

ROYAL RAILWAY PLC.

**Condensed Interim Financial Statements
for the three-month and nine-month
periods ended 30 September 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 – 8
4. Condensed interim statement of profit or loss and other comprehensive income	9 – 10
5. Condensed interim statement of changes in equity	11
6. Condensed interim statement of cash flows	12 – 13
7. Notes to the condensed interim financial statements	14 – 46



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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 nine-month periods ended 30 September 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 nine-month periods ended 30 September 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 in 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 was not able to comply with 3 covenants including Debt Service Coverage Ratio, Operating ratio and Debt to EBITA ratio under the bond guarantee agreement.

The Company communicated the compliance status to its Guarantor on 13 July 2023 and is in the process of amending 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 the waiver letter to the Guarantor and is awaiting their response. Accordingly, the carrying amount of the guaranteed bond was reclassified to current liabilities.

At the date of this report, Guarantor has yet to respond on the waiver letter.

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.

Royal Railway Plc.

Directors' responsibility in respect of the condensed interim financial statements

The Directors are responsible for ensuring that the condensed interim financial statements of the Company as at 30 September 2023, and for the three-month and nine-month periods then ended are prepared, as set out on pages 7 to 46, 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 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

14 November 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 condensed interim financial statements as at 30 September 2023 of Royal Railway Plc. ("the Company"), as set out on pages 7 to 46 (hereafter referred to as "the condensed interim financial statements") which comprise:

- the condensed interim statement of financial position as at 30 September 2023;
- the condensed interim statement of profit or loss and other comprehensive income for the three-month and nine-month periods ended 30 September 2023;
- the condensed interim statement of changes in equity for the nine-month period ended 30 September 2023;
- the condensed interim statement of cash flows for the nine-month period ended 30 September 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.

Other matter

We draw attention to the fact that we have not reviewed the accompanying condensed interim statement of profit or loss and other comprehensive income for the three-month and nine-month periods ended 30 September 2022, the condensed interim statement of cash flows for the nine-month period and the condensed interim statement of changes in equity for the nine-month period then ended, and 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

14 November 2023

Royal Railway Plc.

Condensed interim statement of financial position as at 30 September 2023

	Note	30 September 2023		31 December 2022	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
ASSETS					
Current assets					
Cash and bank balances	5	19,085,234	78,669,335	23,981,297	98,731,000
Trade and other receivables	6	2,950,557	12,162,196	2,370,718	9,760,246
Inventories	7	200,606	826,898	214,835	884,476
		<u>22,236,397</u>	<u>91,658,429</u>	<u>26,566,850</u>	<u>109,375,722</u>
Non-current assets					
Bank balances	5	3,911,341	16,122,548	3,773,687	15,536,269
Property and equipment	8	8,041,369	33,146,523	7,007,931	28,851,652
Intangible assets	9	248,014	1,022,314	259,621	1,068,860
Investment property	10	45,526	187,658	-	-
		<u>12,246,250</u>	<u>50,479,043</u>	<u>11,041,239</u>	<u>45,456,781</u>
TOTAL ASSETS		<u>34,482,647</u>	<u>142,137,472</u>	<u>37,608,089</u>	<u>154,832,503</u>
LIABILITIES AND EQUITY					
Current liabilities					
Trade and other payables	11	2,380,126	9,810,880	3,741,073	15,401,998
Borrowings	12	1,418,497	5,847,045	1,782,400	7,338,141
Debt securities	13	24,617,098	101,471,678	233,763	962,402
Employee benefit liabilities	14	44,922	185,168	86,391	355,672
Minimum tax liability	21(b)	9,229	38,042	66,007	271,751
		<u>28,469,872</u>	<u>117,352,813</u>	<u>5,909,634</u>	<u>24,329,964</u>
Non-current liabilities					
Debt securities	13	9,809,327	40,434,046	33,051,243	136,071,967
Borrowings	12	1,141,493	4,705,234	855,227	3,520,970
Provision on onerous contract		52,308	215,614	-	-
Employee benefit liabilities	14	49,065	202,246	61,693	253,990
		<u>11,052,193</u>	<u>45,557,140</u>	<u>33,968,163</u>	<u>139,846,927</u>
TOTAL LIABILITIES		<u>39,522,065</u>	<u>162,909,953</u>	<u>39,877,797</u>	<u>164,176,891</u>

Royal Railway Plc.

Condensed interim statement of financial position (continued) as at 30 September 2023

	Note	30 September 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		(18,060,348)	(73,592,860)	(15,290,638)	(62,217,661)
Currency translation reserves		-	736,659	-	789,553
		<u>(5,039,418)</u>	<u>(20,772,481)</u>	<u>(2,269,708)</u>	<u>(9,344,388)</u>
TOTAL LIABILITIES AND EQUITY		<u>34,482,647</u>	<u>142,137,472</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 nine-month period ended 30 September 2023

	Note	For the nine-month period ended 30 September 2023		For the nine-month period ended 30 September 2022	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Revenue	16	7,824,250	32,134,195	8,072,532	32,887,495
Cost of services	17	(9,201,545)	(37,790,745)	(9,376,677)	(38,200,582)
Gross loss		(1,377,295)	(5,656,550)	(1,304,145)	(5,313,087)
Other operating income	18	1,045,498	4,293,860	573,237	2,335,368
Operating and administrative income/(expenses)	19	(1,873)	(7,692)	(1,432,476)	(5,835,907)
Provision for onerous contract expense		(52,308)	(214,829)	-	-
Allowance for impairment losses	5,6	(47,533)	(195,218)	(11,783)	(48,004)
Minimum tax expense	21(c)	(89,687)	(368,345)	(84,768)	(345,345)
Operating loss		(523,198)	(2,148,774)	(2,259,935)	(9,206,975)
Finance costs – net	22	(2,246,512)	(9,226,425)	(105,801)	(431,033)
Loss before income tax		(2,769,710)	(11,375,199)	(2,365,736)	(9,638,008)
Income tax expense	21(c)	-	-	-	-
Net loss for the period		(2,769,710)	(11,375,199)	(2,365,736)	(9,638,008)
<i>Other comprehensive loss</i>					
Items that will not be reclassified to profit or loss					
Currency translation differences		-	(52,894)	-	(23,260)
Total comprehensive loss for the period		<u>(2,769,710)</u>	<u>(11,428,093)</u>	<u>(2,365,736)</u>	<u>(9,661,268)</u>

Royal Railway Plc.

