

ROYAL RAILWAY PLC.

**Condensed Interim Financial Statements
for the three-month and twelve-month
periods ended 31 December 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.

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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 and twelve-month periods ended 31 December 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 and twelve-month periods ended 31 December 2023 were disclosed in the condensed interim statement of profit or loss and other comprehensive income. Refer to pages 9 and 10.

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 periods ended.

Reserves and provisions

There were no material movements to or from reserves and provisions during the periods 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 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 25 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 misleading.

The results of the operations of the Company for the reporting periods 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 the interval between the end of the reporting periods 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

Since 30 June 2023 and to present, the Company has not been able to comply with 3 covenants including Debt Service Coverage Ratio, Operating ratio and Debt to EBITDA ratio under the bond guarantee agreement.

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, the Company is in the process of updating its financial forecast model along with the requested waiver letter to the Guarantor which has not been finalised as of 31 December 2023 and as at the date of these condensed interim financial statement.

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.

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 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 periods.

Directors' benefit

During and at the end of the financial periods, 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 periods, 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.

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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 December 2023, and for the three-month and twelve-month periods then ended, as set out on pages 7 to 47, 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

14 February 2024



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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 condensed interim financial statements as at 31 December 2023 of Royal Railway Plc. ("the Company"), as set out on pages 7 to 47 (hereafter referred to as "the condensed interim financial statements") which comprise:

- the condensed interim statement of financial position as at 31 December 2023;
- the condensed interim statement of profit or loss and other comprehensive income for the three-month and twelve-month periods ended 31 December 2023;
- the condensed interim statement of changes in equity for the twelve-month period ended 31 December 2023;
- the condensed interim statement of cash flows for the twelve-month period ended 31 December 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 25.1 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 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 RGC 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.

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

14 February 2024

Royal Railway Plc.

Condensed interim statement of financial position as at 31 December 2023

	Note	31 December 2023		31 December 2022	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
ASSETS					
Current assets					
Cash and bank balances	5	17,485,828	71,429,608	23,981,297	98,731,000
Trade and other receivables	6	2,913,750	11,902,669	2,370,718	9,760,246
Inventories	7	154,602	631,549	214,835	884,476
		<u>20,554,180</u>	<u>83,963,826</u>	<u>26,566,850</u>	<u>109,375,722</u>
Non-current assets					
Bank balances	5	3,958,850	16,171,902	3,773,687	15,536,269
Property and equipment	8	8,872,818	36,245,462	7,007,931	28,851,652
Intangible assets	9	243,763	995,772	259,621	1,068,860
Investment property	10	43,111	176,108	-	-
		<u>13,118,542</u>	<u>53,589,244</u>	<u>11,041,239</u>	<u>45,456,781</u>
TOTAL ASSETS		<u><u>33,672,722</u></u>	<u><u>137,553,070</u></u>	<u><u>37,608,089</u></u>	<u><u>154,832,503</u></u>
LIABILITIES AND EQUITY					
Current liabilities					
Trade and other payables	11	2,702,507	11,039,741	3,741,073	15,401,998
Borrowings	12	3,432,784	14,022,923	1,782,400	7,338,141
Debt securities	13	24,094,813	98,427,311	233,763	962,402
Employee benefit liabilities	14	94,759	387,091	86,391	355,672
Minimum tax liability	21(b)	9,163	37,431	66,007	271,751
		<u>30,334,026</u>	<u>123,914,497</u>	<u>5,909,634</u>	<u>24,329,964</u>
Non-current liabilities					
Debt securities	13	9,809,327	40,071,101	33,051,243	136,071,967
Borrowings	12	1,087,317	4,441,690	855,227	3,520,970
Provision on onerous contract		52,308	213,678	-	-
Employee benefit liabilities	14	52,130	212,951	61,693	253,990
		<u>11,001,082</u>	<u>44,939,420</u>	<u>33,968,163</u>	<u>139,846,927</u>
TOTAL LIABILITIES		<u><u>41,335,108</u></u>	<u><u>168,853,917</u></u>	<u><u>39,877,797</u></u>	<u><u>164,176,891</u></u>

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Condensed interim statement of financial position (continued) as at 31 December 2023

	Note	31 December 2023		31 December 2022	
		US\$	KHR'000	US\$	KHR'000
			(Note 4)		(Note 4)
Equity					
Share capital	15	13,020,930	52,083,720	13,020,930	52,083,720
Accumulated losses		(20,683,316)	(84,381,567)	(15,290,638)	(62,217,661)
Currency translation reserves		-	997,000	-	789,553
		<u>(7,662,386)</u>	<u>(31,300,847)</u>	<u>(2,269,708)</u>	<u>(9,344,388)</u>
TOTAL LIABILITIES AND EQUITY		<u>33,672,722</u>	<u>137,553,070</u>	<u>37,608,089</u>	<u>154,832,503</u>

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

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Condensed interim statement of profit or loss and other comprehensive income for the twelve-month period ended 31 December 2023

