the condensed interim financial statements of the Company were drawn up, the Directors took reasonable steps to ascertain that action had been taken and satisfied themselves that all known bad trade and other receivables had been written off and that adequate provision for expected credit losses on trade and other receivables had been made.

At the date of this report, the Directors are not aware of any circumstances which would render the amount written off for bad trade and other receivables or the amount of the provision for bad and doubtful trade and other receivables in the condensed interim financial statements of the Company inadequate to any material extent.

Royal Railway Plc.

Assets

Before the condensed interim financial statements of the Company were prepared, the Directors took reasonable steps to ensure that any assets, other than debts, which were unlikely to be realised in the ordinary course of business at their value as shown in the accounting records of the Company had been written down to an amount which they are expected to be realised.

At the date of this report, the Directors are not aware of any circumstances, which would render the values attributed to the assets in the condensed interim financial statements of the Company to be misleading.

Valuation methods

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets and liabilities in the condensed interim financial statements of the Company as misleading or inappropriate.

Contingent and other liabilities

At the date of this report, there is:

- No change on the assets of the Company which has arisen since the end of the financial periods which secures the liabilities of any other person; and
- Except as disclosed in Note 27 to the condensed interim financial statements, no other contingent liability in respect of the Company that has arisen since the end of the financial year other than those in the ordinary course of business.

No contingent or other liability of the Company has become enforceable, or is likely to become enforceable within the periods after the end of the reporting period which, in the opinion of the Directors, will or may have a material effect on the ability of the Company to meet its obligations as and when they become due.

Change of circumstances

At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the condensed interim financial statements of the Company, which would render any amount stated in the condensed interim financial statements to be misleading.

The results of the operations of the Company for the reporting period were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

Nothing has arisen during in the interval between the end of the reporting period and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Company for the current reporting period in which this report is made.

Royal Railway Plc.

Event during and since the reporting period

The Company is subject to financial covenant testing every 6 months and as at 30 June 2023 and 31 December 2023, the Company was unable to comply with 3 covenants required for the Guaranteed Bond including Debt Service Coverage Ratio, Debt to EBITDA Ratio and Total Debt to Total Assets Ratio under the bond guarantee agreement. Refer to Note 14.

The Company communicated the compliance status to the Guarantor on 13 July 2023 and updates its financial forecast model as per requirement from the Guarantor. On 15 August 2023, the Company submitted their waiver letter to the Guarantor and on 12 December 2023, the Guarantor waived the non-compliance of the covenants as of 30 June 2023. Furthermore, on 20 March 2024, the Company submitted their request for a waiver to the Guarantor on non-compliance of the covenants as of 31 December 2023 as mentioned above which is pending a response from Guarantor as at the date of these condensed interim financial statements.

Items of unusual nature

The results of the operations of the Company for the financial period were not, in the opinion of the Board of Directors, substantially affected by any item, transaction or event of a material and unusual nature.

The Board of Directors

The members of Board of the Directors during the period and at the date of this report are:

<i>Name</i>	<i>Position</i>
Neak Oknha Kith Meng	Chairman
Mr. Raymond Thornton Yager	Director
Mr. William Mark Hanna	Director
Mr. Paul Clements	Director
Mr. Lun Yeng	Independent Director

Directors' interests

Except for Neak Oknha Kith Meng, the Chairman, who directly and indirectly holds the Company through Inter Logistics (Cambodia) Co., Ltd., none of the other Directors held or dealt directly in the shares of the Company during the financial period.

Directors' benefit

During and at the end of the financial period, no arrangements existed to which the Company is a party with the objective of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other corporate body.

During the financial period, no Director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as disclosed in the condensed interim financial statements) by reason of a contract made by the Company or a related corporation with a firm of which the Director is a member, or with a Company in which the Directors have a substantial financial interest other than as disclosed in the condensed financial statements.

Royal Railway Plc.

Directors' responsibility in respect of the condensed interim financial statements

The Directors are responsible for ensuring that the condensed interim financial statements of the Company as at 31 March 2024, and for the three-month period then ended, as set out on pages 7 to 38, are prepared, in all material respects, in accordance with Cambodian International Accounting Standard 34, *Interim Financial Reporting* ("CIAS 34"). The Directors oversee the preparation of these condensed interim financial statements by management who is required to:

- Adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- Comply with the disclosure requirements and guidelines issued by CIAS 34 or, if there has been any departure in the interest of fair presentation, ensure this has been appropriately disclosed, explained and quantified in the condensed interim financial statements;
- Maintain adequate accounting records and an effective system of internal controls;
- Prepare the condensed interim financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue operations in the foreseeable future; and
- Set overall policies for the Company, ratify all decisions and actions by management that have a material effect on the operations and performance of the Company, and ensure they have been properly reflected in the condensed interim financial statements.

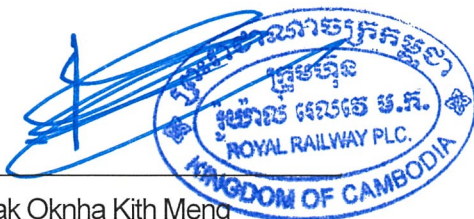
Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Company and to ensure that the accounting records comply with the registered accounting system. It is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that the management has complied with the above requirements in preparing the condensed interim financial statements.

Approval of the condensed interim financial statements

I, on behalf of the Board of Directors of Royal Railway Plc., hereby approve the accompanying condensed interim financial statements, together with the notes thereto, which are prepared, in all material respects, in accordance with CIAS 34, *Interim Financial Reporting*.

Signed in accordance with a resolution of the Board of Directors,



Neak Oknha Kith Meng
Chairman

Phnom Penh, Kingdom of Cambodia

23 May 2024



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INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

To the shareholders of Royal Railway Plc.

Introduction

We have reviewed the accompanying 31 March 2024 condensed interim financial statements of Royal Railway Plc. ("the Company"), as set out on pages 7 to 38 (hereafter referred to as "the condensed interim financial statements") which comprise:

- the condensed interim statement of financial position as at 31 March 2024;
- the condensed interim statement of profit or loss and other comprehensive income for the three-month period ended 31 March 2024;
- the condensed interim statement of changes in equity for the three-month period ended 31 March 2024;
- the condensed interim statement of cash flows for the three-month period ended 31 March 2024; and
- other explanatory notes to the condensed interim financial statements.

Management is responsible for the preparation and presentation of this condensed interim financial statements in accordance with the Cambodian International Accounting Standard 34, "*Interim Financial Reporting*". Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with Cambodian International Standards on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Cambodian International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements, are not prepared, in all material respects, in accordance with Cambodian International Accounting Standard 34, “Interim Financial Reporting”.

Emphasis of Matter

We draw attention to Note 27.1 to the condensed interim financial statements which describes that there are provisions in the existing Concession Agreement specifying concession fees to be paid by the Company to the Government of the Kingdom of Cambodia (“GKC”) for the use of the conceded assets from the effective date of the Concession Agreement. The Company’s management has performed an assessment of its obligations under the existing Concession Agreement and believed that the obligation to pay the concession fee under the agreement has not yet become effective. The Company’s management is continuing its negotiation with the GKC on the new amended Concession Agreement. The Company’s management believes the amounts and timing of any economic benefit outflows could not be estimated reliably due to the Effective Date of the agreement has not been determined as of the reporting date. The ultimate outcome of this matter is uncertain and, accordingly, no provision for any liability has been made in the condensed interim financial statements. Our review conclusion is not modified in respect of this matter.

For KPMG Cambodia Ltd



Phor Auvarin
Partner

Phnom Penh, Kingdom of Cambodia

23 May 2024

Royal Railway Plc.