Condensed interim statement of profit or loss and other comprehensive income (continued) for the three-month period ended 30 September 2023

	Note	For the three-month period ended 30 September 2023		For the three-month period ended 30 September 2022	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
					<i>(not reviewed)</i>
Revenue	16	2,438,401	10,077,911	2,482,488	10,180,683
Cost of services	17	<u>(3,082,373)</u>	<u>(12,739,448)</u>	<u>(3,104,672)</u>	<u>(12,732,260)</u>
Gross loss		(643,972)	(2,661,537)	(622,184)	(2,551,577)
Other operating income	18	269,407	1,113,459	339,678	1,393,019
Operating and administrative expenses	19	(620,376)	(2,564,014)	(463,478)	(1,900,723)
Allowance for impairment losses	5,6	(66,092)	(273,158)	(3,851)	(15,793)
Minimum tax expense	21(c)	<u>(27,420)</u>	<u>(113,327)</u>	<u>(26,468)</u>	<u>(108,545)</u>
Operating loss		(1,088,453)	(4,498,577)	(776,303)	(3,183,619)
Finance costs – net	22	<u>(111,531)</u>	<u>(460,958)</u>	<u>(40,025)</u>	<u>(164,143)</u>
Loss before income tax		(1,199,984)	(4,959,535)	(816,328)	(3,347,762)
Income tax expense	21(c)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net loss for the period		(1,199,984)	(4,959,535)	(816,328)	(3,347,762)
<i>Other comprehensive loss</i>					
Items that will not be reclassified to profit or loss					
Currency translation differences		<u>-</u>	<u>13,201</u>	<u>-</u>	<u>(14,693)</u>
Total comprehensive loss for the period		<u>(1,199,984)</u>	<u>(4,946,334)</u>	<u>(816,328)</u>	<u>(3,362,455)</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 nine-month period ended 30 September 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	-	-	(2,769,710)	(11,375,199)	-	-	(2,769,710)	(11,375,199)
Currency translation differences	-	-	-	-	-	(52,894)	-	(52,894)
	-	-	(2,769,710)	(11,375,199)	-	(52,894)	(2,769,710)	(11,428,093)
Balance at 30 September 2023	13,020,930	52,083,720	(18,060,348)	(73,592,860)	-	736,659	(5,039,418)	(20,772,481)
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>	-	-	(2,365,736)	(9,638,008)	-	-	(2,365,736)	(9,638,008)
Currency translation differences	-	-	-	-	-	(23,260)	-	(23,260)
	-	-	(2,365,736)	(9,638,008)	-	(23,260)	(2,365,736)	(9,661,268)
Balance at 30 September 2022 <i>(not reviewed)</i>	13,020,930	52,083,720	(13,537,803)	(55,023,069)	-	810,349	(516,873)	(2,129,000)

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

Royal Railway Plc.

Condensed interim statement of cash flows for the nine-month period ended 30 September 2023

	For the nine-month period ended 30 September 2023		For the nine-month period ended 30 September 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
				<i>(not reviewed)</i>
Cash flows from operating activities				
Net loss for the period	(2,769,710)	(11,375,199)	(2,365,736)	(9,638,008)
<i>Adjustments for:</i>				
Depreciation and amortisation	922,293	3,787,857	773,404	3,150,848
Finance costs	2,557,250	10,502,626	105,934	431,575
Employee benefit	145,869	599,084	137,931	561,931
Property and equipment written off	17,285	70,989	-	-
Minimum tax expense	89,687	368,345	84,768	345,345
Finance incomes	(310,738)	(1,276,201)	(133)	(542)
Provision for onerous contract expense	52,308	214,829	-	-
Allowance for impairment loss	148,705	610,731	11,783	48,004
	<u>852,949</u>	<u>3,503,061</u>	<u>(1,252,049)</u>	<u>(5,100,847)</u>
<i>Changes in:</i>				
Trade and other receivables	(765,682)	(3,144,656)	(175,322)	(714,262)
Inventories	(117,144)	(481,110)	(80,108)	(326,360)
Trade and other payables	<u>(1,360,947)</u>	<u>(5,589,409)</u>	<u>83,245</u>	<u>339,140</u>
Cash used in operation	(1,390,824)	(5,712,114)	(1,424,234)	(5,802,329)
Interest paid	(1,409,243)	(5,787,761)	(105,934)	(431,575)
Payment of employee benefits	(199,966)	(821,260)	(153,214)	(624,194)
Income tax paid	<u>(146,465)</u>	<u>(601,532)</u>	<u>(86,410)</u>	<u>(352,034)</u>
Net cash used in operating activities	<u>(3,146,498)</u>	<u>(12,922,667)</u>	<u>(1,769,792)</u>	<u>(7,210,132)</u>
Cash flows from investing activities				
Interest received	173,084	710,856	133	542
Acquisition of property and equipment	(1,872,985)	(7,692,349)	(1,496,427)	(6,096,444)
Acquisition of investment property	(1,377)	(5,655)	-	-
Acquisition of intangible asset	<u>(1,200)</u>	<u>(4,928)</u>	<u>-</u>	<u>-</u>
Net cash used in investing activities	<u>(1,702,478)</u>	<u>(6,992,076)</u>	<u>(1,496,294)</u>	<u>(6,095,902)</u>
Cash flows from financing activities				
Proceeds of borrowings	-	-	4,500,000	18,333,000
Repayment of borrowings	<u>(84,225)</u>	<u>(345,912)</u>	<u>(1,207,655)</u>	<u>(4,919,986)</u>
Net cash (used in)/generated from financing activities	<u>(84,225)</u>	<u>(345,912)</u>	<u>3,292,345</u>	<u>13,413,014</u>

Royal Railway Plc.

