

ROYAL RAILWAY PLC.

**Condensed Interim Financial Statements
for the three-month period
ended 31 March 2023
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.

Contents

	Pages
1. Report of the Board of Directors	1 – 4
2. Independent Auditors' report on review of condensed interim financial statements	5 – 6
3. Condensed interim statement of financial position	7
4. Condensed interim statement of profit or loss and other comprehensive income	8
5. Condensed interim statement of changes in equity	9
6. Condensed interim statement of cash flows	10 – 11
7. Notes to the condensed interim financial statements	12 – 37



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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 2023.

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 2023 were disclosed in the condensed interim statement of profit or loss and other comprehensive income. Refer to page 8.

Dividends

No dividend was declared nor paid during the periods 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 is not aware of any circumstances, which would render the values attributed to the assets in the condensed interim financial statements of the Company 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 year which secures the liabilities of any other person; and
- Except as disclosed in Note 24 to the financial statements, no other contingent liability in respect of the Company that has arisen since the end of the financial year other than 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 period 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 misleading.

The results of the operations of the Company for the reporting year 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 year 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.

Items of unusual nature

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

Royal Railway Plc.

The Board of Directors

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

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

Directors' interests

Except Neak Oknha Kith Meng; the Chairman, directly and indirectly hold 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 periods.

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 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.

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 2023, and for the three-month period then ended, as set out on pages 7 to 37, 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

Royal Railway Plc.

Directors' responsibility in respect of the condensed interim financial statements (continued)

- 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 there to, 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

15 May 2023



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THE 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 2023 condensed interim financial statements of Royal Railway Plc. ("the Company"), as set out on pages 7 to 37 (hereafter referred to as "the condensed interim financial statements") which comprise:

- the condensed interim statement of financial position as at 31 March 2023;
- the condensed interim statement of profit or loss and other comprehensive income for the three-month period ended 31 March 2023;
- the condensed interim statement of changes in equity for the three-month period ended 31 March 2023;
- the condensed interim statement of cash flows for the three-month period ended 31 March 2023; and
- other explanatory notes to the condensed interim financial statements.

Management is responsible for the preparation and presentation of these 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.



Emphasis of Matter

We draw attention to Note 24.1 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 RGC 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 believe 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 RGC on the new amended Concession Agreement. The Company's management believe 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.

Other matter

We draw attention to the fact that we have not reviewed the accompanying statement of comprehensive income for the three-month period ended 31 March 2022, or any of the related notes and accordingly, we do not express conclusion and any form of assurance on them.

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".

For KPMG Cambodia Ltd



Taing YoukFong
Partner

Phnom Penh, Kingdom of Cambodia

15 May 2023

Royal Railway Plc.

Condensed interim statement of financial position as at 31 March 2023

	Note	31 March 2023		31 December 2022	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
ASSETS					
Current assets					
Cash and bank balances	5	22,562,527	91,468,484	23,981,297	98,731,000
Trade and other receivables	6	2,766,765	11,216,465	2,370,718	9,760,246
Inventories	7	283,141	1,147,854	214,835	884,476
		<u>25,612,433</u>	<u>103,832,803</u>	<u>26,566,850</u>	<u>109,375,722</u>
Non-current assets					
Bank balances	5	3,818,524	15,480,296	3,773,687	15,536,269
Property and equipment	8	7,059,916	28,620,899	7,007,931	28,851,652
Intangible assets	9	255,408	1,035,424	259,621	1,068,860
		<u>11,133,848</u>	<u>45,136,619</u>	<u>11,041,239</u>	<u>45,456,781</u>
TOTAL ASSETS		<u>36,746,281</u>	<u>148,969,422</u>	<u>37,608,089</u>	<u>154,832,503</u>
LIABILITIES AND EQUITY					
Current liabilities					
Trade and other payables	10	1,730,362	7,014,888	3,741,073	15,401,998
Borrowings	11	1,826,746	7,405,628	1,782,400	7,338,141
Debt securities	12	881,427	3,573,305	233,763	962,402
Employee benefit liabilities	13	51,304	207,986	86,391	355,672
Minimum tax liability	20(b)	11,212	45,453	66,007	271,751
		<u>4,501,051</u>	<u>18,247,260</u>	<u>5,909,634</u>	<u>24,329,964</u>
Non-current liabilities					
Debt securities	12	33,051,243	133,989,739	33,051,243	136,071,967
Borrowings	11	786,152	3,187,060	855,227	3,520,970
Employee benefit liabilities	13	52,494	212,811	61,693	253,990
		<u>33,889,889</u>	<u>137,389,610</u>	<u>33,968,163</u>	<u>139,846,927</u>
TOTAL LIABILITIES		<u>38,390,940</u>	<u>155,636,870</u>	<u>39,877,797</u>	<u>164,176,891</u>
Equity					
Share capital	14	13,020,930	52,083,720	13,020,930	52,083,720
Accumulated losses		(14,665,589)	(59,664,961)	(15,290,638)	(62,217,661)
Currency translation reserves		-	913,793	-	789,553
		<u>(1,644,659)</u>	<u>(6,667,448)</u>	<u>(2,269,708)</u>	<u>(9,344,388)</u>
TOTAL LIABILITIES AND EQUITY		<u>36,746,281</u>	<u>148,969,422</u>	<u>37,608,089</u>	<u>154,832,503</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 2023

