

SIHANOUKVILLE AUTONOMOUS PORT
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

SIHANOUKVILLE AUTONOMOUS PORT

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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PORT AUTONOME DE SIHANOUKVILLE

KINGDOM OF CAMBODIA

NATION RELIGION KING

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors (the Directors) is pleased to submit their report together with the audited financial statements of Sihanoukville Autonomous Port (PAS) for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activities of PAS are involved in providing sea port facilities and other port-related services, and operating leases of its Special Economic Zones (Note 1).

FINANCIAL PERFORMANCE

The financial performance for the year ended 31 December 2018 is set out in profit or loss and other comprehensive income.

ASSETS

At the date of this report, the Directors are not aware of any circumstances that would render the values attributed to the assets in the financial statements of PAS misleading.

CONTINGENT AND OTHER LIABILITIES

At the date of this report there does not exist:

- (a) any charge on the assets of PAS that has arisen since the end of the year which secures the liabilities of any other person, or
- (b) any contingent liability in respect of PAS that has arisen since the end of the year.

No contingent or other liability of PAS has become enforceable, or is likely to become enforceable within twelve months after the end of the year, that, in the opinion of the Directors, will or may have a material effect on the ability of PAS to meet its obligations as and when they fall due.

CHANGE OF CIRCUMSTANCE

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of PAS that would render any amounts stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The financial performance of PAS for the year ended 31 December 2018 was not, in the opinion of the Directors, materially affected by any items, transactions or events of a material and unusual nature.

BOARD OF DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for ensuring that the financial statements are properly drawn up so as to present fairly, in all material respects, the financial position of PAS as at 31 December 2018 and its financial performance and cash flows for the year then ended. In preparing these financial statements, the Directors are required to:

- i) adopt appropriate accounting policies in accordance with Cambodian International Financial Reporting Standards (CIFRS), which are supported by reasonable and prudent judgements and estimates, and then apply them consistently
- ii) comply with the disclosure requirements of CIFRS or, if there has been any departure from such standards, in the interest of fair presentation, ensure that this has been appropriately disclosed, explained and quantified in the financial statements
- iii) maintain adequate accounting records that enable PAS to prepare financial statements under CIFRS and an effective system of internal controls
- iv) prepare the financial statements on a going-concern basis unless it is inappropriate to assume that PAS will continue operations in the foreseeable future, and
- v) effectively control and direct PAS and be involved in all material decisions affecting its operations and performance, and ascertain that such matters have been properly reflected in the financial statements.

The Directors confirm that PAS has complied with the above requirements in preparing the financial statements.

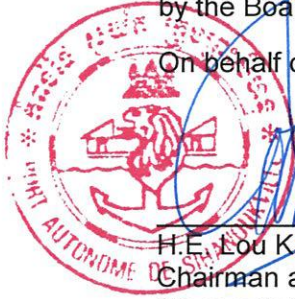
The members of the Board of Directors holding office during the year and as at the date of this report are:

Name	Representative	Position
H.E. Lou Kim Chhun	General Director of PAS	Chairman
H.E. Tekreth Samrach	Ministry of Council of Ministers	Member (Resigned on 25 June 2018)
H.E. Phan Phalla	Ministry of Economy and Finance	Member
H.E. Yun Min	Sihanoukville Municipality	Member (Resigned on 25 June 2018)
H.E. Suy San	Ministry of Public Works and Transport	Member
H.E. Sok Sopheak	Ministry of Commerce	Member
Mr. Lou Likheng	Employee of PAS	Member
Mr. Hun Monyvann	Independent director	Member (Appointed on 25 June 2018)
Mr. Hidetoshi Kume	Non-executive director	Member (Appointed on 25 June 2018)

APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying financial statements, together with the notes thereto, which present fairly, in all material respects, the financial position of Sihanouville Autonomous Port as at 31 December 2018 and the financial performance and cash flows for the year then ended in accordance with the Cambodian International Financial Reporting Standards were approved by the Board of Directors.

On behalf of the Board of Directors,



H.E. Lou Kim Chhun
Chairman and CEO
Sihanoukville, Kingdom of Cambodia
Date: 12 APR 2019

Path Seth
Director of Accounting and Finance



Independent auditor's report

To the shareholders of Sihanoukville Autonomous Port

Our opinion

In our opinion, the financial statements of Sihanoukville Autonomous Port (PAS) present fairly, in all material respects, the financial position of PAS as at 31 December 2018 and its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards (CIFRS).