	Note	For the twelve-month period ended 31 December 2023		For the twelve-month period ended 31 December 2022	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Revenue	16	10,348,051	42,530,490	10,229,707	41,808,813
Cost of services	17	<u>(12,349,244)</u>	<u>(50,755,393)</u>	<u>(12,260,650)</u>	<u>(50,109,277)</u>
Gross loss		(2,001,193)	(8,224,903)	(2,030,943)	(8,300,464)
Other operating income	18	1,199,283	4,929,053	763,871	3,121,941
Operating and administrative expenses	19	(675,268)	(2,775,351)	(2,142,711)	(8,757,260)
Provision for onerous contract expense		(52,308)	(214,986)	-	-
Allowance for impairment losses	5,6	(18,356)	(75,443)	(229,686)	(938,727)
Minimum tax expense	21(c)	<u>(116,271)</u>	<u>(477,874)</u>	<u>(108,474)</u>	<u>(443,333)</u>
Operating loss		(1,664,113)	(6,839,504)	(3,747,943)	(15,317,843)
Finance costs – net	22	<u>(3,728,565)</u>	<u>(15,324,402)</u>	<u>(370,628)</u>	<u>(1,514,757)</u>
Loss before income tax		(5,392,678)	(22,163,906)	(4,118,571)	(16,832,600)
Income tax expense	21(c)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net loss for the period		(5,392,678)	(22,163,906)	(4,118,571)	(16,832,600)
<i>Other comprehensive loss</i>					
Items that will not be reclassified to profit or loss					
Currency translation differences		<u>-</u>	<u>207,447</u>	<u>-</u>	<u>(44,056)</u>
Total comprehensive loss for the period		<u>(5,392,678)</u>	<u>(21,956,459)</u>	<u>(4,118,571)</u>	<u>(16,876,656)</u>

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Condensed interim statement of profit or loss and other comprehensive income (continued) for the three-month period ended 31 December 2023

	Note	For the three-month period ended 31 December 2023		For the three-month period ended 31 December 2022	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Revenue	16	2,523,801	10,395,536	2,157,175	8,905,991
Cost of services	17	<u>(3,147,699)</u>	<u>(12,965,372)</u>	<u>(2,883,973)</u>	<u>(11,906,608)</u>
Gross loss		(623,898)	(2,569,836)	(726,798)	(3,000,617)
Other operating income	18	153,785	633,440	190,634	787,041
Operating and administrative expenses	19	(690,853)	(2,845,624)	(743,905)	(3,071,244)
Reversal/(allowance for) of impairment losses	5,6	29,177	120,180	(229,686)	(948,269)
Minimum tax expense	21(c)	<u>(26,584)</u>	<u>(109,499)</u>	<u>(23,706)</u>	<u>(97,871)</u>
Operating loss		(1,158,373)	(4,771,339)	(1,533,461)	(6,330,960)
Finance costs – net	22	<u>(1,482,051)</u>	<u>(6,104,568)</u>	<u>(264,827)</u>	<u>(1,093,349)</u>
Loss before income tax		(2,640,424)	(10,875,907)	(1,798,288)	(7,424,309)
Income tax expense	21(c)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net loss for the period		(2,640,424)	(10,875,907)	(1,798,288)	(7,424,309)
<i>Other comprehensive loss</i>					
Items that will not be reclassified to profit or loss					
Currency translation differences		<u>-</u>	<u>89,775</u>	<u>-</u>	<u>20,757</u>
Total comprehensive loss for the period		<u>(2,640,424)</u>	<u>(10,786,132)</u>	<u>(1,798,288)</u>	<u>(7,403,552)</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 twelve-month period ended 31 December 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 loss for the period	-	-	(5,392,678)	(22,163,906)	-	-	(5,392,678)	(22,163,906)
Currency translation differences	-	-	-	-	-	207,447	-	207,447
	-	-	(5,392,678)	(22,163,906)	-	207,447	(5,392,678)	(21,956,459)
Balance at 31 December 2023	13,020,930	52,083,720	(20,683,316)	(84,381,567)	-	997,000	(7,662,386)	(31,300,847)
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	-	-	(4,118,571)	(16,832,600)	-	-	(4,118,571)	(16,832,600)
Currency translation differences	-	-	-	-	-	(44,056)	-	(44,056)
	-	-	(4,118,571)	(16,832,600)	-	(44,056)	(4,118,571)	(16,876,656)
Balance at 31 December 2022	13,020,930	52,083,720	(15,290,638)	(62,217,661)	-	789,553	(2,269,708)	(9,344,388)

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

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Condensed interim statement of cash flows for the twelve-month period ended 31 December 2023

	For the twelve-month period ended 31 December 2023		For the twelve-month period ended 31 December 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Cash flows from operating activities				
Net loss for the period	(5,392,678)	(22,163,906)	(4,118,571)	(16,832,600)
<i>Adjustments for:</i>				
Depreciation and amortisation	1,312,922	5,396,109	970,152	3,965,011
Finance costs	4,137,125	17,003,584	393,870	1,609,747
Employee benefit	198,771	816,949	226,809	926,968
Property and equipment written off	17,887	73,516	1,109	4,532
Minimum tax expense	116,271	477,874	108,474	443,333
Finance incomes	(408,560)	(1,679,182)	-	-
Provision for onerous contract expense	52,308	214,986	-	-
Allowance for impairment loss	18,356	75,443	229,686	938,727
	52,402	215,373	(2,188,471)	(8,944,282)
<i>Changes in:</i>				
Trade and other receivables	(607,920)	(2,498,551)	(1,457,331)	(5,956,112)
Inventories	(72,262)	(296,997)	(85,259)	(348,454)
Trade and other payables	(1,038,566)	(4,268,506)	(797,781)	(3,260,531)
Cash used in operation	(1,666,346)	(6,848,681)	(4,528,842)	(18,509,379)
Interest paid	(3,501,896)	(14,392,793)	(997,533)	(4,076,917)
Payment of employee benefits	(199,966)	(821,860)	(163,718)	(669,115)
Income tax paid	(173,115)	(711,503)	(110,191)	(450,351)
Net cash used in operating activities	(5,541,323)	(22,774,837)	(5,800,284)	(23,705,762)
Cash flows from investing activities				
Interest received	223,397	918,162	-	-
Acquisition of property and equipment	(3,087,877)	(12,691,174)	(1,717,292)	(7,018,572)
Acquisition of investment property	(1,377)	(5,659)	-	-
Acquisition of intangible asset	(1,200)	(4,932)	(499)	(2,039)
Net cash used in investing activities	(2,867,057)	(11,783,603)	(1,717,791)	(7,020,611)
Cash flows from financing activities				
Proceeds from borrowings	2,000,000	8,220,000	4,664,319	19,063,072
Repayment of borrowings	(133,621)	(549,182)	(3,191,168)	(13,042,304)
Bank balance of reserve accounts	-	-	(3,773,687)	(15,423,059)
Proceeds from issuance of debt securities	-	-	33,888,669	138,502,990
Net cash generated from financing activities	1,866,379	7,670,818	31,588,133	129,100,699

Royal Railway Plc.