	Note	Three -month period ended 31 March 2023		Three -month period ended 31 March 2022	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
					<i>(not reviewed)</i>
Revenue	15	2,694,507	11,004,367	2,976,081	12,091,817
Cost of services	16	<u>(3,078,272)</u>	<u>(12,571,663)</u>	<u>(2,981,978)</u>	<u>(12,115,777)</u>
Gross loss		(383,765)	(1,567,296)	(5,897)	(23,960)
Other operating income	17	423,892	1,731,175	154,820	629,034
Operating and administrative expenses	18	1,277,513	5,217,363	(456,469)	(1,854,634)
Reversal/(allowance for) of impairment losses	5,6	20,214	82,554	(10,960)	(44,530)
Minimum tax expense	20(c)	<u>(31,042)</u>	<u>(126,776)</u>	<u>(31,382)</u>	<u>(127,505)</u>
Operating profit/(loss)		1,306,812	5,337,020	(349,888)	(1,421,595)
Finance costs	21	<u>(681,763)</u>	<u>(2,784,320)</u>	<u>(32,930)</u>	<u>(133,795)</u>
Profit/(loss) before income tax		625,049	2,552,700	(382,818)	(1,555,390)
Income tax expense	20(c)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net profit/(loss) for the period		625,049	2,552,700	(382,818)	(1,555,390)
<i>Other comprehensive loss</i>					
Items that will not be reclassified to profit or loss					
Currency translation differences		<u>-</u>	<u>124,240</u>	<u>-</u>	<u>(39,396)</u>
Total comprehensive profit/(loss) for the period		<u>625,049</u>	<u>2,676,940</u>	<u>(382,818)</u>	<u>(1,594,786)</u>

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

Royal Railway Plc.

Condensed interim statement of changes in equity for the three-month period ended 31 March 2023

	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 2023	13,020,930	52,083,720	(15,290,638)	(62,217,661)	-	789,553	(2,269,708)	(9,344,388)
Total comprehensive loss								
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)
Balance at 1 January 2022	13,020,930	52,083,720	(11,172,067)	(45,385,061)	-	833,609	1,848,863	7,532,268
Total comprehensive loss								
Net loss for the period (<i>not reviewed</i>)	-	-	(382,818)	(1,555,390)	-	-	(382,818)	(1,555,390)
Currency translation differences	-	-	-	-	-	(39,396)	-	(39,396)
	-	-	(382,818)	(1,555,390)	-	(39,396)	(382,818)	(1,594,786)
Balance at 31 March 2022 (<i>not reviewed</i>)	13,020,930	52,083,720	(11,554,885)	(46,940,451)	-	794,213	1,466,045	5,937,482

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 2023

	Three -month period ended 31 March 2023		Three -month period ended 31 March 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
				<i>(not reviewed)</i>
Cash flows from operating activities				
Net profit/(loss) for the period	625,049	2,552,700	(382,818)	(1,555,390)
Adjustments for:				
Depreciation and amortisation	300,652	1,227,863	238,726	969,944
Finance costs	681,763	2,784,320	32,930	133,795
Employee benefit	50,256	205,246	51,347	208,623
Property and equipment written off	346	1,413	-	-
Minimum tax expense	31,042	126,776	31,382	127,505
Reversal of minimum tax liability (Reversal of)/allowance for impairment loss	(57,429)	(234,540)	-	-
	<u>(20,214)</u>	<u>(82,554)</u>	<u>10,960</u>	<u>44,530</u>
	1,611,465	6,581,224	(17,473)	(70,993)
Changes in:				
Trade and other receivables	(389,302)	(1,589,909)	(561,931)	(2,283,126)
Inventories	(68,306)	(278,962)	(21,289)	(86,497)
Trade and other payables	<u>(2,015,423)</u>	<u>(8,230,988)</u>	<u>584,741</u>	<u>2,375,803</u>
Cash used in operation	(861,566)	(3,518,635)	(15,952)	(64,813)
Interest paid	(26,385)	(107,756)	(32,930)	(133,795)
Payment of employee benefits	(94,542)	(386,110)	(71,108)	(288,912)
Income tax paid	<u>(28,408)</u>	<u>(116,018)</u>	<u>(31,093)</u>	<u>(126,331)</u>
Net cash used in operating activities	<u>(1,010,901)</u>	<u>(4,128,519)</u>	<u>(151,083)</u>	<u>(613,851)</u>
Cash flows from investing activities				
Acquisition of property and equipment	<u>(348,770)</u>	<u>(1,424,377)</u>	<u>(132,058)</u>	<u>(536,552)</u>
Net cash used in investing activities	<u>(348,770)</u>	<u>(1,424,377)</u>	<u>(132,058)</u>	<u>(536,552)</u>
Cash flows from financing activities				
Proceeds of borrowings	-	-	500,000	2,031,500
Repayment of borrowings	(27,731)	(113,253)	(206,751)	(840,029)
Bank balances on reserve accounts	<u>(44,837)</u>	<u>(183,114)</u>	<u>-</u>	<u>-</u>
Net cash (used in)/generated from financing activities	<u>(72,568)</u>	<u>(296,367)</u>	<u>293,249</u>	<u>1,191,471</u>