Condensed interim statement of cash flows (continued) for the nine-month period ended 30 September 2023

	For the nine-month period ended 30 September 2023		For the nine-month period ended 30 September 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4) <i>(not reviewed)</i>
Net (decrease)/increase in cash and cash equivalents	(4,933,201)	(20,260,655)	26,259	106,980
Cash and cash equivalents at beginning of the period	24,191,824	99,597,739	121,766	496,075
Currency translation differences	-	46,960	-	6,660
Cash and cash equivalents at end of the period (Note 5)	19,258,623	79,384,044	148,025	609,715

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 nine-month periods ended 30 September 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 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 30 September 2023, the Company had 809 employees (31 December 2022: 717 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 November 2023.

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 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 nine-month period ended 30 September 2023, the Company generated a net loss of US\$2,769,710 (the nine-month period ended 30 September 2022 (*not reviewed*): net loss of US\$2,365,736) and generated net negative cash flows from operating activities for the nine-month period ended 30 September 2023 amounting to US\$3,146,498 (for the nine-month period ended 30 September 2022 (*not reviewed*): US\$1,769,792) and as at 30 September 2023, the Company had net current liabilities of US\$6,233,475 (31 December 2022: net current asset of US\$20,657,216) and accumulated losses amounting to US\$18,060,348 (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.

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.

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 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 nine-month	Average rate three-month
30 September 2023	US\$1=	KHR4,122	KHR4,107	KHR4,133
30 September 2022	US\$1=	KHR4,119	KHR4,074	KHR4,101
31 December 2022	US\$1=	KHR4,117	N/A	N/A

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

5. Cash and bank balances

	30 September 2023		31 December 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
<i>Current</i>				
Cash on hand	5,166	21,294	5,538	22,800
Cash at banks (*)	19,253,457	79,362,750	24,186,286	99,574,939
Total cash and bank balances	19,258,623	79,384,044	24,191,824	99,597,739
Less: Allowance for impairment losses	(173,389)	(714,709)	(210,527)	(866,739)
	19,085,234	78,669,335	23,981,297	98,731,000

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 2023

5. Cash and bank balances (continued)

	30 September 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") (**)	3,548,482	14,626,843	3,423,595	14,094,940
Guarantee Fee Reserve Account ("GFRA") (**)	362,859	1,495,705	350,092	1,441,329
Total bank balances	<u>3,911,341</u>	<u>16,122,548</u>	<u>3,773,687</u>	<u>15,536,269</u>

(*) Included in the cash at banks balance is the Bond Proceeds Account. 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"). Nevertheless, the account still concludes as demand deposit and meets the CIAS definition of cash. As at 30 September 2023, the remaining amount in the account is US\$16,441,340 (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%) 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:

	30 September 2023		30 September 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4) <i>(not reviewed)</i>
Cash on hand	5,166	21,294	4,132	17,020
Cash at banks (current portion)	<u>19,253,457</u>	<u>79,362,750</u>	<u>143,893</u>	<u>592,695</u>
Cash and cash equivalents	<u>19,258,623</u>	<u>79,384,044</u>	<u>148,025</u>	<u>609,715</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 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 nine-month period ended				For the three-month period ended			
	30 September 2023		30 September 2022		30 September 2023		30 September 2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
		(Note 4)		(Note 4)		(Note 4)		(Note 4)
			<i>(not reviewed)</i>				<i>(not reviewed)</i>	
Balance at beginning of the period	(210,527)	(866,739)	-	-	(177,569)	(733,360)	(2,477)	(10,081)
Recognised in profit or loss	37,138	152,526	902	3,675	4,180	17,276	3,379	13,857
Currency translation differences	-	(496)	-	40	-	1,375	-	(61)
Balance at end of the period	<u>(173,389)</u>	<u>(714,709)</u>	<u>902</u>	<u>3,715</u>	<u>(173,389)</u>	<u>(714,709)</u>	<u>902</u>	<u>3,715</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 2023

6. Trade and other receivables

	30 September 2023		31 December 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Trade receivables	672,508	2,772,078	545,610	2,246,276
Less: Allowance for impairment losses	<u>(185,843)</u>	<u>(766,045)</u>	<u>(101,172)</u>	<u>(416,525)</u>
	486,665	2,006,033	444,438	1,829,751
Advance to suppliers	2,287,293	9,428,222	1,696,781	6,985,647
Amount due from related parties (Note 23)	<u>47,248</u>	<u>194,756</u>	<u>53,094</u>	<u>218,588</u>
	2,821,206	11,629,011	2,194,313	9,033,986
Deposits	79,560	327,946	71,498	294,357
Prepayments	9,319	38,413	32,207	132,596
Others	<u>40,472</u>	<u>166,826</u>	<u>72,700</u>	<u>299,307</u>
	<u>2,950,557</u>	<u>12,162,196</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 and nine-month periods ended 30 September 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 nine-month period ended				For the three-month period ended			
	30 September 2023		30 September 2022		30 September 2023		30 September 2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
		(Note 4)		(Note 4)		(Note 4)		(Note 4)
			<i>(not reviewed)</i>				<i>(not reviewed)</i>	
Balance at beginning of the period	(101,172)	(416,525)	(82,013)	(334,121)	(115,571)	(477,308)	(88,867)	(361,689)
Recognised in profit or loss	(84,671)	(347,744)	(12,685)	(51,679)	(70,272)	(290,434)	(5,831)	(23,913)
Currency translation differences	-	(1,776)	-	(4,261)	-	1,697	-	(4,459)
Balance at end of the period	<u>(185,843)</u>	<u>(766,045)</u>	<u>(94,698)</u>	<u>(390,061)</u>	<u>(185,843)</u>	<u>(766,045)</u>	<u>(94,698)</u>	<u>(390,061)</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 2023