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

	For the twelve-month period ended 31 December 2023		For the twelve-month period ended 31 December 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Net (decrease)/increase in cash and cash equivalents	(6,542,001)	(26,887,622)	24,070,058	98,374,326
Cash and cash equivalents at beginning of the period	24,191,824	99,597,739	121,766	496,075
Currency translation differences	-	(610,590)	-	727,338
Cash and cash equivalents at end of the period (Note 5)	<u>17,649,823</u>	<u>72,099,527</u>	<u>24,191,824</u>	<u>99,597,739</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 and twelve-month periods ended 31 December 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. (“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 these financial statement, 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 December 2023, the Company had 804 employees (31 December 2022: 788 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 an 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 2022.

These condensed interim financial statements were authorised for issue by the Company’s Board of Directors on 14 February 2024.

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

2. Basis of preparation (continued)

(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 twelve-month period ended 31 December 2023, the Company generated a net loss of US\$5,392,678 (the twelve-month period ended 31 December 2022: net loss of US\$4,118,571) and generated net negative cash flows from operating activities for the twelve-month period ended 31 December 2023 amounting to US\$5,541,323 (for the twelve-month period ended 31 December 2022: US\$5,800,284) and as at 31 December 2023, the Company had net current liabilities of US\$9,779,846 (31 December 2022: net current asset of US\$20,657,216) and accumulated losses amounting to US\$20,683,316 (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 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.

(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 and twelve-month periods ended 31 December 2023

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 twelve-month	Average rate three-month
31 December 2023	US\$1=	KHR4,085	KHR4,110	KHR4,119
31 December 2022	US\$1=	KHR4,117	KHR4,087	KHR4,129

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 December 2023		31 December 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
<i>Current</i>				
Cash on hand	2,229	9,106	5,538	22,800
Cash at banks (*)	17,647,594	72,090,421	24,186,286	99,574,939
Total cash and bank balances	17,649,823	72,099,527	24,191,824	99,597,739
Less: Allowance for impairment losses	(163,995)	(669,919)	(210,527)	(866,739)
	17,485,828	71,429,608	23,981,297	98,731,000

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

5. Cash and bank balances (continued)

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
<i>Non-current</i>				
Cash at banks:				
Debt Service Reserve				
Account ("DSRA") (**)	3,591,585	14,671,624	3,423,595	14,094,940
Guarantee Fee Reserve				
Account ("GFRA") (**)	<u>367,265</u>	<u>1,500,278</u>	<u>350,092</u>	<u>1,441,329</u>
Total bank balances	<u>3,958,850</u>	<u>16,171,902</u>	<u>3,773,687</u>	<u>15,536,269</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 the GuarantCo Ltd ("the Guarantor"). As at 31 December 2023, the remaining amount in the account is US\$14,454,865 (31 December 2022: US\$19,802,402).

(**) 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 December 2022: 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 December 2023		31 December 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Cash on hand	2,229	9,106	5,538	22,800
Cash at banks (current portion)	<u>17,647,594</u>	<u>72,090,421</u>	<u>24,186,286</u>	<u>99,574,939</u>
Cash and cash equivalents	<u>17,649,823</u>	<u>72,099,527</u>	<u>24,191,824</u>	<u>99,597,739</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

5. Cash and bank balances (continued)

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

	For the twelve-month period ended				For the three-month period ended			
	31 December 2023		31 December 2022		31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Balance at beginning of the period	(210,527)	(866,739)	-	-	(173,389)	(714,709)	-	-
Recognised in profit or loss	46,532	191,247	(210,527)	(860,424)	9,394	38,694	(210,527)	(869,170)
Currency translation differences	-	5,573	-	(6,315)	-	6,096	-	2,431
Balance at end of the period	<u>(163,995)</u>	<u>(669,919)</u>	<u>(210,527)</u>	<u>(866,739)</u>	<u>(163,995)</u>	<u>(669,919)</u>	<u>(210,527)</u>	<u>(866,739)</u>

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

6. Trade and other receivables

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Trade receivables	575,983	2,352,891	545,610	2,246,276
Less: Allowance for impairment losses	<u>(166,060)</u>	<u>(678,355)</u>	<u>(101,172)</u>	<u>(416,525)</u>
	409,923	1,674,536	444,438	1,829,751
Advance to suppliers	2,057,634	8,405,435	1,696,781	6,985,647
Amount due from related parties (Note 23)	<u>48,933</u>	<u>199,891</u>	<u>53,094</u>	<u>218,588</u>
	2,516,490	10,279,862	2,194,313	9,033,986
Deposits	79,810	326,024	71,498	294,357
Prepayments	17,982	73,456	32,207	132,596
Others	<u>299,468</u>	<u>1,223,327</u>	<u>72,700</u>	<u>299,307</u>
	<u>2,913,750</u>	<u>11,902,669</u>	<u>2,370,718</u>	<u>9,760,246</u>