Condensed interim statement of financial position as at 31 March 2024

	Note	31 March 2024		31 December 2023	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
ASSETS					
Current assets					
Cash and bank balances	5	15,115,270	61,080,805	17,485,828	71,429,608
Trade and other receivables	6	4,063,482	16,420,531	2,913,750	11,902,669
Inventories	7	125,002	505,133	154,602	631,549
		<u>19,303,754</u>	<u>78,006,469</u>	<u>20,554,180</u>	<u>83,963,826</u>
Non-current assets					
Bank balances	5	4,006,412	16,189,911	3,958,850	16,171,902
Property and equipment	8	9,475,618	38,290,972	8,872,818	36,245,462
Intangible assets	9	239,635	968,365	243,763	995,772
Investment property	10	40,697	164,457	43,111	176,108
Right-of-use assets	11	712,880	2,880,748	-	-
		<u>14,475,242</u>	<u>58,494,453</u>	<u>13,118,542</u>	<u>53,589,244</u>
TOTAL ASSETS		<u>33,778,996</u>	<u>136,500,922</u>	<u>33,672,722</u>	<u>137,553,070</u>
LIABILITIES AND EQUITY					
Current liabilities					
Trade and other payables	12	3,117,416	12,597,478	2,702,507	11,039,741
Borrowings	13	3,443,080	13,913,486	3,432,784	14,022,923
Debt securities	14	25,158,109	101,663,918	24,094,813	98,427,311
Employee benefit liabilities	15	55,401	223,875	94,759	387,091
Minimum tax liability	23(b)	11,482	46,399	9,163	37,431
Lease liabilities	16	28,640	115,734	-	-
		<u>31,814,128</u>	<u>128,560,890</u>	<u>30,334,026</u>	<u>123,914,497</u>
Non-current liabilities					
Debt securities	14	9,809,327	39,639,490	9,809,327	40,071,101
Borrowings	13	1,031,658	4,168,930	1,087,317	4,441,690
Provision on onerous contract		52,308	211,377	52,308	213,678
Employee benefit liabilities	15	44,334	179,154	52,130	212,951
Lease liabilities	16	696,023	2,812,629	-	-
		<u>11,633,650</u>	<u>47,011,580</u>	<u>11,001,082</u>	<u>44,939,420</u>
TOTAL LIABILITIES		<u>43,447,778</u>	<u>175,572,470</u>	<u>41,335,108</u>	<u>168,853,917</u>

Royal Railway Plc.

Condensed interim statement of financial position (continued) as at 31 March 2024

	Note	31 March 2024		31 December 2023	
		US\$	KHR'000	US\$	KHR'000
			(Note 4)		(Note 4)
Equity					
Share capital	17	13,020,930	52,083,720	13,020,930	52,083,720
Accumulated losses		(22,689,712)	(92,549,606)	(20,683,316)	(84,381,567)
Currency translation reserves		-	1,394,338	-	997,000
		<u>(9,668,782)</u>	<u>(39,071,548)</u>	<u>(7,662,386)</u>	<u>(31,300,847)</u>
TOTAL LIABILITIES AND EQUITY		<u>33,778,996</u>	<u>136,500,922</u>	<u>33,672,722</u>	<u>137,553,070</u>

The accompanying notes form an integral part of these condensed interim financial statements.

Royal Railway Plc.

Condensed interim statement of profit or loss and other comprehensive income for the three-month period ended 31 March 2024

	Note	For the three-month period ended 31 March 2024		For the three-month period ended 31 March 2023	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Revenue	18	3,004,328	12,230,619	2,694,507	11,004,367
Cost of services	19	<u>(3,470,777)</u>	<u>(14,129,533)</u>	<u>(3,078,272)</u>	<u>(12,571,663)</u>
Gross loss		(466,449)	(1,898,914)	(383,765)	(1,567,296)
Other operating income	20	167,781	683,036	423,892	1,731,175
Operating and administrative expenses	21	(652,022)	(2,654,382)	1,277,513	5,217,363
Reversal of impairment losses	5,6	33,110	134,791	20,214	82,554
Minimum tax expense	23(c)	<u>(31,717)</u>	<u>(129,120)</u>	<u>(31,042)</u>	<u>(126,776)</u>
Operating (loss)/profit		(949,297)	(3,864,589)	1,306,812	5,337,020
Finance costs – net	24	<u>(1,057,099)</u>	<u>(4,303,450)</u>	<u>(681,763)</u>	<u>(2,784,320)</u>
(Loss)/profit before income tax		(2,006,396)	(8,168,039)	625,049	2,552,700
Income tax expense	23(c)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net (loss)/profit for the period		(2,006,396)	(8,168,039)	625,049	2,552,700
<i>Other comprehensive income</i>					
Items that will not be reclassified to profit or loss					
Currency translation differences		<u>-</u>	<u>397,338</u>	<u>-</u>	<u>124,240</u>
Total comprehensive (loss)/profit for the period		<u>(2,006,396)</u>	<u>(7,770,701)</u>	<u>625,049</u>	<u>2,676,940</u>

The accompanying notes form an integral part of these condensed interim financial statements.

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Condensed interim statement of changes in equity for the three-month period ended 31 March 2024

	Share capital		Accumulated losses		Currency translation reserves		Total	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Balance at 1 January 2024	13,020,930	52,083,720	(20,683,316)	(84,381,567)	-	997,000	(7,662,386)	(31,300,847)
Total comprehensive loss								
Net loss for the period	-	-	(2,006,396)	(8,168,039)	-	-	(2,006,396)	(8,168,039)
Currency translation differences	-	-	-	-	-	397,338	-	397,338
	-	-	(2,006,396)	(8,168,039)	-	397,338	(2,006,396)	(7,770,701)
Balance at 31 March 2024	13,020,930	52,083,720	(22,689,712)	(92,549,606)	-	1,394,338	(9,668,782)	(39,071,548)
Balance at 1 January 2023	13,020,930	52,083,720	(15,290,638)	(62,217,661)	-	789,553	(2,269,708)	(9,344,388)
Total comprehensive profit								
Net profit for the period	-	-	625,049	2,552,700	-	-	625,049	2,552,700
Currency translation differences	-	-	-	-	-	124,240	-	124,240
	-	-	625,049	2,552,700	-	124,240	625,049	2,676,940
Balance at 31 March 2023	13,020,930	52,083,720	(14,665,589)	(59,664,961)	-	913,793	(1,644,659)	(6,667,448)

The accompanying notes form an integral part of these condensed interim financial statements.

Royal Railway Plc.

Condensed interim statement of cash flows for the three-month period ended 31 March 2024