7. Inventories

	30 September 2023		31 December 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Locomotive parts	59,879	246,821	62,812	258,597
Tools	30,763	126,805	62,641	257,893
Fuel oil	42,659	175,840	12,292	50,606
Diesel	49,819	205,354	51,257	211,025
Wagon parts	17,486	72,078	25,833	106,355
	<u>200,606</u>	<u>826,898</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 nine-month periods ended 30 September 2023

8. Property and equipment

For the nine-month period ended 30 September 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 the 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	18,740	439,479	20,771	20,245	9,270	55,801	-	-	5,257	19,155	1,284,267	1,872,985	7,692,349
Transfers	152,382	139,770	30,424	119,966	-	1,850	-	-	-	-	(444,392)	-	-
Transfers to investment property	-	-	-	-	-	-	-	-	-	-	(46,926)	(46,926)	(192,725)
Transfers from inventory	-	-	119,287	1,792	-	-	-	-	-	-	10,294	131,373	539,549
Written off	(61,699)	(7,068)	(3,800)	(6,689)	-	(6,222)	-	-	-	-	(348)	(85,826)	(352,487)
Currency translation differences	-	-	-	-	-	-	-	-	-	-	-	-	84,653
Balance at the end of the period	766,248	8,379,077	1,378,180	716,159	41,433	787,507	9,134	8,794	102,918	34,212	963,567	13,187,229	54,357,758
Less: Accumulated depreciation													
Balance at the 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	55,928	554,761	139,837	87,207	618	54,934	569	-	9,958	2,897	-	906,709	3,723,854
Written off	(47,871)	(6,855)	(3,800)	(3,836)	-	(6,179)	-	-	-	-	-	(68,541)	(281,498)
Currency translation differences	-	-	-	-	-	-	-	-	-	-	-	-	34,112
Balance at the end of the period	501,906	2,606,468	853,867	365,203	32,781	674,196	8,704	8,794	82,826	11,115	-	5,145,860	21,211,235
Carrying amounts													
Balance at the beginning of the period	162,976	5,748,334	493,668	299,013	-	110,637	999	-	24,793	6,839	160,672	7,007,931	28,851,652
Balance at the end of the period	264,342	5,772,609	524,313	350,956	8,652	113,311	430	-	20,092	23,097	963,567	8,041,369	33,146,523

As at 30 September 2023, fully depreciated property and equipment with an original cost of US\$1,891,294 (31 December 2022: US\$1,185,572) were still in use.

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 2023

8. Property and equipment (continued)

For the nine-month period ended 30 September 2022 (not reviewed)

	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 the 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	40,777	94,056	168,517	24,435	-	50,304	-	-	14,126	561	1,103,651	1,496,427	6,096,444
Transfers	40,603	879,866	98,507	71,295	-	291	-	-	5,634	-	(1,096,196)	-	-
Transfers from inventory	-	-	-	673	-	-	-	-	-	-	31,539	32,212	131,232
Written off	(750)	(12,890)	(1,352)	-	-	(18,985)	-	-	(2,772)	-	-	(36,749)	(149,715)
Currency translation differences	-	-	-	-	-	-	-	-	-	-	-	-	504,928
Balance at the end of the period	688,821	7,768,193	1,228,943	526,722	32,163	717,618	8,591	8,794	94,661	15,057	131,079	11,220,642	46,217,824
Less: Accumulated depreciation													
Balance at the 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	57,027	451,851	107,721	74,147	-	60,760	1,105	40	9,749	2,231	-	764,631	3,115,107
Written off	(750)	(12,890)	(1,352)	-	-	(18,985)	-	-	(2,772)	-	-	(36,749)	(149,715)
Currency translation differences	-	-	-	-	-	-	-	-	-	-	-	-	189,523
Balance at the end of the period	511,245	2,002,097	702,169	253,331	32,163	616,484	7,923	8,780	69,973	7,465	-	4,211,630	17,347,704
Carrying amounts													
Balance at the end of the period	177,576	5,766,096	526,774	273,391	-	101,134	668	14	24,688	7,592	131,079	7,009,012	28,870,120

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 2023

9. Intangible assets

	For the nine-month period ended 30 September 2023			
	Computer software US\$	Sign-on fee US\$	Total US\$	Total KHR'000 (Note 4)
Cost				
Balance at beginning of the period	19,090	450,000	469,090	1,931,244
Addition	1,200	-	1,200	4,928
Currency translation differences	-	-	-	2,363
Balance at end of the period	<u>20,290</u>	<u>450,000</u>	<u>470,290</u>	<u>1,938,535</u>
Less: Accumulated amortisation				
Balance at beginning of the period	17,349	192,120	209,469	862,384
Amortisation for the period	1,202	11,605	12,807	52,598
Currency translation differences	-	-	-	1,239
Balance at end of the period	<u>18,551</u>	<u>203,725</u>	<u>222,276</u>	<u>916,221</u>
Carrying amounts				
Balance at beginning of the period	<u>1,741</u>	<u>257,880</u>	<u>259,621</u>	<u>1,068,860</u>
Balance at end of the period	<u>1,739</u>	<u>246,275</u>	<u>248,014</u>	<u>1,022,314</u>

Fully amortised computer software as at 30 September 2023 with original cost of US\$14,943 (31 December 2022: US\$14,444) were still in use.