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

6. Trade and other receivables (continued)

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

	For the twelve-month period ended				For the three-month period ended			
	31 December 2023		31 December 2022		31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Balance at beginning of the period	(101,172)	(416,525)	(82,013)	(334,121)	(185,843)	(766,045)	(82,013)	(334,121)
Recognised in profit or loss	(64,888)	(266,690)	(19,159)	(78,303)	19,783	81,486	(19,159)	(79,099)
Currency translation differences	-	4,860	-	(4,101)	-	6,204	-	(3,305)
Balance at end of the period	<u>(166,060)</u>	<u>(678,355)</u>	<u>(101,172)</u>	<u>(416,525)</u>	<u>(166,060)</u>	<u>(678,355)</u>	<u>(101,172)</u>	<u>(416,525)</u>

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

7. Inventories

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Locomotive parts	60,306	246,350	62,812	258,597
Tools	27,390	111,888	62,641	257,893
Fuel oil	13,902	56,790	12,292	50,606
Diesel	42,352	173,008	51,257	211,025
Wagon parts	10,652	43,513	25,833	106,355
	<u>154,602</u>	<u>631,549</u>	<u>214,835</u>	<u>884,476</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

8. Property and equipment

For the twelve-month period ended 31 December 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													
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	22,855	548,876	897,344	25,445	16,230	70,248	-	-	5,807	26,660	1,474,412	3,087,877	12,691,174
Transfers	199,104	140,428	864,847	258,041	-	1,849	-	-	-	22	(1,464,291)	-	-
Transfers to investment property	-	-	-	-	-	-	-	-	-	-	(46,926)	(46,926)	(192,866)
Transfers from inventory	-	-	119,286	2,915	-	-	-	-	-	-	10,294	132,495	544,554
Written off	(62,449)	(7,068)	(12,693)	(6,689)	-	(16,342)	-	-	(920)	-	(348)	(106,509)	(437,752)
Currency translation differences	-	-	-	-	-	-	-	-	-	-	-	-	(438,771)
At 31 December	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
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	74,341	759,171	247,565	119,236	1,396	69,948	667	-	13,364	4,984	-	1,290,672	5,304,662
Written off	(48,620)	(6,855)	(12,693)	(3,836)	-	(15,698)	-	-	(920)	-	-	(88,622)	(364,236)
Currency translation differences	-	-	-	-	-	-	-	-	-	-	-	-	(167,897)
At 31 December	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
Carrying amounts													
At 1 January	162,976	5,748,334	493,668	299,013	-	110,637	999	-	24,793	6,839	160,672	7,007,931	28,851,652
At 31 December	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

As at 31 December 2023, fully depreciated property and equipment with an original cost of US\$1,248,068 (31 December 2022: US\$1,185,572) were still in use.

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

8. Property and equipment (continued)

For the twelve-month period ended 31 December 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\$	US\$	Total KHR'000 (Note 4)
Cost													
At 1 January	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	47,337	126,337	173,283	37,417	-	67,797	543	-	17,906	561	1,246,111	1,717,292	7,018,572
Transfers	40,603	901,978	103,526	113,109	-	12,674	-	-	5,634	-	(1,177,524)	-	-
Written off	(39,306)	(28,580)	(28,582)	-	-	(30,401)	-	-	(3,552)	-	-	(130,421)	(533,031)
Currency translation differences	-	-	-	-	-	-	-	-	-	-	-	-	465,943
At 31 December	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
Less: Accumulated depreciation													
At 1 January	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	78,187	522,897	150,612	102,648	-	81,133	1,317	54	13,424	2,984	-	953,256	3,895,957
Written off	(39,306)	(27,471)	(28,582)	-	-	(30,401)	-	-	(3,552)	-	-	(129,312)	(528,498)
Currency translation differences	-	-	-	-	-	-	-	-	-	-	-	-	174,519
At 31 December	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
Carrying amounts													
At 31 December	162,976	5,748,334	493,668	299,013	-	110,637	999	-	24,793	6,839	160,672	7,007,931	28,851,652

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

9. Intangible assets

	For the twelve-month period ended 31 December 2023			
	Computer software US\$	Sign-on fee US\$	US\$	Total KHR'000 (Note 4)
Cost				
At 1 January	19,090	450,000	469,090	1,931,244
Addition	1,200	-	1,200	4,932
Currency translation differences	-	-	-	(15,041)
At 31 December	<u>20,290</u>	<u>450,000</u>	<u>470,290</u>	<u>1,921,135</u>
Less: Accumulated amortisation				
At 1 January	17,349	192,120	209,469	862,384
Amortisation for the period	1,586	15,472	17,058	70,108
Currency translation differences	-	-	-	(7,129)
At 31 December	<u>18,935</u>	<u>207,592</u>	<u>226,527</u>	<u>925,363</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 December	<u>1,355</u>	<u>242,408</u>	<u>243,763</u>	<u>995,772</u>

Fully amortised computer software as at 31 December 2023 with original cost of US\$17,193 (31 December 2022: US\$14,444) were still in use.