Royal Railway Plc.

Condensed interim statement of cash flows (continued) for the three-month period ended 31 March 2023

	Three -month period ended 31 March 2023		Three -month period ended 31 March 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
			<i>(not reviewed)</i>	
Net (decrease)/increase in cash and cash equivalents	(1,432,239)	(5,849,263)	10,108	41,068
Cash and cash equivalents at beginning of the period	24,191,824	99,597,739	121,766	496,075
Currency translation differences	-	(1,481,119)	-	(3,053)
Cash and cash equivalents at end of the period (Note 5)	<u>22,759,585</u>	<u>92,267,357</u>	<u>131,874</u>	<u>534,090</u>

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

Royal Railway Plc.

Notes to the condensed interim financial statements for the three-month period ended 31 March 2023

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. (previously known as Royal Railway Co., Ltd) (“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 Royal Government of Cambodia (“RGC”), 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 officially determined due to the condition precedent to the effective date has yet to be fully met. As of the date of this report, the Company is still working with the RGC 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 2023 and 2022, the Company had 812 employees and 717 employees, respectively.

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 an understanding of the changes in the Company’s financial position and financial performance since the last annual financial statements as at and for the year ended 31 December 2022.

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2023

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

These condensed interim financial statements were authorised for issue by the Company's Board of Directors on 15 May 2023.

(b) Significant 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 2022.

(c) Going concern assumption

During the three-month period ended 31 March 2023, the Company generated a net profit of US\$625,049 (the three-month period ended 31 March 2022: net loss of US\$382,818) and generated net negative cash flows from operating activities amounting to US\$1,010,901 (the three-month period ended 31 March 2022: US\$151,083) and as at 31 March 2023, the Company had accumulated losses amounting to US\$14,665,589 (31 December 2022: US\$15,290,638).

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 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.

(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.

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2023

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.

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 IAS 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:

Financial year end		Closing rate	Average rate three month
31 March 2023	US\$1=	KHR4,054	KHR4,084
31 March 2022	US\$1=	KHR4,050	KHR4,063
31 December 2022	US\$1=	KHR4,117	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.

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2023

5. Cash and bank balances

	31 March 2023		31 December 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
<i>Current</i>				
Cash on hand	3,526	14,294	5,538	22,800
Cash at banks	<u>22,756,059</u>	<u>92,253,063</u>	<u>24,186,286</u>	<u>99,574,939</u>
Total cash and bank balances	<u>22,759,585</u>	<u>92,267,357</u>	<u>24,191,824</u>	<u>99,597,739</u>
Less: Allowance for impairment losses	<u>(197,058)</u>	<u>(798,873)</u>	<u>(210,527)</u>	<u>(866,739)</u>
	<u>22,562,527</u>	<u>91,468,484</u>	<u>23,981,297</u>	<u>98,731,000</u>
<i>Non-current</i>				
Cash at banks:				
Debt Service Reserve Account ("DSRA") *	3,464,274	14,044,166	3,423,595	14,094,940
Guarantee Fee Reserve Account ("GFRA") *	<u>354,250</u>	<u>1,436,130</u>	<u>350,092</u>	<u>1,441,329</u>
Total bank balances	<u>3,818,524</u>	<u>15,480,296</u>	<u>3,773,687</u>	<u>15,536,269</u>

* 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 cashflows for the bonds payable held at Aceda Bank and earning annual interest at rate of 5.00% (2022: NIL).