	For the nine-month period ended 30 September 2022 (not reviewed)			
	Computer software US\$	Sign-on fee US\$	Total US\$	Total KHR'000 (Note 4)
Cost				
Balance at beginning of the period	18,591	450,000	468,591	1,909,040
Currency translation differences	-	-	-	21,086
Balance at end of the period	<u>18,591</u>	<u>450,000</u>	<u>468,591</u>	<u>1,930,126</u>
Less: Accumulated amortisation				
Balance at beginning of the period	15,925	176,648	192,573	778,958
Amortisation for the period	1,037	7,736	8,773	35,741
Currency translation differences	-	-	-	14,645
Balance at end of the period	<u>16,962</u>	<u>184,384</u>	<u>201,346</u>	<u>829,344</u>
Carrying amounts				
Balance at end of the period	<u>1,629</u>	<u>265,616</u>	<u>267,245</u>	<u>1,100,782</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 2023

10. Investment property

Investment property comprises warehouse that is leased to a third party under operating lease.

	For the nine-month period ended 30 September 2023	
	US\$	KHR'000 (Note 4)
Cost		
Balance at beginning of the period	-	-
Additions	1,377	5,655
Transfers from property and equipment	46,926	192,725
Currency translation differences	-	725
Balance at end of the period	<u>48,303</u>	<u>199,105</u>
Less: Accumulated amortisation		
Balance at beginning of the period	-	-
Depreciation for the period	2,777	11,405
Currency translation differences	-	42
Balance at end of the period	<u>2,777</u>	<u>11,447</u>
Carrying amounts		
Balance at end of the period	<u>45,526</u>	<u>187,658</u>

11. Trade and other payables

	30 September 2023		31 December 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Trade payables:				
Trade payables	1,114,292	4,593,112	1,230,952	5,067,829
Amounts due to related parties (Note 23)	249,387	1,027,973	142,633	587,220
Tax payables:				
Value added tax (*)	66,632	274,657	1,059,105	4,360,335
Salary and fringe benefit tax (*)	16,508	68,046	182,530	751,476
Withholding tax (*)	30,208	124,517	175,500	722,534
Tax interest and penalties (*)	-	-	485,680	1,999,545
Payroll payable	407,092	1,678,033	60,503	249,091
Accruals	303,964	1,252,940	224,897	925,901
Other payables	192,043	791,602	179,273	738,067
	<u>2,380,126</u>	<u>9,810,880</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.

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 2023

12. Borrowings

	For the nine-month period ended				For the three-month period ended			
	30 September 2023		30 September 2022		30 September 2023		30 September 2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
		(Note 4)		(Note 4)		(Note 4)		(Note 4)
			<i>(not reviewed)</i>				<i>(not reviewed)</i>	
Balance at beginning of the period	2,637,627	10,859,111	1,164,476	4,744,075	2,588,828	10,691,859	3,982,877	16,210,309
Additional borrowing	-	-	4,500,000	18,333,000	-	-	500,000	2,050,500
Accrued interest payable	6,588	27,057	-	-	(265)	(1,095)	-	-
Repayments during the period	(84,225)	(345,912)	(1,207,655)	(4,919,986)	(28,573)	(118,092)	(26,056)	(106,856)
Currency translation differences	-	12,023	-	200,557	-	(20,393)	-	203,693
Balance at end of the period	<u>2,559,990</u>	<u>10,552,279</u>	<u>4,456,821</u>	<u>18,357,646</u>	<u>2,559,990</u>	<u>10,552,279</u>	<u>4,456,821</u>	<u>18,357,646</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 2023

12. Borrowings (continued)

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

		30 September 2023		31 December 2022	
		US\$	KHR'000	US\$	KHR'000
			(Note 4)		(Note 4)
Current portions					
Neak Oknha Kith Meng	(i)	1,207,700	4,978,140	1,207,700	4,972,101
Cambodian Public Bank Plc.	(ii)	121,485	500,761	74,700	307,540
Wing Bank (Cambodia) Plc.	(iii)	82,724	340,988	500,000	2,058,500
		<u>1,411,909</u>	<u>5,819,889</u>	<u>1,782,400</u>	<u>7,338,141</u>
Accrued interest payable		<u>6,588</u>	<u>27,156</u>	-	-
		<u>1,418,497</u>	<u>5,847,045</u>	<u>1,782,400</u>	<u>7,338,141</u>
Non-current portion					
Cambodian Public Bank	(ii)	724,217	2,985,222	855,227	3,520,970
Wing Bank (Cambodia) Plc.	(iii)	417,276	1,720,012	-	-
		<u>1,141,493</u>	<u>4,705,234</u>	<u>855,227</u>	<u>3,520,970</u>
		<u>2,559,990</u>	<u>10,552,279</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).
- (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 installment of US\$10,383 starting from 01 October 2023 to 01 September 2028 (Note 23).

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.

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 2023

13. Debt securities (continued)

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:

	30 September 2023		31 December 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Current portion	24,617,098	101,471,678	233,763	962,402
Non-current portion	<u>9,809,327</u>	<u>40,434,046</u>	<u>33,051,243</u>	<u>136,071,967</u>
	<u>34,426,425</u>	<u>141,905,724</u>	<u>33,285,006</u>	<u>137,034,369</u>

During the nine-month period ended, the Company incurred interest expense on the issued bonds amounting to US\$2,466,304 equivalent to KHR10,129,111 (nine-month period ended 30 September 2022: Nil) (Note 22).