	For the twelve-month period ended 31 December 2022			
	Computer software US\$	Sign-on fee US\$	US\$	Total KHR'000 (Note 4)
Cost				
At 1 January	18,591	450,000	468,591	1,909,040
Addition	499	-	499	2,039
Currency translation differences	-	-	-	20,165
At 31 December	<u>19,090</u>	<u>450,000</u>	<u>469,090</u>	<u>1,931,244</u>
Less: Accumulated amortisation				
At 1 January	15,925	176,648	192,573	784,543
Addition	1,424	15,472	16,896	69,054
Currency translation differences	-	-	-	8,787
At 31 December	<u>17,349</u>	<u>192,120</u>	<u>209,469</u>	<u>862,384</u>
Carrying amounts				
At 31 December	<u>1,741</u>	<u>257,880</u>	<u>259,621</u>	<u>1,068,860</u>

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

10. Investment property

	For the twelve-month period ended 31 December 2023	
	US\$	KHR'000 (Note 4)
Cost		
At 1 January	-	-
Additions	1,377	5,659
Transfers from property and equipment	46,926	192,866
Currency translation differences	-	(1,207)
At 31 December	<u>48,303</u>	<u>197,318</u>
Less: Accumulated amortisation		
At 1 January	-	-
Depreciation for the period	5,192	21,339
Currency translation differences	-	(129)
At 31 December	<u>5,192</u>	<u>21,210</u>
Carrying amounts		
At 31 December	<u>43,111</u>	<u>176,108</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 December 2023.

11. Trade and other payables

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Trade payables:				
Trade payables	1,368,619	5,590,809	1,230,952	5,067,829
Amounts due to related parties (Note 23)	258,677	1,056,696	142,633	587,220
Tax payables:				
Value added tax (*)	63,239	258,331	1,059,105	4,360,335
Salary and fringe benefit tax(*)	22,221	90,773	182,530	751,476
Withholding tax (*)	31,967	130,585	175,500	722,534
Tax interest and penalties (*)	-	-	485,680	1,999,545
Payroll payable	275,521	1,125,503	60,503	249,091
Accruals	301,950	1,233,466	224,897	925,901
Other payables	380,313	1,553,578	179,273	738,067
	<u>2,702,507</u>	<u>11,039,741</u>	<u>3,741,073</u>	<u>15,401,998</u>

(*) As part of the listing incentives, the Company submitted a letter to Securities and Exchange Regulator of Cambodia ("SERC") on 16 December 2022 requesting to waive all tax liabilities above from the General Department of Taxation ("GDT"). On 8 February 2023, the Company received a notification from SERC that the request was submitted to the GDT. On 29 March 2023, GDT responded its approval to waive the tax liabilities amounting to US\$1,842,973 (Note 19) to the Company.

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

12. Borrowings

	For the twelve-month period ended				For the three-month period ended			
	31 December 2023		31 December 2022		31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Balance at beginning of the period	2,637,627	10,859,111	1,164,476	4,744,075	2,559,990	10,552,279	4,456,821	18,357,646
Additional borrowing	2,000,000	8,220,000	4,664,319	19,063,072	2,000,000	8,238,000	164,319	678,398
Accrued interest payable	16,095	66,150	-	-	9,507	39,159	-	-
Repayments during the period	(133,621)	(549,182)	(3,191,168)	(13,042,304)	(49,396)	(203,462)	(1,983,513)	(8,189,020)
Currency translation differences	-	(131,466)	-	94,268	-	(161,363)	-	12,087
Balance at end of the period	<u>4,520,101</u>	<u>18,464,613</u>	<u>2,637,627</u>	<u>10,859,111</u>	<u>4,520,101</u>	<u>18,464,613</u>	<u>2,637,627</u>	<u>10,859,111</u>

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

12. Borrowings (continued)

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

		31 December 2023		31 December 2022	
		US\$	KHR'000	US\$	KHR'000
			(Note 4)		(Note 4)
Current portions					
Neak Oknha Kith Meng	(i)	3,207,700	13,103,455	1,207,700	4,972,101
Cambodian Public Bank Plc.	(ii)	124,270	507,643	74,700	307,540
Wing Bank (Cambodia) Plc.	(iii)	84,719	346,077	500,000	2,058,500
		<u>3,416,689</u>	<u>13,957,175</u>	<u>1,782,400</u>	<u>7,338,141</u>
Accrued interest payable		<u>16,095</u>	<u>65,748</u>	<u>-</u>	<u>-</u>
		<u>3,432,784</u>	<u>14,022,923</u>	<u>1,782,400</u>	<u>7,338,141</u>
Non-current portion					
Cambodian Public Bank	(ii)	691,991	2,826,783	855,227	3,520,970
Wing Bank (Cambodia) Plc.	(iii)	395,326	1,614,907	-	-
		<u>1,087,317</u>	<u>4,441,690</u>	<u>855,227</u>	<u>3,520,970</u>
		<u>4,520,101</u>	<u>18,464,613</u>	<u>2,637,627</u>	<u>10,859,111</u>

- (i) Borrowing from a shareholder, Neak Oknha KITH MENG is unsecured, interest free and repayable on demand (Note 23).

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 01 October 2023 to 01 September 2028 (Note 23).

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

13. 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 December 2023		31 December 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Current portion	24,094,813	98,427,311	233,763	962,402
Non-current portion	<u>9,809,327</u>	<u>40,071,101</u>	<u>33,051,243</u>	<u>136,071,967</u>
	<u>33,904,140</u>	<u>138,498,412</u>	<u>33,285,006</u>	<u>137,034,369</u>

During the twelve-month period ended, the Company incurred interest expense on the issued bonds amounting to US\$4,006,460 equivalent to KHR16,466,551 (twelve-month period ended 31 December 2022: US\$238,467 equivalent to KHR974,615) (Note 22).

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

13. Debt securities (continued)

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 23	30 September 2023	31 December 2023
Debt Service Coverage Ratio	= Cash Flow Available for Debt Service / Total debt service	≥	1.2x	0.84	1.1	0.26
Operating ratio	= Net operating income / Total operating revenue	≥ 95.14%, ≤100%		12.29%	15%	102.27%
Debt to EBITDA	= Total debt /EBITDA	≤	9.5x	43.83	25	149.77

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, the Company is in the process of updating its financial forecast model along with the requested waiver letter to the Guarantor which has not been finalised as of 31 December 2023 and as at the date of these condensed interim financial statements.