	For the three-month period ended 31 March 2024		For the three-month period ended 31 March 2023	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Cash flows from operating activities				
Net (loss)/profit for the period	(2,006,396)	(8,168,039)	625,049	2,552,700
<i>Adjustments for:</i>				
Depreciation and amortisation	455,901	1,855,973	300,652	1,227,863
Finance costs	1,153,508	4,695,930	681,763	2,784,320
Employee benefit	55,401	225,537	50,256	205,246
Property and equipment written off	-	-	346	1,413
Minimum tax expense	31,717	129,120	31,042	126,776
Reversal of minimum tax liability	-	-	(57,429)	(234,540)
Finance incomes	(96,409)	(392,480)	-	-
Reversal of impairment loss	(33,110)	(134,791)	(20,214)	(82,554)
	<u>(439,388)</u>	<u>(1,788,750)</u>	<u>1,611,465</u>	<u>6,581,224</u>
<i>Changes in:</i>				
Trade and other receivables	(1,130,475)	(4,602,164)	(389,302)	(1,589,909)
Inventories	29,600	120,502	(68,306)	(278,962)
Trade and other payables	<u>414,909</u>	<u>1,689,095</u>	<u>(2,015,423)</u>	<u>(8,230,988)</u>
Cash used in operation	(1,125,354)	(4,581,317)	(861,566)	(3,518,635)
Interest paid	(68,710)	(279,718)	(26,385)	(107,756)
Payment of employee benefits	(102,555)	(417,501)	(94,542)	(386,110)
Minimum tax paid	<u>(29,398)</u>	<u>(119,679)</u>	<u>(28,408)</u>	<u>(116,018)</u>
Net cash used in operating activities	<u>(1,326,017)</u>	<u>(5,398,215)</u>	<u>(1,010,901)</u>	<u>(4,128,519)</u>
Cash flows from investing activities				
Interest received	48,847	198,856	-	-
Acquisition of property and equipment	<u>(1,033,880)</u>	<u>(4,208,925)</u>	<u>(348,770)</u>	<u>(1,424,377)</u>
Net cash used in investing activities	<u>(985,033)</u>	<u>(4,010,069)</u>	<u>(348,770)</u>	<u>(1,424,377)</u>
Cash flows from financing activities				
Repayment of borrowings	(50,633)	(206,127)	(27,731)	(113,253)
Payment of lease liabilities	(22,728)	(92,526)	-	-
Bank balance of reserve accounts	-	-	(44,837)	(183,114)
Net cash used in financing activities	<u>(73,361)</u>	<u>(298,653)</u>	<u>(72,568)</u>	<u>(296,367)</u>

Royal Railway Plc.

Condensed interim statement of cash flows (continued) for the three-month period ended 31 March 2024

	For the three-month period ended 31 March 2024		For the three-month period ended 31 March 2023	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Net decrease in cash and cash equivalents	(2,384,411)	(9,706,937)	(1,432,239)	(5,849,263)
Cash and cash equivalents at beginning of the period	17,649,823	72,099,527	24,191,824	99,597,739
Currency translation differences	<u>-</u>	<u>(705,061)</u>	<u>-</u>	<u>(1,481,119)</u>
Cash and cash equivalents at end of the period (Note 5)	<u>15,265,412</u>	<u>61,687,529</u>	<u>22,759,585</u>	<u>92,267,357</u>

The accompanying notes form an integral part of these condensed interim financial statements.

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Notes to the condensed interim financial statements for the three-month period ended 31 March 2024

These notes form an integral part of and should be read in conjunction with the accompanying condensed interim financial statements.

1. Background information

Royal Railway Plc. (“the Company”) is a public limited liability company incorporated in the Kingdom of Cambodia. The Company was originally established under the Registration No. Co. 2874/06E dated 6 April 2006 issued by the Ministry of Commerce (“MOC”). Subsequently, the Company has received the approval from the Council for the Development of Cambodia (“CDC”) to be a Qualified Investment Project (“QIP”) with a new Registration No. Inv. 0643KH/2014 dated 6 October 2015. On 25 August 2016, the Company obtained a new registration No. 00018504 from the MOC.

The Company operates in railway services under a Railway Concession Agreement (“the Concession Agreement”) signed with the Government of the Kingdom of Cambodia (“GKC”), represented by the Ministry of Public Works and Transport (“MPWT”) in the Kingdom of Cambodia for a period of 30 years over the specific concession assets as stipulated in the agreement. However, the effective date of the Concession Agreement has yet to be officially determined due to the condition precedent to the effective date has yet to be fully met. As of the date of these financial statements, the Company is still working with the GKC for a new amended Railway Concession Agreement.

The Company’s shares of 98.9999% are owned by Inter Logistics (Cambodia) Co.,Ltd, and the remaining 1.0001% owned by Neak Oknha Kith Meng.

The address of its registered office is at Central Railway Station, Russian Federation Boulevard, Sangkat Sras Chork, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia.

As at 31 March 2024, the Company had 817 employees (31 March 2023: 812 employees).

2. Basis of preparation

(a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with Cambodian International Accounting Standard (“CIAS”) 34, “*Interim Financial Reporting*”. They do not include all the information required for a complete set of CIFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to the understanding of the changes in the Company’s financial position and financial performances since the last annual financial statements as at and for the year ended 31 December 2023.

These condensed interim financial statements were authorised for issue by the Company’s Board of Directors on 23 May 2024.

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2024

2. Basis of preparation (continued)

(b) Material accounting policies

The accounting policies applied in these condensed interim financial statements are the same as those applied in the Company's annual financial statements as at and for the year ended 31 December 2023.

(c) Going concern assumption

During the three-month period ended 31 March 2024, the Company generated a net loss of US\$2,006,396 (three-month period ended 31 March 2023: net profit of US\$625,049) and generated net negative cash flows from operating activities for the three-month period ended 31 March 2024 amounting to US\$1,326,017 (for the three-month period ended 31 March 2023: US\$1,010,901) and as at 31 March 2024, the Company had net current liabilities of US\$12,510,374 and accumulated losses amounting to US\$22,689,712 (31 December 2023: US\$20,683,316).

The validity of the going concern assumption fundamentally depends on the ultimate shareholder's continuing to provide financial assistance that is necessary to meet its liabilities as and when they fall due and to maintain the Company in existence as a going concern for the foreseeable future. At the date of these condensed interim financial statements, the ultimate shareholder has confirmed that they will continue to provide sufficient financial support to the Company and there is no reason for the Company's management to believe that the ultimate shareholder will not continue his support.

Based on these factors, management has a reasonable expectation that the Company will have adequate resources to continue in operation for the foreseeable future.

(d) Use of estimates and judgements

In preparing these condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

3. Functional and presentation currency

The national currency of Cambodia is the Khmer Riel ("KHR"). However, as the Company transacts and maintains its accounting records primarily in United States Dollars ("US\$"), management have determined the US\$ to be the Company's functional and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Company.

The condensed interim financial statements are presented in US\$, which is the Company's functional currency. All amounts have been rounded to the nearest dollars, unless otherwise indicated.

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Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2024

4. Translation of United States Dollars into Khmer Riel

The condensed interim financial statements have been presented in the United States Dollars (“US\$”). The translations of the condensed interim financial statements are expressed in United States Dollars which is the Company’s functional currency. The translations of United States Dollars amount into Khmer Riel meets the presentation requirements pursuant to Law on Accounting and Auditing and has been done in compliance with CIAS 21 – *The Effects of Changes in Foreign Exchange Rates*.

Assets and liabilities are translated at the closing rate as at the reporting date and share capital and other equity accounts are translated at the historical rate. The statements of profit or loss and other comprehensive income and cash flows are translated into KHR using the average rate for the reporting period, which have been deemed to approximate the exchange rates at the date of transaction as exchange rates have not fluctuated significantly during the periods. Exchange differences arising from the translation are recognised as “Currency Translation differences” in the other comprehensive income.

The Company uses the following exchange rates:

Period end		Closing rate	Average rate three-month
31 March 2024	US\$1=	KHR4,041	KHR4,071
31 March 2023	US\$1=	KHR4,054	KHR4,084
31 December 2023	US\$1=	KHR4,085	N/A

These convenience translations should not be construed as representations that the United States Dollars amounts have been, could have been, or could in the future be, converted into Khmer Riel at this or any other rate of exchange.