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 2023

13. Debt securities (continued)

Since 30 June 2023 and as at 30 September 2023, the Company was unable to comply with 3 covenants required for 2nd Corporate bond as follows:

Ratio Name	Formula	Financial requirement ratio		The Company's ratio	
				30 June 23	30 September 23
Debt Service Coverage Ratio	= Cash Flow Available for Debt Service / Total debt service	≥	1.2x	0.84	1.1
Operating ratio	= Net operating income / Total operating revenue	≥	95.14%	12.29%	15%
Debt to EBITDA	= Total debt / EBITDA	≤	9.5x	43.83	25

The Company communicated the compliance status to the Guarantor on 13 July 2023 and is in the process of amending 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 waiver letter to the Guarantor and is awaiting their response as of these condensed interim financial statements.

Accordingly, the carrying amount USD23,929,961 of the guaranteed bond was reclassified to current liabilities.

14. Employee benefit liabilities

	30 September 2023		31 December 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Seniority indemnity				
Current	44,922	185,168	86,391	355,672
Non-current	49,065	202,246	61,693	253,990
	<u>93,987</u>	<u>387,414</u>	<u>148,084</u>	<u>609,662</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 2023

14. Employee benefit liabilities (continued)

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

	For the nine-month period ended				For the three-month period ended			
	30 September 2023		30 September 2022		30 September 2023		30 September 2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
		(Note 4)		(Note 4)		(Note 4)		(Note 4)
			<i>(not reviewed)</i>				<i>(not reviewed)</i>	
Balance at beginning of the period	148,084	609,662	84,993	346,261	148,796	614,528	105,204	428,180
Recognised in profit or loss	145,869	599,084	137,931	561,931	44,866	185,431	46,064	188,908
Paid during the period	(199,966)	(821,260)	(153,214)	(624,194)	(99,675)	(411,957)	(81,558)	(334,469)
Currency translation differences	-	(72)	-	3,138	-	(588)	-	4,517
Balance at end of the period	<u>93,987</u>	<u>387,414</u>	<u>69,710</u>	<u>287,136</u>	<u>93,987</u>	<u>387,414</u>	<u>69,710</u>	<u>287,136</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.

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 2023

15. Share capital

	30 September 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:

	30 September 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>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 2023

16. Revenue

	For the nine-month period ended				For the three-month period ended			
	30 September 2023		30 September 2022		30 September 2023		30 September 2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
		(Note 4)		(Note 4)		(Note 4)		(Note 4)
			<i>(not reviewed)</i>				<i>(not reviewed)</i>	
Southern line:								
Rail freight	4,388,198	18,022,329	4,880,791	19,884,341	1,385,174	5,724,924	1,444,570	5,924,182
Train related value-added services	456,986	1,876,842	505,255	2,058,409	182,310	753,487	162,093	664,743
Passengers' fare	367,299	1,508,497	279,090	1,137,013	104,408	431,518	134,692	552,372
Transportation	31,139	127,888	43,489	177,174	15,616	64,541	9,697	39,767
Other revenue	-	-	40,219	163,852	-	-	7,664	31,430
	<u>5,243,622</u>	<u>21,535,556</u>	<u>5,748,844</u>	<u>23,420,789</u>	<u>1,687,508</u>	<u>6,974,470</u>	<u>1,758,716</u>	<u>7,212,494</u>
Northern line:								
Rail freight	2,394,793	9,835,415	2,169,091	8,836,877	705,897	2,917,472	625,466	2,565,036
Passengers' fare	158,765	652,048	130,617	532,134	42,606	176,091	77,086	316,130
Train related value-added services	16,645	68,361	1,540	6,274	1,055	4,360	250	1,025
Transportation	5,750	23,615	1,000	4,074	160	662	-	-
Other revenue	4,675	19,200	21,440	87,347	1,175	4,856	20,970	85,998
	<u>2,580,628</u>	<u>10,598,639</u>	<u>2,323,688</u>	<u>9,466,706</u>	<u>750,893</u>	<u>3,103,441</u>	<u>723,772</u>	<u>2,968,189</u>
	<u>7,824,250</u>	<u>32,134,195</u>	<u>8,072,532</u>	<u>32,887,495</u>	<u>2,438,401</u>	<u>10,077,911</u>	<u>2,482,488</u>	<u>10,180,683</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 and nine-month periods ended 30 September 2023

17. Cost of services

	For the nine-month period ended				For the three-month period ended			
	30 September 2023		30 September 2022		30 September 2023		30 September 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
			<i>(not reviewed)</i>				<i>(not reviewed)</i>	
Staff costs and wages	2,717,377	11,160,267	2,390,214	9,737,732	908,639	3,755,404	809,615	3,320,232
Cost of diesel	3,742,855	15,371,905	4,329,963	17,640,269	1,290,114	5,332,041	1,392,795	5,711,852
Depreciation and amortisation (Note 20)	860,645	3,534,669	727,677	2,964,556	299,151	1,236,391	267,109	1,095,414
Repairs and maintenance	565,509	2,322,545	509,629	2,076,229	195,854	809,465	187,844	770,348
Transportation	380,047	1,560,853	302,069	1,230,629	131,391	543,039	94,677	388,270
Container access charge	201,282	826,665	280,436	1,142,496	68,727	284,049	86,579	355,060
Equipment rental	234,731	964,040	239,478	975,633	78,628	324,970	80,943	331,947
Provision for employee benefits	122,886	504,693	117,458	478,524	37,804	156,244	39,307	161,198
Warehouse rental	64,773	266,023	73,864	300,922	21,591	89,236	21,590	88,541
Others	311,440	1,279,085	405,889	1,653,592	50,474	208,609	124,213	509,398
	<u>9,201,545</u>	<u>37,790,745</u>	<u>9,376,677</u>	<u>38,200,582</u>	<u>3,082,373</u>	<u>12,739,448</u>	<u>3,104,672</u>	<u>12,732,260</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 2023