Accordingly, the carrying amount US\$ 23,929,961 of the guaranteed bond was reclassified to current liabilities.

14. Employee benefit liabilities

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Seniority indemnity				
Current	94,759	387,091	86,391	355,672
Non-current	52,130	212,951	61,693	253,990
	<u>146,889</u>	<u>600,042</u>	<u>148,084</u>	<u>609,662</u>

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

14. Employee benefit liabilities (continued)

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

	For the twelve-month period ended				For the three-month period ended			
	31 December 2023		31 December 2022		31 December 2023		31 December 2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
		(Note 4)		(Note 4)		(Note 4)		(Note 4)
Balance at beginning of the period	148,084	609,662	84,993	346,261	93,987	387,414	109,491	453,621
Recognised in profit or loss	198,771	816,949	226,809	926,968	52,902	217,903	88,879	366,941
Paid during the period	(199,966)	(821,860)	(163,718)	(669,115)	-	-	(50,286)	(207,608)
Currency translation differences	-	(4,709)	-	5,548	-	(5,275)	-	(3,292)
Balance at end of the period	<u>146,889</u>	<u>600,042</u>	<u>148,084</u>	<u>609,662</u>	<u>146,889</u>	<u>600,042</u>	<u>148,084</u>	<u>609,662</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.

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

15. Share capital

	31 December 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>

The details of the share holding structure were as follows:

	31 December 2023/31 December 2022			
	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>	6.50	<u>130,215</u>	<u>1.0001%</u>
	<u>2,003,220</u>		<u>13,020,930</u>	<u>100%</u>

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

16. Revenue

	For the twelve-month period ended				For the three-month period ended			
	31 December 2023		31 December 2022		31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Southern line:								
Rail freight	5,720,009	23,509,237	5,874,759	24,010,141	1,331,811	5,485,730	993,968	4,103,640
Train related value-added services	625,123	2,569,256	591,565	2,417,726	168,137	692,556	69,468	286,802
Passengers' fare	537,759	2,210,189	416,865	1,703,727	170,460	702,125	137,775	568,810
Transportation	56,879	233,773	59,864	244,664	25,740	106,023	16,375	67,605
Other revenue	16,735	68,781	23,377	95,542	16,735	68,931	-	-
	<u>6,956,505</u>	<u>28,591,236</u>	<u>6,966,430</u>	<u>28,471,800</u>	<u>1,712,883</u>	<u>7,055,365</u>	<u>1,217,586</u>	<u>5,026,857</u>
Northern line:								
Rail freight	3,142,146	12,914,220	3,020,183	12,343,488	747,353	3,078,347	851,092	3,513,770
Passengers' fare	216,521	889,901	195,861	800,484	57,756	237,897	65,244	269,363
Train related value-added services	21,149	86,922	15,343	62,707	4,504	18,552	13,803	56,986
Transportation	5,750	23,633	1,000	4,087	-	-	-	-
Other revenue	5,980	24,578	30,890	126,247	1,305	5,375	9,450	39,015
	<u>3,391,546</u>	<u>13,939,254</u>	<u>3,263,277</u>	<u>13,337,013</u>	<u>810,918</u>	<u>3,340,171</u>	<u>939,589</u>	<u>3,879,134</u>
	<u>10,348,051</u>	<u>42,530,490</u>	<u>10,229,707</u>	<u>41,808,813</u>	<u>2,523,801</u>	<u>10,395,536</u>	<u>2,157,175</u>	<u>8,905,991</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.

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

17. Cost of services

	For the twelve-month period ended				For the three-month period ended			
	31 December 2023		31 December 2022		31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Staff costs and wages	3,635,709	14,942,764	3,253,849	13,298,480	918,332	3,782,610	863,634	3,565,552
Cost of diesel	4,985,075	20,488,658	5,532,648	22,611,932	1,242,220	5,116,704	1,202,685	4,965,337
Depreciation and amortisation (Note 20)	1,225,898	5,038,441	900,960	3,682,224	365,253	1,504,477	173,283	715,406
Repairs and maintenance	732,698	3,011,389	687,840	2,811,202	167,189	688,651	178,211	735,752
Transportation	510,656	2,098,796	425,766	1,740,106	130,609	537,978	123,697	510,688
Container access charge	273,068	1,122,309	331,095	1,353,185	71,786	295,687	50,659	209,148
Equipment rental	315,933	1,298,485	318,687	1,302,474	81,202	334,471	79,209	327,018
Provision for employee benefits	166,972	686,255	198,110	809,676	44,086	181,590	80,653	332,979
Warehouse rental	86,364	354,956	95,455	390,125	21,591	88,933	21,591	89,139
Others	416,871	1,713,340	516,240	2,109,873	105,431	434,271	110,351	455,589
	<u>12,349,244</u>	<u>50,755,393</u>	<u>12,260,650</u>	<u>50,109,277</u>	<u>3,147,699</u>	<u>12,965,372</u>	<u>2,883,973</u>	<u>11,906,608</u>

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

18. Other operating income

	For the twelve-month period ended				For the three-month period ended			
	31 December 2023		31 December 2022		31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Warehouse rental	879,887	3,616,336	557,502	2,278,511	149,362	615,222	166,327	686,688
Sale of scrap metal (*)	124,617	512,176	-	-	-	-	-	-
Claim from Insurance	-	-	180,000	735,660	-	-	-	-
Others	194,779	800,541	26,369	107,770	4,423	18,218	24,307	100,353
	<u>1,199,283</u>	<u>4,929,053</u>	<u>763,871</u>	<u>3,121,941</u>	<u>153,785</u>	<u>633,440</u>	<u>190,634</u>	<u>787,041</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 repaired 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 proceed from the sale was KHR 656 million equivalent to US\$124,617 were granted to the Company.