5. Cash and bank balances

	31 March 2024		31 December 2023	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
<i>Current</i>				
Cash on hand	3,634	14,684	2,229	9,106
Cash at banks (*)	15,261,778	61,672,845	17,647,594	72,090,421
Total cash and bank balances	15,265,412	61,687,529	17,649,823	72,099,527
Less: Allowance for impairment losses	(150,142)	(606,724)	(163,995)	(669,919)
	15,115,270	61,080,805	17,485,828	71,429,608

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Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2024

5. Cash and bank balances (continued)

	31 March 2024		31 December 2023	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
<i>Non-current</i>				
Cash at banks:				
Debt Service Reserve				
Account ("DSRA") (**)	3,634,736	14,687,968	3,591,585	14,671,624
Guarantee Fee Reserve				
Account ("GFRA") (**)	<u>371,676</u>	<u>1,501,943</u>	<u>367,265</u>	<u>1,500,278</u>
Total bank balances	<u>4,006,412</u>	<u>16,189,911</u>	<u>3,958,850</u>	<u>16,171,902</u>

(*) Included in the cash at banks balance is the Bond Proceeds Account for which the Company will be able to withdraw amounts from the Bond Proceeds Account, following submission of written requests for specific capital expenditure and to be validated by GuarantCo Ltd ("the Guarantor"). As at 31 March 2024, the remaining amount in the account is US\$11,444,372 (31 December 2023: US\$14,454,865).

(**) Debt Service Reserve Account and Guarantee Fee Reserve Account are reserve accounts specifically set aside to make debt payments and guarantee fee payments in the event of a disruption of cash flows (i.e default event) for the bonds payable and is held at Aceda Bank which earns annual interest rate of 5.00% (31 March 2023: 5.00%) and must be kept as minimum balance for the rest of the bonds' terms.

For purpose of preparing the condensed interim statement of cash flows, cash and cash equivalents comprise the following:

	31 March 2024		31 March 2023	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Cash on hand	3,634	14,684	3,526	14,294
Cash at banks (current portion)	<u>15,261,778</u>	<u>61,672,845</u>	<u>22,756,059</u>	<u>92,253,063</u>
Cash and cash equivalents	<u>15,265,412</u>	<u>61,687,529</u>	<u>22,759,585</u>	<u>92,267,357</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2024

5. Cash and bank balances (continued)

The movement of allowance for impairment losses for bank balances during the periods were as follows:

	For the three-month period ended			
	31 March 2024		31 March 2023	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Balance at beginning of the period	(163,995)	(669,919)	(210,527)	(866,739)
Recognised in profit or loss	13,853	56,396	13,469	55,007
Currency translation differences	-	6,799	-	12,859
Balance at end of the period	<u>(150,142)</u>	<u>(606,724)</u>	<u>(197,058)</u>	<u>(798,873)</u>

6. Trade and other receivables

	31 March 2024		31 December 2023	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Trade receivables	1,012,563	4,091,767	575,983	2,352,891
Less: Allowance for impairment losses	<u>(146,803)</u>	<u>(593,231)</u>	<u>(166,060)</u>	<u>(678,355)</u>
Advance to suppliers	865,760	3,498,536	409,923	1,674,536
Amount due from related parties (Note 25)	2,726,990	11,019,767	2,057,634	8,405,435
	<u>52,308</u>	<u>211,377</u>	<u>48,933</u>	<u>199,891</u>
Financial assets measured at amortised cost	3,645,058	14,729,680	2,516,490	10,279,862
Deposits	79,860	322,714	79,810	326,024
Prepayments	26,085	105,409	17,982	73,456
Others	312,479	1,262,728	299,468	1,223,327
	<u>4,063,482</u>	<u>16,420,531</u>	<u>2,913,750</u>	<u>11,902,669</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2024

6. Trade and other receivables (continued)

The movement of allowance for impairment losses for trade receivables during the period was as follows:

	For the three-month period ended			
	31 March 2024		31 March 2023	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Balance at beginning of the period	(166,060)	(678,355)	(101,172)	(416,525)
Recognised in profit or loss	19,257	78,395	6,745	27,547
Currency translation differences	-	6,729	-	6,171
Balance at end of the period	<u>(146,803)</u>	<u>(593,231)</u>	<u>(94,427)</u>	<u>(382,807)</u>

7. Inventories

	31 March 2024		31 December 2023	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Locomotive parts	57,422	232,042	60,306	246,350
Tools	18,000	72,738	27,390	111,888
Fuel oil	9,480	38,309	13,902	56,790
Diesel	33,038	133,507	42,352	173,008
Wagon parts	7,062	28,537	10,652	43,513
	<u>125,002</u>	<u>505,133</u>	<u>154,602</u>	<u>631,549</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2024

8. Property and equipment

For the three-month period ended 31 March 2024

	Railroad and station improvements US\$	Locomotive US\$	Wagon US\$	Train track US\$	Trolley US\$	Equipment and machinery US\$	Office equipment US\$	Furniture and fittings US\$	IT hardware US\$	Signage and Boom gate US\$	Construction in progress US\$	US\$	Total KHR'000 (Note 4)
Cost													
At 1 January	816,335	8,489,132	3,080,282	860,557	48,393	791,833	9,134	8,794	102,548	41,739	133,813	14,382,560	58,752,758
Addition	4,830	71,756	116,488	51,799	2,225	58,049	-	-	1,450	-	727,283	1,033,880	4,208,925
Transfers	30,562	34,419	-	-	-	-	-	-	-	-	(64,981)	-	-
Currency translation differences	-	-	-	-	-	-	-	-	-	-	-	-	(663,849)
At 31 March	851,727	8,595,307	3,196,770	912,356	50,618	849,882	9,134	8,794	103,998	41,739	796,115	15,416,440	62,297,834
Less: Accumulated depreciation													
At 1 January	519,570	2,810,878	952,702	397,232	33,559	679,691	8,802	8,794	85,312	13,202	-	5,509,742	22,507,296
Depreciation for the period	20,370	208,760	139,944	38,864	849	16,798	45	-	3,363	2,087	-	431,080	1,754,927
Currency translation differences	-	-	-	-	-	-	-	-	-	-	-	-	(255,361)
At 31 March	539,940	3,019,638	1,092,646	436,096	34,408	696,489	8,847	8,794	88,675	15,289	-	5,940,822	24,006,862
Carrying amounts													
At 1 January	296,765	5,678,254	2,127,580	463,325	14,834	112,142	332	-	17,236	28,537	133,813	8,872,818	36,245,462
At 31 March	311,787	5,575,669	2,104,124	476,260	16,210	153,393	287	-	15,323	26,450	796,115	9,475,618	38,290,972

As at 31 March 2024, fully depreciated property and equipment with an original cost of US\$1,764,424 (31 March 2023: US\$60,549) were still in use.

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2024

8. Property and equipment (continued)

For the three-month period ended 31 March 2023

	Railroad and station improvements US\$	Locomotive US\$	Wagon US\$	Train track US\$	Trolley US\$	Equipment and machinery US\$	Office equipment US\$	Furniture and fittings US\$	IT hardware US\$	Signage and Boom gate US\$	Construction in progress US\$	Total US\$	Total KHR'000 (Note 4)
Cost													
At 1 January	656,825	7,806,896	1,211,498	580,845	32,163	736,078	9,134	8,794	97,661	15,057	160,672	11,315,623	46,586,419
Addition	-	241,470	-	4,741	-	11,469	-	-	1,314	-	89,776	348,770	1,424,377
Transfers	22,425	-	-	51,955	-	-	-	-	-	-	(74,380)	-	-
Written off	-	-	-	-	-	-	-	-	-	-	(346)	(346)	(1,413)
Currency translation differences	-	-	-	-	-	-	-	-	-	-	-	-	(723,337)
At 31 March	<u>679,250</u>	<u>8,048,366</u>	<u>1,211,498</u>	<u>637,541</u>	<u>32,163</u>	<u>747,547</u>	<u>9,134</u>	<u>8,794</u>	<u>98,975</u>	<u>15,057</u>	<u>175,722</u>	<u>11,664,047</u>	<u>47,286,046</u>
Less: Accumulated depreciation													
At 1 January	493,849	2,058,562	717,830	281,832	32,163	625,441	8,135	8,794	72,868	8,218	-	4,307,692	17,734,767
Depreciation for the period	19,833	177,434	42,840	31,824	-	20,379	192	-	3,184	753	-	296,439	1,210,657
Currency translation differences	-	-	-	-	-	-	-	-	-	-	-	-	(280,277)
At 31 March	<u>513,682</u>	<u>2,235,996</u>	<u>760,670</u>	<u>313,656</u>	<u>32,163</u>	<u>645,820</u>	<u>8,327</u>	<u>8,794</u>	<u>76,052</u>	<u>8,971</u>	<u>-</u>	<u>4,604,131</u>	<u>18,665,147</u>
Carrying amounts													
At 1 January	<u>162,976</u>	<u>5,748,334</u>	<u>493,668</u>	<u>299,013</u>	<u>-</u>	<u>110,637</u>	<u>999</u>	<u>-</u>	<u>24,793</u>	<u>6,839</u>	<u>160,672</u>	<u>7,007,931</u>	<u>28,851,652</u>
At 31 March	<u>165,568</u>	<u>5,812,370</u>	<u>450,828</u>	<u>323,885</u>	<u>-</u>	<u>101,727</u>	<u>807</u>	<u>-</u>	<u>22,923</u>	<u>6,086</u>	<u>175,722</u>	<u>7,059,916</u>	<u>28,620,899</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2024