18. Other operating income

	For the nine-month period ended				For the three-month period ended			
	30 September 2023		30 September 2022		30 September 2023		30 September 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
			<i>(not reviewed)</i>				<i>(not reviewed)</i>	
Warehouse rental	730,525	3,000,266	391,175	1,593,647	265,724	1,098,237	158,929	651,768
Sale of scrap metal (*)	124,617	511,802	-	-	-	-	-	-
Technical assistance reimbursement (**)	111,878	459,483	-	-	-	-	-	-
Claim from Insurance	-	-	180,000	733,320	3,172	13,110	180,000	738,180
Others	78,478	322,309	2,062	8,401	511	2,112	749	3,071
	<u>1,045,498</u>	<u>4,293,860</u>	<u>573,237</u>	<u>2,335,368</u>	<u>269,407</u>	<u>1,113,459</u>	<u>339,678</u>	<u>1,393,019</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.

(**) On 28 April 2023, GuarantCo.Ltd (the Guarantor) reimbursed fund for technical assistance to the Company to cover on the legal advisor, financial model advisor, rail technical and market advisor and credit rating agency expenses.

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 2023

19. Operating and administrative expenses

	For the nine-month period ended				For the three-month period ended			
	30 September 2023		30 September 2022		30 September 2023		30 September 2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
		(Note 4)		(Note 4)		(Note 4)		(Note 4)
			<i>(not reviewed)</i>				<i>(not reviewed)</i>	
Salaries and wages	453,372	1,861,999	375,294	1,528,948	150,823	623,351	128,714	527,856
Directors' fee	210,000	862,470	-	-	90,000	371,970	-	-
Insurance	198,389	814,784	206,796	842,487	74,359	307,326	61,391	251,764
Fuel and utilities	95,246	391,175	103,684	422,409	35,250	145,688	32,280	132,380
Equipment rental	75,100	308,436	84,180	342,949	27,010	111,632	27,810	114,049
Professional fees	50,946	209,235	34,319	139,816	10,940	45,215	12,560	51,509
Communication	55,189	226,661	54,422	221,715	18,643	77,052	19,264	79,002
Repairs and maintenance	47,017	193,099	29,426	119,882	20,358	84,140	12,220	50,114
Depreciation and amortisation (Note 20)	61,648	253,188	45,727	186,292	21,923	90,608	14,257	58,468
Provision for employee benefits	22,983	94,391	20,473	83,407	7,062	29,187	6,757	27,710
Staff uniform	11,004	45,193	9,216	37,546	3,865	15,974	1,861	7,632
Training and development	4,109	16,876	4,699	19,144	2,078	8,588	4,699	19,271
Travelling and accommodation	33,403	137,186	17,407	70,916	11,795	48,749	7,277	29,843
Bonus	33,789	138,771	26,173	106,629	10,791	44,599	7,936	32,546
Other tax expenses	239,249	982,596	58,891	239,922	76,240	315,100	20,268	83,119
Interest and penalty on tax (*)	(1,842,973)	(7,569,090)	80,614	328,421	-	-	26,871	110,198
Licensing, registration and permit fee	14,921	61,281	26,202	106,747	6,674	27,584	1,749	7,173
Small value of assets	20,431	83,910	30,961	126,135	4,394	18,160	5,510	22,597
Other expenses	218,050	895,531	223,992	912,542	48,171	199,091	72,054	295,492
	<u>1,873</u>	<u>7,692</u>	<u>1,432,476</u>	<u>5,835,907</u>	<u>620,376</u>	<u>2,564,014</u>	<u>463,478</u>	<u>1,900,723</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).

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 2023

20. Depreciation and amortisation

Depreciation and amortisation charges were allocated as follows:

	For the nine-month period ended				For the three-month period ended			
	30 September 2023		30 September 2022		30 September 2023		30 September 2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
		(Note 4)		(Note 4)		(Note 4)		(Note 4)
			<i>(not reviewed)</i>				<i>(not reviewed)</i>	
Depreciation of property and equipment and investment property (Note 8 and 10)	909,486	3,735,259	764,631	3,115,107	316,761	1,309,173	281,020	1,152,463
Amortisation of intangible assets (Note 9)	12,807	52,598	8,773	35,741	4,313	17,826	346	1,419
	<u>922,293</u>	<u>3,787,857</u>	<u>773,404</u>	<u>3,150,848</u>	<u>321,074</u>	<u>1,326,999</u>	<u>281,366</u>	<u>1,153,882</u>
Allocated to:								
Cost of services (Note 17)	860,645	3,534,669	727,677	2,964,556	299,151	1,236,391	267,109	1,095,414
Operating and administrative expenses (Note 19)	61,648	253,188	45,727	186,292	21,923	90,608	14,257	58,468
	<u>922,293</u>	<u>3,787,857</u>	<u>773,404</u>	<u>3,150,848</u>	<u>321,074</u>	<u>1,326,999</u>	<u>281,366</u>	<u>1,153,882</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 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 nine-month period ended				For the three-month period ended			
	30 September 2023		30 September 2022		30 September 2023		30 September 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
			<i>(not reviewed)</i>				<i>(not reviewed)</i>	
Balance at beginning of the period	66,007	271,751	67,724	275,908	9,764	40,325	66,175	269,332
Minimum tax expense	89,687	368,345	84,768	345,345	27,420	113,327	26,468	108,545
Minimum tax paid	(146,465)	(601,532)	(86,410)	(352,034)	(27,955)	(115,538)	(26,561)	(108,927)
Currency translation differences	-	(522)	-	2,973	-	(72)	-	3,242
Balance at the end of the period	<u>9,229</u>	<u>38,042</u>	<u>66,082</u>	<u>272,192</u>	<u>9,229</u>	<u>38,042</u>	<u>66,082</u>	<u>272,192</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 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 nine-month period ended				For the three-month period ended			
	30 September 2023		30 September 2022		30 September 2023		30 September 2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
		(Note 4)		(Note 4)		(Note 4)		(Note 4)
			<i>(not reviewed)</i>				<i>(not reviewed)</i>	
Loss before income tax	<u>(2,769,710)</u>	<u>(11,375,199)</u>	<u>(2,365,736)</u>	<u>(9,638,008)</u>	<u>(1,199,984)</u>	<u>(4,959,535)</u>	<u>(816,328)</u>	<u>(3,347,762)</u>
Income tax using statutory income tax rate	(553,942)	(2,275,040)	(473,147)	(1,927,602)	(239,997)	(991,907)	(163,266)	(669,552)
Non-deductible expenses	47,850	196,520	11,778	47,984	15,248	63,020	4,334	17,772
Tax loss not recognised as deferred tax assets	80,457	330,437	419,728	1,709,972	6,039	24,959	128,107	525,367
Deductible temporary difference not recognised as deferred tax assets	<u>425,635</u>	<u>1,748,083</u>	<u>41,641</u>	<u>169,646</u>	<u>218,710</u>	<u>903,928</u>	<u>30,825</u>	<u>126,413</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>89,687</u>	<u>368,345</u>	<u>84,768</u>	<u>345,345</u>	<u>27,420</u>	<u>113,327</u>	<u>26,468</u>	<u>108,545</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 and nine-month periods ended 30 September 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 nine-month periods ended 30 September 2023