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

	31 March 2023		31 March 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
<i>(not reviewed)</i>				
<i>Current</i>				
Cash on hand	3,526	14,294	5,730	23,207
Cash at banks	<u>22,756,059</u>	<u>92,253,063</u>	<u>126,144</u>	<u>510,883</u>
Cash and cash equivalents	<u>22,759,585</u>	<u>92,267,357</u>	<u>131,874</u>	<u>534,090</u>
Less: Allowance for impairment	<u>(197,058)</u>	<u>(798,873)</u>	<u>(1,399)</u>	<u>(5,665)</u>
	<u>22,562,527</u>	<u>91,468,484</u>	<u>130,475</u>	<u>528,425</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2023

5. Cash and bank balances (continued)

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

	Three-month period ended			
	31 March 2023		31 March 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
			<i>(not reviewed)</i>	
Balance at beginning of the period	(210,527)	(866,739)	-	-
Recognised in profit or loss	13,469	55,007	(1,399)	(5,684)
Currency translation differences	-	12,859	-	19
Balance at end of the period	<u>(197,058)</u>	<u>(798,873)</u>	<u>(1,399)</u>	<u>(5,665)</u>

6. Trade and other receivables

	31 March 2023		31 December 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Trade receivables	727,014	2,947,315	545,610	2,246,276
Less: Allowance for impairment losses	<u>(94,427)</u>	<u>(382,807)</u>	<u>(101,172)</u>	<u>(416,525)</u>
	632,587	2,564,508	444,438	1,829,751
Advance to suppliers	1,922,349	7,793,203	1,696,781	6,985,647
Amount due from related parties (Note 22)	<u>50,650</u>	<u>205,335</u>	<u>53,094</u>	<u>218,588</u>
Financial assets measured at amortised cost	2,605,586	10,563,046	2,194,313	9,033,986
Deposits	71,498	289,853	71,498	294,357
Prepayments	32,636	132,306	32,207	132,596
Others	<u>57,045</u>	<u>231,260</u>	<u>72,700</u>	<u>299,307</u>
	<u>2,766,765</u>	<u>11,216,465</u>	<u>2,370,718</u>	<u>9,760,246</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2023

6. Trade and other receivables (continued)

The movement of allowance for impairment losses for trade receivables during the periods were as follows:

	Three-month period ended			
	31 March 2023		31 March 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
			<i>(not reviewed)</i>	
Balance at beginning of the period	(101,172)	(416,525)	(82,013)	(334,121)
Recognised in profit or loss	6,745	27,547	(9,561)	(38,846)
Currency translation differences	-	6,171	-	2,092
Balance at end of the period	<u>(94,427)</u>	<u>(382,807)</u>	<u>(91,574)</u>	<u>(370,875)</u>

7. Inventories

	31 March 2023		31 December 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Locomotive parts	81,601	330,810	62,812	258,597
Tools	54,502	220,952	62,641	257,893
Fuel oil	13,188	53,464	12,292	50,606
Diesel	35,812	145,182	51,257	211,025
Wagon parts	98,038	397,446	25,833	106,355
	<u>283,141</u>	<u>1,147,854</u>	<u>214,835</u>	<u>884,476</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2023

8. Property and equipment

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\$	US\$	Total KHR'000 (Note 4)
Cost													
Balance at beginning of the period	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)
Balance at end of the period	679,250	8,048,366	1,211,498	637,541	32,163	747,547	9,134	8,794	98,975	15,057	175,722	11,664,047	47,286,046
Less: Accumulated depreciation													
Balance at beginning of the period	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
Written off	-	-	-	-	-	-	-	-	-	-	-	-	-
Currency translation differences	-	-	-	-	-	-	-	-	-	-	-	-	(280,277)
Balance at end of the period	513,682	2,235,996	760,670	313,656	32,163	645,820	8,327	8,794	76,052	8,971	-	4,604,131	18,665,147
Carrying amounts													
Balance at end of the period	165,568	5,812,370	450,828	323,885	-	101,727	807	-	22,923	6,086	175,722	7,059,916	28,620,899

As at 31 March 2023, fully depreciated property and equipment with an original cost of US\$60,549 (31 March 2022: US\$1,100,361 – not reviewed) were still in use.