9. Intangible assets

	For the three-month period ended 31 March 2024			
	Computer software US\$	Sign-on fee US\$	Total US\$	Total KHR'000 (Note 4)
Cost				
At 1 January	20,290	450,000	470,290	1,921,135
Currency translation differences	-	-	-	(20,693)
At 31 March	<u>20,290</u>	<u>450,000</u>	<u>470,290</u>	<u>1,900,442</u>
Less: Accumulated amortisation				
At 1 January	18,935	207,592	226,527	925,363
Amortisation for the period	260	3,868	4,128	16,805
Currency translation differences	-	-	-	(10,091)
At 31 March	<u>19,195</u>	<u>211,460</u>	<u>230,655</u>	<u>932,077</u>
Carrying amounts				
At 1 January	<u>1,355</u>	<u>242,408</u>	<u>243,763</u>	<u>995,772</u>
At 31 March	<u><u>1,095</u></u>	<u><u>238,540</u></u>	<u><u>239,635</u></u>	<u><u>968,365</u></u>

Fully amortised computer software as at 31 March 2024 with original cost of US\$17,193 (31 March 2023: US\$14,943) were still in use.

	For the three-month period ended 31 March 2023			
	Computer software US\$	Sign-on fee US\$	Total US\$	Total KHR'000 (Note 4)
Cost				
At 1 January	19,090	450,000	469,090	1,931,244
Currency translation differences	-	-	-	(29,553)
At 31 March	<u>19,090</u>	<u>450,000</u>	<u>469,090</u>	<u>1,901,691</u>
Less: Accumulated amortisation				
At 1 January	17,349	192,120	209,469	862,384
Amortisation for the period	345	3,868	4,213	17,206
Currency translation differences	-	-	-	(13,323)
At 31 March	<u>17,694</u>	<u>195,988</u>	<u>213,682</u>	<u>866,267</u>
Carrying amounts				
At 1 January	<u>1,741</u>	<u>257,880</u>	<u>259,621</u>	<u>1,068,860</u>
At 31 March	<u><u>1,396</u></u>	<u><u>254,012</u></u>	<u><u>255,408</u></u>	<u><u>1,035,424</u></u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2024

10. Investment property

	For the three-month period ended 31 March 2024	
	US\$	KHR'000 (Note 4)
Cost		
At 1 January	48,303	197,318
Currency translation differences	-	(2,126)
At 31 March	<u>48,303</u>	<u>195,192</u>
Less: Accumulated amortisation		
At 1 January	5,192	21,210
Depreciation for the period	2,414	9,827
Currency translation differences	-	(302)
At 31 March	<u>7,606</u>	<u>30,735</u>
Carrying amounts		
At 31 January	<u>43,111</u>	<u>176,108</u>
At 31 March	<u>40,697</u>	<u>164,457</u>

Investment property pertains to a warehouse located on a conceded land in Battambang province that is leased to a third party. The estimated fair value of the warehouse as determined by the Management is approximate to its carrying amounts as at 31 March 2024.

11. Right-of-use assets

	For the three-month period ended 31 March 2024	
	US\$	KHR'000 (Note 4)
Cost		
At 1 January	-	-
Addition	731,159	2,976,548
Currency translation differences	-	(21,935)
At 31 March	<u>731,159</u>	<u>2,954,613</u>
Less: Accumulated amortisation		
At 1 January	-	-
Depreciation for the period	18,279	74,414
Currency translation differences	-	(549)
At 31 March	<u>18,279</u>	<u>73,865</u>
Carrying amounts		
At 1 January	<u>731,159</u>	<u>2,976,548</u>
At 31 March	<u>712,880</u>	<u>2,880,748</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2024

11. Right-of-use assets (continued)

Right-of-use assets pertains to a land located at Khan Dongkao, Phnom Penh that is leased from Sihanoukville Autonomous Port (PAS). See Note 16 for more details.

12. Trade and other payables

	31 March 2024		31 December 2023	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Trade payables:				
Trade payables	1,559,389	6,301,491	1,368,619	5,590,809
Amounts due to related parties (Note 25)	325,910	1,317,002	258,677	1,056,696
Tax payables:				
Value added tax	75,788	306,259	63,239	258,331
Salary and fringe benefit tax	21,069	85,140	22,221	90,773
Withholding tax	32,224	130,217	31,967	130,585
Payroll payable	474,043	1,915,608	275,521	1,125,503
Accruals	235,167	950,310	301,950	1,233,466
Other payables	393,826	1,591,451	380,313	1,553,578
	<u>3,117,416</u>	<u>12,597,478</u>	<u>2,702,507</u>	<u>11,039,741</u>

13. Borrowings

	For the three-month period ended			
	31 March 2024		31 March 2023	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Balance at beginning of the period	4,520,101	18,464,613	2,637,627	10,859,111
Accrued interest payable	5,270	21,454	3,002	12,260
Repayments during the period	(50,633)	(206,127)	(27,731)	(113,253)
Currency translation differences	-	(197,524)	-	(165,430)
Balance at end of the period	<u>4,474,738</u>	<u>18,082,416</u>	<u>2,612,898</u>	<u>10,592,688</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2024

13. Borrowings (continued)

Borrowings were classified into current and non-current portions as follows:

		31 March 2024		31 December 2023	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Current portions					
Neak Oknha Kith Meng	(i)	1,207,700	4,880,315	1,207,700	4,933,455
SKTM Investment Co., Ltd	(i)	2,000,000	8,082,000	2,000,000	8,170,000
Cambodian Public Bank Plc.	(ii)	127,286	514,363	124,270	507,643
Wing Bank (Cambodia) Plc.	(iii)	86,729	350,472	84,719	346,077
		<u>3,421,715</u>	<u>13,827,150</u>	<u>3,416,689</u>	<u>13,957,175</u>
Accrued interest payable		<u>21,365</u>	<u>86,336</u>	<u>16,095</u>	<u>65,748</u>
		<u>3,443,080</u>	<u>13,913,486</u>	<u>3,432,784</u>	<u>14,022,923</u>
Non-current portion					
Cambodian Public Bank	(ii)	658,866	2,662,478	691,991	2,826,783
Wing Bank (Cambodia) Plc.	(iii)	372,792	1,506,452	395,326	1,614,907
		<u>1,031,658</u>	<u>4,168,930</u>	<u>1,087,317</u>	<u>4,441,690</u>
		<u>4,474,738</u>	<u>18,082,416</u>	<u>4,520,101</u>	<u>18,464,613</u>

- (i) Borrowing from a shareholder, Neak Oknha KITH MENG is unsecured, interest free and repayable on demand (Note 25).