22. Finance costs – net

	For the nine-month period ended				For the three-month period ended			
	30 September 2023		30 September 2022		30 September 2023		30 September 2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
		(Note 4)		(Note 4)		(Note 4)		(Note 4)
			<i>(not reviewed)</i>				<i>(not reviewed)</i>	
Interest income cash at bank	310,738	1,276,201	133	542	104,048	430,030	22	90
Interest expense on:								
Debt securities (*)	(2,466,304)	(10,129,111)	-	-	(187,231)	(773,826)	-	-
Borrowing	<u>(90,946)</u>	<u>(373,515)</u>	<u>(105,934)</u>	<u>(431,575)</u>	<u>(28,348)</u>	<u>(117,162)</u>	<u>(40,047)</u>	<u>(164,233)</u>
	<u>(2,246,512)</u>	<u>(9,226,425)</u>	<u>(105,801)</u>	<u>(431,033)</u>	<u>(111,531)</u>	<u>(460,958)</u>	<u>(40,025)</u>	<u>(164,143)</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.

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 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.

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 2023

23. Related party transactions and balances (continued)

(b) Transactions with related parties

	For the nine-month period ended				For the three-month period ended			
	30 September 2023		30 September 2022		30 September 2023		30 September 2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
		(Note 4)		(Note 4)		(Note 4)		(Note 4)
			<i>(not reviewed)</i>				<i>(not reviewed)</i>	
<i>Property rental</i>								
GSS Global Security Solutions Co., Ltd.	23,958	98,396	25,291	103,036	19,112	78,245	16,646	67,583
J Trust Royal Bank Plc.	253,869	1,042,640	76,940	313,454	150,678	616,876	-	-
<i>Insurance</i>								
Infinity General Insurance Plc.	208,467	856,174	89,348	364,004	134,222	549,505	88,257	358,323
<i>Telephone expense</i>								
CamGSM Co., Ltd.	13,283	54,553	6,052	24,656	8,306	34,005	2,789	11,323
<i>Security fee</i>								
GSS Global Security Solutions Co., Ltd.	21,175	86,966	9,103	37,086	13,860	56,743	2,583	10,487
<i>Internet service fee</i>								
EZECOM Co.,Ltd	48,511	199,235	33,244	135,436	29,355	120,179	18,764	76,182
<i>Interest expense</i>								
Wing Bank (Cambodia) Plc.	23,205	95,305	35,681	145,364	17,356	71,055	21,197	86,060

The total remuneration of key management for the nine-month period ended 30 September 2023 including salaries and benefits was US\$358,860 (nine-month period ended 30 September 2022: US\$150,460).

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 2023

23. Related party transactions and balances (continued)

(c) Balances with related parties

	30 September 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.	7,888	32,514	75	309
<i>Non-trade related:</i>				
Royal Coffee	39,360	162,242	53,019	218,279
	<u>47,248</u>	<u>194,756</u>	<u>53,094</u>	<u>218,588</u>
Amounts due to related parties (Note 11)				
<i>Trade related:</i>				
Infinity General Insurance Plc.	230,974	952,075	88,809	365,626
CamGSM Co., Ltd	18,413	75,898	17,929	73,814
SBI Royal Securities Plc.	-	-	35,895	147,780
	<u>249,387</u>	<u>1,027,973</u>	<u>142,633</u>	<u>587,220</u>
Borrowings (Note 12)				
Neak Oknha Kith Meng	1,207,700	4,978,140	1,207,700	4,972,101
Wing Bank (Cambodia) Plc.	500,000	2,061,000	500,000	2,058,500

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:

	30 September 2023		31 December 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Within one year	118,182	487,146	137,997	568,134
Between two to five years	14,778	60,915	20,778	85,543
	<u>132,960</u>	<u>548,061</u>	<u>158,775</u>	<u>653,677</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 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.

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 25.1 above.

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 approximately US\$136,945.

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 tank approximately US\$66,635 and US\$61,560 for Kampuchea Tela Limited and Sok Kong Import Export, respectively.

Both of the claims have been submitted to the insurance company but has not been concluded as at the date of the condensed interim financial statements by the insurance company yet.

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 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: .

- 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 and nine-month periods ended 30 September 2023

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 87% and 89% 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.