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

19. Operating and administrative expenses

	For the twelve-month period ended				For the three-month period ended			
	31 December 2023		31 December 2022		31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Salaries and wages	610,291	2,508,296	518,259	2,118,125	156,919	646,349	142,966	590,241
Directors' fee	300,000	1,233,000	-	-	90,000	370,710		
Insurance	265,521	1,091,291	270,584	1,105,877	67,133	276,521	63,788	263,352
Fuel and utilities	125,194	514,547	129,093	527,603	29,948	123,356	25,409	104,902
Equipment rental	101,230	416,055	108,623	443,941	26,130	107,629	24,443	100,914
Professional fees	65,817	270,508	364,554	1,489,932	14,871	61,254	276,811	1,142,826
Communication	76,399	314,000	72,361	295,739	21,210	87,364	17,939	74,062
Repairs and maintenance	60,850	250,094	52,411	214,204	13,832	56,974	22,984	94,890
Depreciation and amortisation (Note 20)	87,024	357,668	69,192	282,787	25,376	104,524	31,202	128,819
Provision for employee benefits	31,798	130,690	28,699	117,293	8,815	36,309	8,226	33,961
Staff uniform	12,782	52,534	12,640	51,660	1,779	7,328	3,424	14,136
Training and development	5,861	24,089	5,742	23,468	1,752	7,216	1,042	4,302
Travelling and accommodation	45,102	185,369	22,087	90,270	11,700	48,192	4,680	19,322
Bonus	44,253	181,880	34,776	142,130	10,464	43,101	8,604	35,522
Land survey	-	-	400	1,635	-	-	-	-
Other tax expenses	315,419	1,296,372	89,221	364,646	76,169	313,740	30,331	125,223
Interest and penalty on tax (*)	(1,842,973)	(7,574,619)	101,015	412,848	-	-	20,401	84,226
Licensing, registration and permit fee	25,321	104,069	31,253	127,731	10,401	42,842	5,050	20,849
Small value of assets	26,562	109,170	31,253	127,731	6,131	25,254	293	1,210
Other expenses	318,817	1,310,338	200,548	819,640	118,223	486,961	56,312	232,487
	<u>675,268</u>	<u>2,775,351</u>	<u>2,142,711</u>	<u>8,757,260</u>	<u>690,853</u>	<u>2,845,624</u>	<u>743,905</u>	<u>3,071,244</u>

(*) On 29 March 2023, the Company obtained approval from the GDT for waiving the tax liabilities amounting to US\$1,842,973 (see Note 11).

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

20. Depreciation and amortisation

Depreciation and amortisation charges were allocated as follows:

	For the twelve-month period ended				For the three-month period ended			
	31 December 2023		31 December 2022		31 December 2023		31 December 2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
		(Note 4)		(Note 4)		(Note 4)		(Note 4)
Depreciation of property and equipment and investment property (Note 8 and 10)	1,295,864	5,326,001	953,256	3,895,957	386,378	1,591,491	188,626	778,750
Amortisation of intangible assets (Note 9)	17,058	70,108	16,896	69,054	4,251	17,510	15,859	65,475
	<u>1,312,922</u>	<u>5,396,109</u>	<u>970,152</u>	<u>3,965,011</u>	<u>390,629</u>	<u>1,609,001</u>	<u>204,485</u>	<u>844,225</u>
Allocated to:								
Cost of services (Note 17)	1,225,898	5,038,441	900,960	3,682,224	365,253	1,504,477	173,283	715,406
Operating and administrative expenses (Note 19)	87,024	357,668	69,192	282,787	25,376	104,524	31,202	128,819
	<u>1,312,922</u>	<u>5,396,109</u>	<u>970,152</u>	<u>3,965,011</u>	<u>390,629</u>	<u>1,609,001</u>	<u>204,485</u>	<u>844,225</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

21. 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 twelve-month period ended				For the three-month period ended			
	31 December 2023		31 December 2022		31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Balance at beginning of the period	66,007	271,751	67,724	275,908	9,229	38,042	66,082	273,778
Minimum tax expense	116,271	477,874	108,474	443,333	26,584	109,499	23,706	97,871
Minimum tax paid	(173,115)	(711,503)	(110,191)	(450,351)	(26,650)	(109,771)	(23,781)	(98,181)
Currency translation differences	-	(691)	-	2,861	-	(339)	-	(1,717)
Balance at the end of the period	<u>9,163</u>	<u>37,431</u>	<u>66,007</u>	<u>271,751</u>	<u>9,163</u>	<u>37,431</u>	<u>66,007</u>	<u>271,751</u>

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

21. 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 twelve-month period ended				For the three-month period ended			
	31 December 2023		31 December 2022		31 December 2023		31 December 2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
		(Note 4)		(Note 4)		(Note 4)		(Note 4)
Loss before income tax	<u>(5,392,678)</u>	<u>(22,163,906)</u>	<u>(4,118,571)</u>	<u>(16,832,600)</u>	<u>(2,640,424)</u>	<u>(10,875,907)</u>	<u>(1,798,288)</u>	<u>(7,424,310)</u>
Income tax using statutory income tax rate	(1,078,536)	(4,432,781)	(823,714)	(3,366,519)	(528,085)	(2,175,181)	(359,658)	(1,484,862)
Non-deductible expenses	63,084	259,273	85,389	348,985	15,234	62,749	28,059	115,843
Tax loss not recognised as deferred tax assets	276,115	1,134,833	606,698	2,479,575	195,658	805,915	598,422	2,470,611
Deductible temporary difference not recognised as deferred tax assets	<u>739,337</u>	<u>3,038,675</u>	<u>131,627</u>	<u>537,959</u>	<u>317,193</u>	<u>1,306,517</u>	<u>(266,823)</u>	<u>(1,101,592)</u>
Income tax expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Minimum tax at 1% of turnover	<u>116,271</u>	<u>477,874</u>	<u>108,474</u>	<u>443,333</u>	<u>26,584</u>	<u>109,499</u>	<u>23,706</u>	<u>97,871</u>

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

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

21. 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 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.