On 8 December 2023, the company entered into 12 months fixed loan with SKTM Investment Co.,LTD represented by, Neak Oknha KITH MENG. The loan is unsecured, bears interest rate at 7% per annum for tenor with monthly interest payment of US\$11,890 starting from 8 January 2024 to 8 December 2024.

- (ii) On 6 April 2022, the Company entered into a fixed loan with Cambodian Public Bank Plc.. The loan is secured with a land from the shareholder, bears interest rate at 9% per annum and is repayable in 84 monthly installments of US\$16,153 each from 13 April 2022 to 13 April 2029.

- (iii) On 1 September 2022, the Company entered into a fixed loan with Wing Bank (Cambodia) Plc. The loan is unsecured bears interest rate at 7% per annum for tenor of 12 months with monthly interest payment of US\$2,877 starting from 1 September 2022 to 1 September 2023 and principal repayment by the end of the loan term.

However, on 31 August 2023 the Company renewed the fixed loan with the Bank with revised interest rate of 9% per annum and is repayable in 60 monthly installments of US\$10,383 starting from 1 October 2023 to 1 September 2028 (Note 25).

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2024

14. Debt securities

In 2022, the Company has requested to the Securities and Exchange Regulator of Cambodia (SERC) and Cambodia Securities Exchange (CSX) to list its corporate bonds.

First Corporate Bond:

The Company's 1st Corporate bond is a plain bond issued to qualified investors with the principal amount of KHR 41 billion (US\$9,958,708), a tenor of 10 years with a coupon rate of 7% p.a. (per annum). The bond was approved by SERC and CSX on 19 September 2022 and 24 October 2022, respectively and was issued officially on 31 October 2022.

Second Corporate Bond:

The Company's 2nd Corporate bond is guaranteed by GuarantCo Ltd as a private placement bond to the qualified investors with two series of bonds;

- Bond 1 with the principal amount of KHR49.2 billion (US\$11,964,981), a tenor of 5 years with a coupon rate of Term Secured Overnight Financing Rate ("SOFR") plus 3.5% or 5% p.a, whichever is higher; and
- Bond 2 with the principal amount of KHR49.2 billion (US\$11,964,981), a tenor of 10 years with a coupon rate of Term SOFR plus 3.5% or 5% p.a, whichever is higher for Year 1 to Year 5 and Term SOFR plus 3.75% or 5% p.a, whichever is higher for Year 6 to Year 10.

The bond was approved by SERC and CSX on 19 December 2022 and 26 December 2022 respectively and was issued officially on 29 December 2022.

Debt securities were classified into current and non-current portions as follows:

	31 March 2024		31 December 2023	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Current				
Guaranteed bond	24,818,567	100,291,829	23,929,961	97,753,891
Plain bond	339,542	1,372,089	164,852	673,420
	<u>25,158,109</u>	<u>101,663,918</u>	<u>24,094,813</u>	<u>98,427,311</u>
Non-current				
Plain bond	9,809,327	39,639,490	9,809,327	40,071,101
Guaranteed bond	-	-	-	-
	<u>9,809,327</u>	<u>39,639,490</u>	<u>9,809,327</u>	<u>40,071,101</u>
	<u>34,967,436</u>	<u>141,303,408</u>	<u>33,904,140</u>	<u>138,498,412</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2024

14. Debt securities (continued)

During the three-month period ended, the Company incurred interest expense on the issued bonds amounting to US\$1,068,511 equivalent to KHR7.01 billion (three-month period ended 31 March 2023: US\$652,376 equivalent to KHR2.66 billion) (Note 24).

The Company is subject to financial covenant testing every 6 months and as at 30 June 2023 and as at 31 December 2023, the Company was unable to comply with 3 covenants required for the 2nd Corporate bond as follows:

Ratio Name	Formula	Financial requirement ratio		The Company's ratio			
				30 June 2023		31 December 2023	
Debt Service Coverage Ratio	= Cash Flow Available for Debt Service / Total debt service	≥	1.2x	0.84	Not met	0.26	Not met
Debt to EBITDA	= Total debt / EBITDA	≤	9.5x	43.83	Not met	149.77	Not met
Total debt to total assets	= Total debt / total assets	≤	110%	105%	Met	114%	Not met

* *EBITDA=Earnings before interest, taxes, depreciation and amortisation*

The Company communicated the compliance status to the Guarantor on 13 July 2023 and updates its financial forecast model as per requirement from the Guarantor. On the basis of its new forecasts, management believes that moving forward, the risk of the covenant being breached is low. On 15 August 2023, the Company submitted their request for a waiver to the Guarantor and on 12 December 2023, the Guarantor waived the non-compliance of the covenants as of 30 June 2023. Furthermore, on 20 March 2024, the Company submitted their request for a waiver to the Guarantor on non-compliance of the covenants as of 31 December 2023 as mentioned above which are pending a response from Guarantor as at the date of these condensed interim financial statements.

Accordingly, the carrying amount US\$24,818,567 of the guaranteed bond was reclassified to current liabilities (31 December 2023: US\$23,929,961).

15. Employee benefit liabilities

	31 March 2024		31 December 2023	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Seniority indemnity				
Current	55,401	223,875	94,759	387,091
Non-current	44,334	179,154	52,130	212,951
	<u>99,735</u>	<u>403,029</u>	<u>146,889</u>	<u>600,042</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2024

15. Employee benefit liabilities (continued)

The movements of employee benefit obligations during the periods were as follows:

	For the three-month period ended			
	31 March 2024		31 March 2023	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Balance at beginning of the period	146,889	600,042	148,084	609,662
Recognised in profit or loss	55,401	225,537	50,256	205,246
Paid during the period	(102,555)	(417,501)	(94,542)	(386,110)
Currency translation differences	-	(5,049)	-	(8,001)
Balance at end of the period	<u>99,735</u>	<u>403,029</u>	<u>103,798</u>	<u>420,797</u>

This represents provision for seniority indemnity payments required by Prakas No. 443 issued by the Ministry of Labour and Vocational Training ("MoLVT") on 21 September 2018, and subsequently amended by the Instruction No. 042/19 dated 22 March 2019.

Payments will be made twice a year, in June and December respectively. Employee is not entitled to the remaining seniority indemnity back-pay, which is not yet due, if Employee resigns from the Company.

16. Lease liabilities

The Company entered a 10 year lease term with Sihanoukville Autonomous Port.

	31 March 2024	
	US\$	KHR'000 (Note 4)
Maturity analysis – contractual undiscounted cash flows		
Less than one year	92,045	371,954
One to five years	534,040	2,158,056
More than five years	<u>494,632</u>	<u>1,998,808</u>
Total undiscounted lease liability	<u>1,120,717</u>	<u>4,528,818</u>
Present value of lease liabilities		
Current	28,640	115,734
Non-current	<u>696,023</u>	<u>2,812,629</u>
Total present value of lease liability	<u>724,663</u>	<u>2,928,363</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2024

17. Share capital

	31 March 2024		31 December 2023	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
<i>Registered, issued and fully paid:</i>				
2,003,220 ordinary shares of US\$6.50 each	<u>13,020,930</u>	<u>52,083,720</u>	<u>13,020,930</u>	<u>52,083,720</u>

The details of the share holding structure were as follows:

	31 March 2024/31 December 2023			
	Number of shares	Par value per share US\$	Amount US\$	% ownership
Inter Logistics (Cambodia) Co.,Ltd	1,983,187	6.50	12,890,715	98.9999%
Neak Oknha Kith Meng	<u>20,033</u>	<u>6.50</u>	<u>130,215</u>	<u>1.0001%</u>
	<u>2,003,220</u>		<u>13,020,930</u>	<u>100%</u>