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2023

8. Property and equipment (continued)

Three-month period ended 31 March 2022

	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													
Balance at beginning of the period	608,191	6,807,161	963,271	430,319	32,163	686,008	8,591	8,794	77,673	14,496	92,085	9,728,752	39,634,935
Addition	-	43,693	12,187	8,770	-	1,673	-	-	4,111	-	61,624	132,058	536,552
Transfers	11,983	156	-	61,481	-	-	-	-	-	-	(73,620)	-	-
Written off	-	-	(500)	-	-	-	-	-	(2,352)	-	-	(2,852)	(11,588)
Currency translation differences	-	-	-	-	-	-	-	-	-	-	-	-	(235,169)
Balance at end of the period <i>(not reviewed)</i>	<u>620,174</u>	<u>6,851,010</u>	<u>974,958</u>	<u>500,570</u>	<u>32,163</u>	<u>687,681</u>	<u>8,591</u>	<u>8,794</u>	<u>79,432</u>	<u>14,496</u>	<u>80,089</u>	<u>9,857,958</u>	<u>39,924,730</u>
Less: Accumulated depreciation													
Balance at beginning of the period	454,968	1,563,136	595,800	179,184	32,163	574,709	6,818	8,740	62,996	5,234	-	3,483,748	14,192,789
Depreciation for the period	18,080	138,981	30,832	22,748	-	20,100	405	14	2,627	725	-	234,512	952,822
Written off	-	-	(500)	-	-	-	-	-	(2,352)	-	-	(2,852)	(11,588)
Currency translation differences	-	-	-	-	-	-	-	-	-	-	-	-	(86,621)
Balance at end of the period <i>(not reviewed)</i>	<u>473,048</u>	<u>1,702,117</u>	<u>626,132</u>	<u>201,932</u>	<u>32,163</u>	<u>594,809</u>	<u>7,223</u>	<u>8,754</u>	<u>63,271</u>	<u>5,959</u>	<u>-</u>	<u>3,715,408</u>	<u>15,047,402</u>
Carrying amounts													
Balance at end of the period <i>(not reviewed)</i>	<u>147,126</u>	<u>5,148,893</u>	<u>348,826</u>	<u>298,638</u>	<u>-</u>	<u>92,872</u>	<u>1,368</u>	<u>40</u>	<u>16,161</u>	<u>8,537</u>	<u>80,089</u>	<u>6,142,550</u>	<u>24,877,328</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2023

9. Intangible assets

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

Fully amortised computer software as at 31 March 2023 with original cost of US\$14,943 (31 March 2022: US\$14,444 – not reviewed) were still in use.

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2023

9. Intangible assets (continued)

	Three-month period ended 31 March 2022			
	Computer software US\$	Sign-on fee US\$	Total US\$	KHR'000 (Note 4)
Cost				
Balance at beginning of the period	18,591	450,000	468,591	1,909,040
Currency translation differences	-	-	-	(11,246)
Balance at end of the period <i>(not reviewed)</i>	<u>18,591</u>	<u>450,000</u>	<u>468,591</u>	<u>1,897,794</u>
Less: Accumulated amortisation				
Balance at beginning of the period	15,925	176,648	192,573	778,958
Amortisation for the period	346	3,868	4,214	17,122
Currency translation differences	-	-	-	908
Balance at end of the period <i>(not reviewed)</i>	<u>16,271</u>	<u>180,516</u>	<u>196,787</u>	<u>796,988</u>
Carrying amounts				
Balance at end of the period <i>(not reviewed)</i>	<u>2,320</u>	<u>269,484</u>	<u>271,804</u>	<u>1,100,806</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2023

10. Trade and other payables

	31 March 2023		31 December 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Trade payables:				
Trade payables	840,823	3,408,696	1,230,952	5,067,829
Amounts due to related parties (Note 22)	160,801	651,887	142,633	587,220
Tax payables (*):				
Value added tax	79,460	322,132	1,059,105	4,360,335
Salary and fringe benefit tax	18,689	75,765	182,530	751,476
Withholding tax	24,174	98,001	175,500	722,534
Tax interest and penalties	-	-	485,680	1,999,545
Accruals	181,919	737,500	224,897	925,901
Other payables	424,496	1,720,907	239,776	987,158
	<u>1,730,362</u>	<u>7,014,888</u>	<u>3,741,073</u>	<u>15,401,998</u>

(*) The General Department of Taxation (“GDT”) issued 2 letters dated 30 December 2019 and 29 June 2020 to the Company in respect of the unpaid monthly tax liabilities for the period from July 2019 to August 2019, from July 2018 to November 2018 and January 2019 to June 2019, respectively alleged the total tax liabilities of US\$934,854. In addition, the Company also has unpaid monthly tax liabilities from September 2019 to February 2020 approximately US\$876,873.

As part of the listing incentives, the Company submitted a letter to SERC on 16 December 2022 requesting to waive all tax liabilities above from the GDT. On 8 February 2023, the Company received a notification from SERC that the request was submitted to the GDT. On 29 March 2023 the Company obtained response from the GDT to waive the tax liabilities amounting to US\$1,842,973.