What we have audited

The financial statements of PAS comprise:

- the statement of financial position as at 31 December 2018;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Cambodian International Standards on Auditing (CISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the requirements of Kampuchea Institute of Certified Public Accountant and Auditors' Code of Ethics for Certified Public Accountants and Auditors (KICPAA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and ethical requirements of the KICPAA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Retirement benefit obligations</p> <p>Refer to Note 2.18.1 – summary of significant accounting policies on employee benefits and Note 5.b - assumptions and judgements on retirement benefit obligations.</p> <p>As at 31 December 2018, PAS had an outstanding balance for the retirement benefit scheme to its employees of KHR 69,939 million.</p> <p>Management assessed the obligation based on the historical data and demographic data, current business situation, and accounting policy. Management also engaged an external actuary to carry out the more complex calculations.</p> <p>The valuation of retirement benefit obligations required management’s significant judgment and technical expertise in applying the appropriate assumptions. Change on the key assumptions including salary increase, inflation rate, discount rate and mortality rate could have a material impact on the calculation of the liability.</p> <p>We focused on this area due to the significant involvement of management’s judgement to make the appropriate and accurate estimation.</p>	<p>Our procedures in relation to management’s estimation of the liability included:</p> <ul style="list-style-type: none"> • assessing the competence, independence and objectivity and verifying the qualifications of management’s expert (an external actuary), including examining their scope of work • engaging our auditing expert to assess the actuarial assumptions and the reasonableness of the benefit obligations • comparing the salary increase with the past salary increases and future plan, and inflation rate with the data published by the Ministry of Economy and Finance, discount rate with a deposit yield at the same currency/maturity, and mortality rate with the latest data published in 2017 Thailand Ordinary Mortality table • tracing the movement of the benefit obligations to the underlying supporting information such as current service cost, interest cost, benefits paid, remeasuring loss and reconciling the opening balance and closing balance, and • tracing the calculated amount from the pension valuation report to the accounting record and sources of data from the human resources department. <p>From these procedures, we determined that the key assumptions for this estimation were reasonable. We found no material exception.</p>



Key audit matter	How our audit addressed the key audit matter
<p>Seniority payment obligations</p> <p>Refer to Note 2.18.2 – summary of significant accounting policies on seniority payment obligations and Note 5.c - assumptions and judgements on seniority payment obligations.</p> <p>As at 31 December 2018, PAS had an outstanding balance for its seniority payment obligations to its employees of KHR 1,840 million.</p> <p>Management assessed the obligations based on the new amendment to the labour law and industry practice applicable to the entities. This was a new item in 2018 and subject to varying interpretation. The obligation is calculated based on the salary in past periods and certain assumptions to determine the amount to be paid in the future periods and discount to a present value using a unit credit method.</p> <p>We focused on this area because the valuation of seniority payment obligations required management’s significant judgment in applying the appropriate assumptions. Changes to the key assumptions including discount rate and staff turnover rate could have a material impact on the calculation of the liability.</p>	<p>Our procedures in relation to management’s estimation of the liability included:</p> <ul style="list-style-type: none"> • understanding and evaluating management’s policies and procedures for seniority payment obligations and the new amendment to the labour law and the regulator’s interpretation • involving our accounting technical specialist to evaluate the accounting treatment of the seniority payment obligations • checking management’s calculations of the seniority payment obligations based on the fair value of expected future cash outflow using the project unit credit and determining by the discounting factor and the staff turnover rate, and • assessing the appropriateness of the discounting factor by verifying with the average interest rate, which is considered to have a similar term, and currency. Also, we checked the historical staff turnover rate to check the accuracy of the assumption used. <p>From these procedures, we determined that the key assumptions for this estimation were reasonable. We found no material exception.</p>



Other information

Management is responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the annual report, but does not include the financial statements and my auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the CIFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the PAS's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate PAS or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing PAS's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.





- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PAS's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on PAS's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause PAS to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For PricewaterhouseCoopers (Cambodia) Ltd.



By Lang Hy
Partner

Phnom Penh, Kingdom of Cambodia
Date: 12 April 2019

SIHANOUKVILLE AUTONOMOUS PORT

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	2018 KHR'000	2017 KHR'000
ASSETS			
Non-current assets			
Property and equipment	7	845,661,971	808,870,338
Investment properties	8	279,482,180	283,672,069
Intangible assets	9	7,494,831	8,557,702
Loans to employees	10	3,421,132	5,305,113
		<u>1,136,060,114</u>	<u>1,106,405,222</u>
Current assets			
Loans to employees	10	1,883,981	1,618,425
Inventories	11	11,322,618	8,443,566
Trade and other receivables	12	41,859,011	39,767,395
Short-term bank deposits	13	74,873,239	73,194,201
Cash and cash equivalents	14	62,191,525	51,081,229
		<u>192,130,374</u>	<u>174,104,816</u>
Total assets		<u>1,328,190,488</u>	<u>1,280,510,038</u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital and share premium	15	518,018,063	518,018,063
Other reserves	16	20,155,846	17,641,914
Retained earnings		119,015,525	110,950,577
Total equity		<u>657,189,434</u>	<u>646,610,554</u>
LIABILITIES			
Non-current liabilities			
Guaranteed dividend payable	15	5,256,339	9,356,260
Borrowings	17	528,423,918	503,537,306
Retirement benefit obligations	18	66,881,976	38,012,475
Seniority payment obligations	19	1,471,768	-
Deferred income	20	5,635,245	5,795,114
Deferred tax liabilities	29	4,606,884	7,617,200
		<u>612,276,130</u>	<u>564,318,355</u>
Current liabilities			
Guaranteed dividend payable	15	4,912,466	5,403,634
Borrowings	17	22,197,311	21,697,576
Retirement benefit obligations	18	3,057,000	2,995,780
Seniority payment obligations	19	367,953	-
Deferred income	20	251,527	133,221
Trade and other payables	21	20,941,904	35,888,500
Income tax liabilities		6,996,763	3,462,418
		<u>58,724,924</u>	<u>69,581,129</u>
Total liabilities		<u>671,001,054</u>	<u>633,899,484</u>
Total equity and liabilities		<u>1,328,190,488</u>	<u>1,280,510,038</u>

The accompanying notes on pages 13 to 62 are an integral part of these financial statements.