18. Revenue

	For the three-month period ended			
	31 March 2024		31 March 2023	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Southern line:				
Rail freight	1,545,559	6,291,971	1,451,110	5,926,334
Train related value- added services	221,198	900,497	98,663	402,940
Passengers' fare	145,789	593,507	158,430	647,028
Transportation	14,722	59,933	9,675	39,513
Other revenue	<u>17,500</u>	<u>71,243</u>	<u>-</u>	<u>-</u>
	<u>1,944,768</u>	<u>7,917,151</u>	<u>1,717,878</u>	<u>7,015,815</u>
Northern line:				
Rail freight	942,309	3,836,140	905,309	3,697,282
Passengers' fare	41,089	167,273	57,026	232,894
Train related value- added services	3,628	14,770	12,029	49,126
Other revenue	<u>72,534</u>	<u>295,285</u>	<u>2,265</u>	<u>9,250</u>
	<u>1,059,560</u>	<u>4,313,468</u>	<u>976,629</u>	<u>3,988,552</u>
	<u>3,004,328</u>	<u>12,230,619</u>	<u>2,694,507</u>	<u>11,004,367</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2024

18. Revenue (continued)

The majority of the Company's freight business is affected by seasonality as a result of natural disasters or adverse weather conditions with rainy season being the low months for fuel transport services via train.

19. Cost of services

	For the three-month period ended			
	31 March 2024		31 March 2023	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Staff costs and wages	984,034	4,006,002	902,017	3,683,837
Cost of diesel	1,409,228	5,736,967	1,263,134	5,158,639
Depreciation and amortisation (Note 22)	428,788	1,745,596	281,028	1,147,718
Repairs and maintenance	173,564	706,579	190,322	777,275
Transportation	141,889	577,630	129,518	528,952
Container access charge	76,766	312,514	62,405	254,862
Equipment rental	75,796	308,566	73,490	300,133
Provision for employee benefits	46,277	188,394	42,387	173,109
Warehouse rental	-	-	21,591	88,178
Others	134,435	547,285	112,380	458,960
	<u>3,470,777</u>	<u>14,129,533</u>	<u>3,078,272</u>	<u>12,571,663</u>

20. Other operating income

	For the three-month period ended			
	31 March 2024		31 March 2023	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Warehouse rental	165,692	674,532	201,265	821,966
Sale of scrap metal	-	-	124,617	508,936
Finance income	-	-	97,446	397,969
Others	2,089	8,504	564	2,304
	<u>167,781</u>	<u>683,036</u>	<u>423,892</u>	<u>1,731,175</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2024

21. Operating and administrative expenses

	For the three-month period ended			
	31 March 2024		31 March 2023	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Salaries and wages	160,652	654,014	144,983	592,110
Directors' fee	90,000	366,390	30,000	122,520
Insurance	63,977	260,450	64,592	263,794
Fuel and utilities	31,122	126,698	30,768	125,657
Equipment rental	27,090	110,283	24,720	100,956
Professional fees	12,879	52,430	21,940	89,603
Communication	18,247	74,284	18,722	76,461
Repairs and maintenance	14,219	57,886	14,755	60,259
Depreciation and amortisation (Note 22)	27,113	110,377	19,624	80,145
Provision for employee benefits	9,124	37,144	7,869	32,137
Staff uniform	4,891	19,911	4,406	17,994
Training and development	1,147	4,669	858	3,504
Travelling and accommodation	13,485	54,897	12,830	52,398
Bonus	13,791	56,143	12,215	49,886
Other tax expenses	74,966	305,187	63,010	257,333
Interest and penalty on tax (*)	-	-	(1,842,973)	(7,526,702)
Licensing, registration and permit fee	6,475	26,360	5,417	22,123
Small value of assets	14,670	59,722	10,239	41,816
Other expenses	68,174	277,537	78,512	320,643
	<u>652,022</u>	<u>2,654,382</u>	<u>(1,277,513)</u>	<u>(5,217,363)</u>

(*) On 29 March 2023, the Company obtained approval from the GDT for waiving the tax liabilities amounting to US\$1,842,973.

22. Depreciation and amortisation

Depreciation and amortisation charges were allocated as follows:

	For the three-month period ended			
	31 March 2024		31 March 2023	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Depreciation of property and equipment and investment property (Note 8 and 10)	433,494	1,764,754	296,439	1,210,657
Amortisation of intangible assets and right-of-use asset (Note 9 and 11)	22,407	91,219	4,213	17,206
	<u>455,901</u>	<u>1,855,973</u>	<u>300,652</u>	<u>1,227,863</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2024

22. Depreciation and amortisation (continued)

Depreciation and amortisation charges were allocated as follows (continued):

	For the three-month period ended			
	31 March 2024		31 March 2023	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Allocated to:				
Cost of services (Note 19)	428,788	1,745,596	281,028	1,147,718
Operating and administrative expenses (Note 21)	27,113	110,377	19,624	80,145
	<u>455,901</u>	<u>1,855,973</u>	<u>300,652</u>	<u>1,227,863</u>

23. Income tax

(a) Applicable tax rates

In accordance with Cambodian Law on Taxation, the Company has an obligation to pay corporate income tax of either the profit tax at the rate of 20% of taxable profits or the minimum tax at 1% of annual turnover, whichever is higher.

Pursuant to Sub-Decree No. 42 dated 24 February 2022 on Tax Incentives in the Securities Sector issued by the Royal Government of Cambodia, the Company is entitled to reduce half amount of its tax on income within the duration of tax incentive period. In order to get the incentives, the Company needs to submit the request to the General Department of Taxation ("GDT") through the Securities and Exchange Regulator of Cambodia ("SERC").

On 16 December 2022, the Company submitted a letter to SERC for 50% reduction of Tax on Income for the year 2023 onwards. On 8 February 2023, the Company received a notification from SERC that the request was submitted to the GDT. There has been no official approval from the GDT as at the date of the condensed interim financial statements yet.

(b) Minimum tax liability

	For the three-month period ended			
	31 March 2024		31 March 2023	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Balance at beginning of the period	9,163	37,431	66,007	271,751
Minimum tax expense	31,717	129,120	31,042	126,776
Minimum tax paid	(29,398)	(119,679)	(28,408)	(116,018)
Reversal of minimum tax liability	-	-	(57,429)	(234,540)
Currency translation differences	-	(473)	-	(2,516)
Balance at the end of the period	<u>11,482</u>	<u>46,399</u>	<u>11,212</u>	<u>45,453</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2024

23. Income tax (continued)

(c) Minimum tax expense

The reconciliation of income tax computed at the statutory tax rate to the income tax expense as shown in the profit or loss is as follows:

	For the three-month period ended			
	31 March 2024		31 March 2023	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
(Loss)/profit before income tax	<u>(2,006,396)</u>	<u>(8,168,039)</u>	<u>625,049</u>	<u>2,552,700</u>
Income tax using statutory income tax rate	(401,279)	(1,633,607)	125,010	510,541
Non-deductible expenses	14,993	61,037	48,986	200,059
Tax losses utilised	-	-	(72,312)	(295,322)
Tax loss not recognised as deferred tax assets	153,120	623,351	-	-
Deductible temporary difference not recognised as deferred tax assets	<u>233,166</u>	<u>949,219</u>	<u>(101,684)</u>	<u>(415,278)</u>
Income tax expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Minimum tax at 1% of turnover	<u>31,717</u>	<u>129,120</u>	<u>31,042</u>	<u>126,776</u>

The calculation of income tax is subject to the review and assessment of the tax authorities.

(d) Unrecognised deferred tax

Tax losses incurred in any tax year can be carried forward to offset against profit realised in the following five tax years subject to the following conditions:

- The loss must be recorded in the Annual Tax on Income return and submitted to the General Department of Taxation on time;
- The business objective of the Company must not have changed; and
- The Company must not have received an unilateral tax re-assessment.