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2023

11. Borrowings

	Three-month period ended			
	31 March 2023		31 March 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
	<i>(not reviewed)</i>			
Balance at beginning of the period	2,637,627	10,859,111	1,164,476	4,744,075
Additional borrowing	-	-	500,000	2,025,000
Accruals interest payable	3,002	12,260	-	-
Repayments during the period	(27,731)	(113,253)	(206,751)	(840,029)
Currency translation differences	-	(165,340)	-	(25,259)
Balance at end of the period	<u>2,612,898</u>	<u>10,592,688</u>	<u>1,457,725</u>	<u>5,903,787</u>

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

		31 March 2023		31 December 2022	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Current portion					
Neak Oknha KITH MENG	(i)	1,207,700	4,896,016	1,207,700	4,972,101
Cambodian Public Bank	(ii)	116,044	470,442	74,700	307,540
Wing Bank (Cambodia) Plc.	(iii)	500,000	2,027,000	500,000	2,058,500
		<u>1,823,744</u>	<u>7,393,458</u>	<u>1,782,400</u>	<u>7,338,141</u>
Accruals interest payable		<u>3,002</u>	<u>12,170</u>	-	-
		<u>1,826,746</u>	<u>7,405,628</u>	<u>1,782,400</u>	<u>7,338,141</u>
Non-current portion					
Cambodian Public Bank	(ii)	<u>786,152</u>	<u>3,187,060</u>	<u>855,227</u>	<u>3,520,970</u>
		<u>2,612,898</u>	<u>10,592,688</u>	<u>1,457,725</u>	<u>5,903,787</u>

- (i) Borrowing from a shareholder, Neak Oknha KITH MENG is unsecured, interest free and repayable on demand (Note 22).
- (ii) On 6 April 2022, the Company entered into a fixed loan with Cambodian Public Bank. The loan is secured with a land from the shareholder, bears interest at 9% per annum and is repayable by 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 at 7% per annum and repayment by 12 monthly installments of US\$2,877 each from 1 September 2022 to 1 September 2023 and principal repayment by the end of the loan term.

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2023

12. Debt securities

In 2022, the Company 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.

As at 31 March 2023, the carrying value of the bonds payable is US\$ 33,932,670 (equivalent to KHR137.56 billion) (31 December 2022: US\$ 33,285,006 equivalent to KHR137.03 billion). During the period, the Company incurred interest expense on the issued bonds amounting to US\$652,376 (equivalent to KHR2.66 billion) (31 March 2022: Nil) (Note 21).

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2023

13. Employee benefit liabilities

	31 March 2023		31 December 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Seniority indemnity				
Current	51,304	207,986	86,391	355,672
Non-current	52,494	212,811	61,693	253,990
	<u>103,798</u>	<u>420,797</u>	<u>148,084</u>	<u>609,662</u>

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

	31 March 2023		31 March 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
				<i>(not reviewed)</i>
Balance at beginning of the period	148,084	609,662	84,993	346,261
Recognised in profit or loss	50,256	205,246	51,347	208,623
Paid during the period	(94,542)	(386,110)	(71,108)	(288,912)
Currency translation differences	-	(8,001)	-	(1,782)
Balance at end of the period	<u>103,798</u>	<u>420,797</u>	<u>65,232</u>	<u>264,190</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. Employees are not entitled to the remaining seniority indemnity back-pay, which is not yet due, if he/she resigns from the Company.

14. Share capital

	31 March 2023		31 December 2022	
	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>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2023

14. Share capital (continued)

The details of the share holding structure were as follows:

	31 March 2023/31 December 2022			
	Number of shares	Parvalue 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	20,033	6.50	130,215	1.0001%
	<u>2,003,220</u>		<u>13,020,930</u>	<u>100%</u>

15. Revenue

	Three-month period ended			
	31 March 2023		31 March 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
				<i>(not reviewed)</i>
Southern line:				
Rail freight	1,451,110	5,926,334	1,862,305	7,566,545
Train related value-added services	98,663	402,940	174,923	710,712
Passengers' fare	158,430	647,028	23,641	96,053
Transportation	9,675	39,513	13,911	56,520
Other revenue	-	-	17,451	70,903
	<u>1,717,878</u>	<u>7,015,815</u>	<u>2,092,231</u>	<u>8,500,733</u>
Northern line:				
Rail freight	905,309	3,697,282	883,850	3,591,084
Passengers' fare	57,026	232,894	-	-
Train related value-added services	12,029	49,126	-	-
Other revenue	2,265	9,250	-	-
	<u>976,629</u>	<u>3,988,552</u>	<u>883,850</u>	<u>3,591,084</u>
	<u>2,694,507</u>	<u>11,004,367</u>	<u>2,976,081</u>	<u>12,091,817</u>

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.