(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.

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

22. Finance costs – net

	For the twelve-month period ended				For the three-month period ended			
	31 December 2023		31 December 2022		31 December 2023		31 December 2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
	(Note 4)		(Note 4)		(Note 4)		(Note 4)	
Interest income cash at bank	408,560	1,679,182	23,242	94,990	97,822	402,929	23,109	95,407
Interest expense on:								
Debt securities (*)	(4,006,460)	(16,466,551)	(238,467)	(974,615)	(1,540,156)	(6,343,903)	(238,467)	(984,521)
Borrowing	(130,665)	(537,033)	(155,403)	(635,132)	(39,717)	(163,594)	(49,469)	(204,235)
	<u>(3,728,565)</u>	<u>(15,324,402)</u>	<u>(370,628)</u>	<u>(1,514,757)</u>	<u>(1,482,051)</u>	<u>(6,104,568)</u>	<u>(264,827)</u>	<u>(1,093,349)</u>

(*) As a result of reclassifying the guaranteed bonds to current liability as disclosed in Note 13 to the condensed interim financial statements, the remaining unamortised transaction fees of US\$499,621 was recognised into interest expense.

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

23. 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.

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

23. Related party transactions and balances (continued)

(b) Transactions with related parties

	For the twelve-month period ended				For the three-month period ended			
	31 December 2023		31 December 2022		31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
<i>Property rental</i>								
GSS Global Security Solutions Co., Ltd.	33,009	135,667	34,349	140,384	9,051	37,281	9,058	37,396
J Trust Royal Bank Plc.	360,873	1,483,188	86,279	352,622	107,004	440,749	9,339	38,556
<i>Insurance</i>								
Infinity General Insurance Plc.	281,881	1,158,531	307,591	1,257,124	73,414	302,392	218,243	901,026
<i>Telephone expense</i>								
CamGSM Co., Ltd.	20,642	84,839	9,935	40,604	7,359	30,312	4,073	16,816
<i>Security fee</i>								
GSS Global Security Solutions Co., Ltd.	27,720	113,929	16,219	66,287	6,545	26,959	6,930	28,611
<i>Cleaning service</i>								
GSS Global Security Solutions Co., Ltd.	1,023	4,205	-	-	1,023	4,214	-	-
<i>Internet service fee</i>								
EZECOM Co.,Ltd	63,139	259,501	47,872	195,653	14,628	60,253	14,628	60,392
<i>Interest expense</i>								
Wing Bank (Cambodia) Plc.	34,400	141,384	-	-	11,195	46,110	-	-

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

23. Related party transactions and balances (continued)

(b) Transactions with related parties (continued)

	For the twelve-month period ended				For the three-month period ended			
	31 December 2023		31 December 2022		31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
<i>Underwriting fee</i>								
SBI Royal Securities Plc.	-	-	559,163	2,285,299	-	-	559,163	2,308,529

The total remuneration of key management for the twelve-month period ended 31 December 2023 including salaries and benefits was US\$548,766 (twelve-month period ended 31 December 2022: US\$605,571).

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

23. Related party transactions and balances (continued)

(c) Balances with related parties

	31 December 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.	10,995	44,915	75	309
<i>Non-trade related:</i>				
Royal Coffee	37,938	154,976	53,019	218,279
	<u>48,933</u>	<u>199,891</u>	<u>53,094</u>	<u>218,588</u>
Amounts due to related parties (Note 11)				
<i>Trade related:</i>				
Infinity General Insurance Plc.	257,055	1,050,070	88,809	365,626
CamGSM Co., Ltd	1,622	6,626	17,929	73,814
SBI Royal Securities Plc.	-	-	35,895	147,780
	<u>258,677</u>	<u>1,056,696</u>	<u>142,633</u>	<u>587,220</u>
Borrowings (Note 12)				
Neak Oknha Kith Meng	3,207,700	13,103,455	1,207,700	4,972,101
Wing Bank (Cambodia) Plc.	480,045	1,960,984	-	-

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

24. Lease commitments

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

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Within one year	157,061	641,594	137,997	568,134
Between two to five years	8,994	36,740	20,778	85,543
	<u>166,055</u>	<u>678,334</u>	<u>158,775</u>	<u>653,677</u>

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

25. Contingent liabilities

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. On 30 September 2023, the Company terminated the sublease agreement with TRAIN SQUARE CO., LTD.

3. Diesel damage claims with Kampuchea Tela Limited and Sok Kong Import Export Co., Ltd

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. On 2 February 2024, the insurance company has communicated a preliminary assessment to the Company but has not issued an official decision yet.

On 14 July 2023, there was an incident that took place at Sihanoukville province which caused the leak to diesel with minimal damage to one fuel tanks approximately US\$66,635 and US\$61,560 for Kampuchea Tela Limited and Sok Kong Import Export, respectively. The claims had been submitted to the reinsurance company and is in the process of finalisation but has not been concluded as at the date of the condensed interim financial statements by the reinsurer yet.

The above transactions had been made provision in the 2023 financial statements.

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

26. 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:

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

26. Fair values of financial assets and liabilities (continued)

Fair value hierarchy (continued)

- 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.

27. 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 86% 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.