Deferred tax assets in respect of the tax losses and temporary differences are not recognised in the condensed interim financial statements because it is not probable that future taxable profits will be available against which the Company can use the benefits therefrom.

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2024

23. Income tax (continued)

(e) Tax contingencies

Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges. The application of tax laws and regulations to many types of transactions are susceptible to varying interpretations.

These facts may create tax risks in Cambodia substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have different interpretations and the effects could be significant.

24. Finance costs – net

	For the three-month period ended			
	31 March 2024		31 March 2023	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Interest income cash at bank	(96,409)	(392,480)	-	-
Interest expense on:				
Debt securities	1,068,511	4,349,908	652,376	2,664,304
Borrowing	68,765	279,942	29,387	120,016
Lease liabilities	16,232	66,080	-	-
	<u>1,057,099</u>	<u>4,303,450</u>	<u>681,763</u>	<u>2,784,320</u>

25. Related party transactions and balances

(a) Identity of related party

For the purposes of these condensed interim financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Company have related party relationships with its substantial shareholders and key management personnel.

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2024

25. Related party transactions and balances (continued)

(a) Identity of related party (continued)

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly.

The key management personnel include all the Directors of the Company, and certain senior management members of the Company.

Key management have relationships with the Company which are entered into in the normal course of business and on substantially the same terms, including warehouse rental, purchase of goods and services, insurance, telephone expense and other expense, as for comparable transactions with other persons of a similar standing or, where applicable, with other employees. These transactions did not involve more than the normal risk of repayment or present other unfavourable features.

(b) Transactions with related parties

	For the three-month period ended			
	31 March 2024		31 March 2023	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
<i>Property rental</i>				
GSS Global Security Solutions Co., Ltd.	8,848	36,020	9,211	37,618
J Trust Royal Bank Plc.	107,004	435,613	43,693	178,442
<i>Insurance</i>				
Infinity General Insurance Plc.	7,043	28,672	64,121	261,870
<i>Telephone expense</i>				
CamGSM Co., Ltd.	5,020	20,436	4,238	17,308
<i>Security fee</i>				
GSS Global Security Solutions Co., Ltd.	5,390	21,943	4,620	18,868
<i>Cleaning service</i>				
GSS Global Security Solutions Co., Ltd.	1,683	6,851	-	-
<i>Internet service fee</i>				
EZECOM Co.,Ltd	14,628	59,551	14,711	60,080
<i>Interest expense</i>				
Wing Bank (Cambodia) Plc.	10,624	43,250	-	-

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2024

25. Related party transactions and balances (continued)

(b) Transactions with related parties (continued)

The total remuneration of key management for the three-month period ended 31 March 2024 including salaries and benefits was US\$152,472 (three-month period ended 31 March 2023: US\$144,319).

(c) Balances with related parties

	31 March 2024		31 December 2023	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Amount due from related parties (Note 6)				
<i>Trade related:</i>				
GSS Global Security Solutions Co., Ltd.	14,371	58,074	10,995	44,915
<i>Non-trade related:</i>				
Royal Coffee	37,937	153,303	37,938	154,976
	<u>52,308</u>	<u>211,377</u>	<u>48,933</u>	<u>199,891</u>
Amounts due to related parties (Note 12)				
<i>Trade related:</i>				
Infinity General Insurance Plc.	324,186	1,310,034	257,055	1,050,070
CamGSM Co., Ltd	1,724	6,968	1,622	6,626
	<u>325,910</u>	<u>1,317,002</u>	<u>258,677</u>	<u>1,056,696</u>
Borrowings (Note 13)				
Neak Oknha Kith Meng	1,207,700	4,880,315	1,207,700	4,933,455
SKTM Investment Co., Ltd	2,000,000	8,082,000	2,000,000	8,170,000
Wing Bank (Cambodia) Plc.	459,521	1,856,924	480,045	1,960,984

Amounts due from/to related parties and borrowing are unsecured, interest free and repayable on demand.

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2024

26. Lease commitments

The future minimum lease payments related to low-value items leases are as follows:

	31 March 2024		31 December 2023	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Within one year	92,683	374,532	157,061	641,594
Between two to five years	19,811	80,056	8,994	36,740
	<u>112,494</u>	<u>454,588</u>	<u>166,055</u>	<u>678,334</u>

27. Contingent liabilities

1. Concession agreement with the GKC

On 12 June 2009, Royal Railway Cambodia., Ltd. (formally known as Toll (Cambodia) Co LTD) entered into the Concession Agreement (Known as Existing Concession Agreement) with the GKC. There are provisions in the Existing Concession Agreement specifying concession fees to be paid by the Company to the GKC for the use of the conceded assets from the effective date of the Concession Agreement. The Company's management has performed an assessment of its obligation under the existing Concession Agreement with the advice by its legal counsel and concluded that the conditions precedent specified in the concession agreement have not been fully satisfied and both the GKC and the Company have not concluded on the agreed date for the effective date, and therefore, the obligation to pay the concession fee has not yet become effective.

The Company's management is continuing its negotiation with the GKC represented by MPWT on the new amended Railway Concession Agreement which has not been finalised as at the date of these condensed interim financial statements yet.

The estimated concession fees payable is contingent on the ultimate outcome of the matters described above and accordingly no provision for any liability has been made in these condensed interim financial statements.

2. Sub lease agreement with CAMGSM PLC.

On 29 February 2024, the Company subleased the available space approximating 2,705sqm for the duration of 20 years.

Based on this sub lease agreement, in the event the Company terminates the sublease agreement, the Company shall refund to CAMGSM PLC. the deposit and other compensation for any loss occurred due to this premature termination of the agreement.

The continuity of this sublease agreement is contingent to the favourable outcome of the negotiation on the new amended Railway Concession Agreement as described in note 27.1 above.

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2024

28. Fair values of financial assets and liabilities

Financial instruments comprise financial assets, financial liabilities and off-balance sheet instruments. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The information presented herein represents the estimates of fair values as at the reporting date.

Quoted and observable market prices, where available, are used as the measure of fair values of the financial instruments. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors.

Cash on hand and with other banks

The carrying amounts approximate the fair values due to the short-term nature of these accounts and these items are not materially sensitive to the shift in the market rates.

Borrowings and debt securities

Borrowings and debt securities issued are not quoted in active market and at their fair value.

The estimated fair value of debt securities is generally based on quoted and observable market prices at the date of the condensed interim statement of financial position. They are not presently traded. The estimated fair values of debt securities are approximate their carrying values based on estimated future cash flows using prevailing market rates.

Other assets and liabilities

Due to their short duration, the carrying amounts of other assets and liabilities in the condensed interim statement of financial position are considered to be reasonable approximation of their fair values.

Fair value hierarchy

CIFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources and unobservable inputs reflect the Company's market assumptions. The fair value hierarchy is as follows:

- Level 1 – Quoted price (unadjusted) in active markets for the identical assets or liabilities. This level includes listed equity securities and debt instruments
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 – Inputs for asset or liability that are not based on observable market data (unobservable inputs). This level includes equity instruments and debt instruments with significant unobservable components.

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2024

29. Operating segment information

Management has determined operating segments with reference to the reports reviewed by the Chief Executive Officer of the Company that are used to assess the performance and allocate resources. The CEO of the Company assesses the performance and allocates the resources of the Company as a whole, as all of the Company's activities are considered to be primarily dependent on the provision of rail freight services to external customers and its related services representing 83% and 87% of total revenue. Therefore, the Company's management considers that there is only one operating segment. In this regard, no segment information is presented for the periods.

No geographic information is shown as the Company's operating results are entirely derived from its business activities in Cambodia only.