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2023

16. Cost of services

	Three-month period ended			
	31 March 2023		31 March 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
	<i>(not reviewed)</i>			
Staff costs and wages	902,017	3,683,837	753,939	3,063,254
Cost of diesel	1,263,134	5,158,639	1,350,901	5,488,711
Depreciation and amortisation (Note 19)	281,028	1,147,718	223,685	908,832
Repairs and maintenance	190,322	777,275	158,995	645,997
Transportation	129,518	528,952	92,776	376,949
Container access charge	62,405	254,862	103,290	419,667
Equipment rental	73,490	300,133	78,946	320,758
Provision for employee benefits	42,387	173,109	43,344	176,107
Warehouse rental	21,591	88,178	19,319	78,493
Others	112,380	458,960	156,783	637,009
	<u>3,078,272</u>	<u>12,571,663</u>	<u>2,981,978</u>	<u>12,115,777</u>

17. Other operating income

	Three-month period ended			
	31 March 2023		31 March 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
	<i>(not reviewed)</i>			
Warehouse rental	201,265	821,966	154,109	626,145
Finance income	97,446	397,969	75	305
Sale of scrap metal (*)	124,617	508,936	-	-
Others	564	2,304	636	2,584
	<u>423,892</u>	<u>1,731,175</u>	<u>154,820</u>	<u>629,034</u>

- (*) On 26 January 2023, The Ministry of Public Works and Transport (“MPWT”) issued an approval letter on written off of conceded old rails amounting to 2,000 tons. These rails were beyond repair and located across the railway stations on the Northern Line which were collected and placed at Phnom Penh Yard by Royal Railway. MPWT was in charge of the sale process tendering out to the highest offered buyer. The proceeds from the sale was KHR 656 million equivalent to US\$124,617 was granted to the Company.

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2023

18. Operating and administrative expenses

	Three-month period ended			
	31 March 2023		31 March 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
			<i>(not reviewed)</i>	
Salaries and wages	144,983	592,110	120,073	487,858
Insurance	64,592	263,794	58,764	238,758
Fuel and utilities	30,768	125,657	34,888	141,750
Equipment rental	24,720	100,956	28,560	116,039
Professional fees	21,940	89,603	16,127	65,524
Communication	18,722	76,461	17,762	72,167
Repairs and maintenance	14,755	60,259	8,526	34,641
Depreciation and amortisation (Note 19)	19,624	80,145	15,041	61,112
Provision for employee benefits	7,869	32,137	8,003	32,516
Staff uniform	4,406	17,994	2,745	11,153
Training and development	858	3,504	-	-
Travelling and accommodation	12,830	52,398	4,829	19,620
Bonus	12,215	49,886	10,541	42,828
Land survey	-	-	200	813
Other tax expenses	63,010	257,333	18,133	73,674
Interest and penalty on tax (*)	(1,842,973)	(7,526,702)	26,871	109,177
Licensing, registration and permit fee	5,417	22,123	20,035	81,402
Small value of assets	10,239	41,816	11,603	47,143
Other expenses	108,512	443,163	53,768	218,459
	<u>(1,277,513)</u>	<u>(5,217,363)</u>	<u>456,469</u>	<u>1,854,634</u>

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

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2023

19. Depreciation and amortisation

Depreciation and amortisation charges were allocated as follows:

	Three-month period ended			
	31 March 2023		31 March 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Depreciation of property and equipment (Note 8)	296,439	1,210,657	234,512	952,822
Amortisation of intangible assets (Note 9)	4,213	17,206	4,214	17,122
	<u>300,652</u>	<u>1,227,863</u>	<u>238,726</u>	<u>969,944</u>
Allocated to:				
Cost of services (Note 16)	281,028	1,147,718	223,685	908,832
Operating and administrative expenses (Note 18)	19,624	80,145	15,041	61,112
	<u>300,652</u>	<u>1,227,863</u>	<u>238,726</u>	<u>969,944</u>

20. 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 response from the GDT as at the date of the condensed interim financial statements yet.

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2023

20. Income tax (continued)

(b) Minimum tax liability

	Three-month period ended			
	31 March 2023		31 March 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
	<i>(not reviewed)</i>			
Balance at beginning of the period	66,007	271,751	67,724	275,908
Minimum tax expense	31,042	126,776	31,382	127,505
Minimum tax paid	(28,408)	(116,018)	(31,093)	(126,331)
Reversal of minimum tax liability (*)	(57,429)	(234,540)	-	-
Currency translation differences	-	(2,516)	-	(1,357)
Balance at the end of the period	<u>11,212</u>	<u>45,453</u>	<u>68,013</u>	<u>275,725</u>

(*) This pertains to the reversal of tax liability as a result of tax waived letter from GDT (Note 10).

(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:

	Three-month period ended			
	31 March 2023		31 March 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
	<i>(not reviewed)</i>			
Profit/(loss) before income tax	<u>625,049</u>	<u>2,552,700</u>	<u>(382,818)</u>	<u>(1,555,390)</u>
Income tax using statutory income tax rate	125,010	510,541	(76,564)	(311,080)
Non-deductible expenses	48,986	200,059	21,957	89,211
Tax losses utilised	(72,312)	(295,322)	-	-
Deductible temporary difference not recognised as deferred tax assets	<u>(101,684)</u>	<u>(415,278)</u>	<u>54,607</u>	<u>221,869</u>
Income tax expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Minimum tax at 1% of turnover	<u>31,042</u>	<u>126,776</u>	<u>31,382</u>	<u>127,505</u>

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

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2023

20. Income tax (continued)

(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 difference 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.

(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.

21. Finance costs

	Three-month period ended			
	31 March 2023		31 March 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Debt securities	652,376	2,664,304	-	-
Borrowing	29,387	120,016	32,930	133,795
	<u>681,763</u>	<u>2,784,320</u>	<u>32,930</u>	<u>133,795</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2023

22. 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.

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

	Three-month period ended			
	31 March 2023		31 March 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
<i>Property rental</i>				
GSS Global Security Solutions Co., Ltd.	<u>9,211</u>	<u>37,618</u>	<u>8,156</u>	<u>33,138</u>
<i>Insurance</i>				
Infinity General Insurance Plc.	<u>64,121</u>	<u>261,870</u>	<u>11,618</u>	<u>47,204</u>
<i>Telephone expense</i>				
CamGSM Co., Ltd.	<u>4,238</u>	<u>17,308</u>	<u>1,516</u>	<u>6,160</u>
<i>Security fee</i>				
GSS Global Security Solutions Co., Ltd.	<u>4,620</u>	<u>18,868</u>	<u>-</u>	<u>-</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2023

22. Related party transactions and balances (continued)

(b) Transactions with related parties (continued)

	Three-month period ended			
	31 March 2023		31 March 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
			<i>(not reviewed)</i>	
<i>Internet service fee</i>				
EZECOM Co.,Ltd	<u>14,711</u>	<u>60,080</u>	<u>4,691</u>	<u>19,060</u>
<i>Property rental</i>				
J Trust Royal Bank Plc.	<u>43,693</u>	<u>178,442</u>	<u>2,420</u>	<u>9,832</u>

The total remuneration of key management for the three-month period ended 31 March 2023 including salaries and benefits was US\$144,319 (31 March 2022: US\$139,369).

(c) Balances with related parties

	31 March 2023		31 December 2022	
	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.	2,357	9,555	75	309
<i>Non-trade related:</i>				
Royal Coffee	<u>48,293</u>	<u>195,780</u>	<u>53,019</u>	<u>218,279</u>
	<u>50,650</u>	<u>205,335</u>	<u>53,094</u>	<u>218,588</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2023

22. Related party transactions and balances (continued)

(c) Balances with related parties

	31 March 2023		31 December 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Amounts due to related parties (Note 10)				
<i>Trade related:</i>				
Infinity General Insurance Plc.	142,821	578,996	88,809	365,626
CamGSM Co., Ltd	17,980	72,891	17,929	73,814
SBI Royal Securities Plc.	-	-	35,895	147,780
	<u>160,801</u>	<u>651,887</u>	<u>142,633</u>	<u>587,220</u>
Borrowings (Note 11)				
Neak Oknha KITH MENG	<u>1,207,700</u>	<u>4,896,016</u>	<u>1,207,700</u>	<u>4,972,101</u>

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

23. Operating lease commitments

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

	31 March 2023		31 December 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Within one year	151,983	616,139	137,997	568,134
Between two to five years	<u>28,649</u>	<u>116,143</u>	<u>20,778</u>	<u>85,543</u>
	<u>180,632</u>	<u>732,282</u>	<u>158,775</u>	<u>653,677</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2023

24. Contingent liability

1. Concession agreement with the RGC

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 RGC. There are provisions in the existing Concession Agreement specifying concession fees to be paid by the Company to the RGC 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 RGC 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 management is continuing its negotiation with the RGC 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 to 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 the TRAIN SQUARE CO., LTD.

On 5 May 2019, the Company sublease the available space approximately 2,705sqm to the TRAIN SQUARE CO., LTD for the duration of 8 years.

Based on this sub lease agreement, in the event the Company terminate the sublease agreement, the Company shall refund to the TRAIN SQUARE CO., LTD the deposits and other costs incurred for the construction.

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 24.1 above.

3. Diesel damage claims with Kampuchea Tela Limited.

On 17 January 2023, there was an incident that took place at Battambang province which caused damage to one locomotive and minimal damage to several fuel tanks amounting to US\$136,945. The claim has been submitted to the insurance company which has not been concluded as at the date of the condensed interim financial statements yet.

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2023

25. 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.

Borrowings and debt securities

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

The estimated fair value of debt securities is generally based on quoted and observable market prices at the date of 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 liabilities in the 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 2023

26. 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 76% and 88% 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 year.

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