SIHANOUKVILLE AUTONOMOUS PORT

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 KHR'000	2017 KHR'000
Continuing operations			
Revenue	22	275,575,645	227,397,835
Expense			
Consumable supplies	23	(76,192,843)	(54,389,655)
Salaries, wages and related expenses	24	(74,708,318)	(61,634,886)
Depreciation and amortisation	25	(28,275,731)	(25,239,936)
Repairs and maintenances		(6,042,397)	(5,142,296)
Other expenses	26	(24,964,932)	(21,897,147)
Other losses – net	27	(427,811)	(687,575)
		<u>(210,612,032)</u>	<u>(168,991,495)</u>
Operating profit		64,963,613	58,406,340
Finance income		3,711,666	1,975,084
Finance costs		<u>(19,117,492)</u>	<u>(22,526,792)</u>
Finance costs – net	28	(15,405,826)	(20,551,708)
Profit before income tax		<u>49,557,787</u>	<u>37,854,632</u>
Income tax expense	29	<u>(3,989,015)</u>	<u>(12,715,316)</u>
Profit for the year		<u>45,568,772</u>	<u>25,139,316</u>
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurement of retirement benefit obligations		<u>(27,752,000)</u>	-
Total comprehensive income for the year		<u>(27,752,000)</u>	-
Profit attributable to shareholders		<u>45,568,772</u>	<u>25,139,316</u>
Total comprehensive income attributable to shareholders		<u>17,816,772</u>	<u>25,139,316</u>

The earnings per share attributable to shareholders of PAS for the year ended are as follows:

Basic earnings per share (KHR)	30	<u>531.28</u>	<u>328.40</u>
Diluted earnings per share (KHR)	30	<u>531.28</u>	<u>328.40</u>

The accompanying notes on pages 13 to 62 are an integral part of these financial statements.

SIHANOUKVILLE AUTONOMOUS PORT

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Attributable to shareholders			
	Share capital and share premium KHR'000	Other reserves KHR'000	Retained earnings KHR'000	Total KHR'000
Balance at 1 January 2017	<u>428,859,836</u>	<u>14,969,867</u>	<u>90,783,308</u>	<u>534,613,011</u>
Profit for the year	-	-	25,139,316	25,139,316
Total comprehensive income	-	-	25,139,316	25,139,316
Proceeds from shares issued	89,158,227	-	-	89,158,227
Transfer to reserves (note 16)	-	2,672,047	(2,672,047)	-
Dividend paid (note 4.2.1)	-	-	(2,300,000)	(2,300,000)
Balance as at 31 December 2017	<u>518,018,063</u>	<u>17,641,914</u>	<u>110,950,577</u>	<u>646,610,554</u>
Balance at 1 January 2018	<u>518,018,063</u>	<u>17,641,914</u>	<u>110,950,577</u>	<u>646,610,554</u>
Profit for the year	-	-	45,568,772	45,568,772
Other comprehensive income	-	-	(27,752,000)	(27,752,000)
Total comprehensive income for the year	-	-	17,816,772	17,816,772
Transfer to reserves (note 16)	-	2,513,932	(2,513,932)	-
Dividend paid (note 4.2.1)	-	-	(7,237,892)	(7,237,892)
Balance as at 31 December 2018	<u>518,018,063</u>	<u>20,155,846</u>	<u>119,015,525</u>	<u>657,189,434</u>

The accompanying notes on pages 13 to 62 are an integral part of these financial statements.

SIHANOUKVILLE AUTONOMOUS PORT

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 KHR'000	2017 KHR'000
Cash flows from operating activities			
Cash generated from operations	31	79,339,741	76,650,767
Income tax paid		(3,464,986)	(8,098,373)
Retirement benefit obligations paid	18	<u>(3,107,279)</u>	<u>(3,447,156)</u>
Cash generated from operating activities		<u>72,767,476</u>	<u>65,105,238</u>
Cash flows from investing activities			
Purchases of property and equipment (*)	7	(58,981,826)	(73,589,793)
Purchases of investment property	8	(799,341)	(30,607,992)
Purchases of intangible assets	9	-	(595,023)
Loans to employees	10	-	(10,266,904)
Receipts of repayment from loans to employees	10	2,566,726	1,283,363
Placements of short-term bank deposits		(1,679,038)	(59,714,973)
Interest received		<u>2,796,425</u>	<u>268,606</u>
Cash used in investing activities		<u>(56,097,054)</u>	<u>(173,222,716)</u>
Cash flows from financing activities			
Proceeds from new shares issued – net		-	103,339,069
Dividends paid	4.2.1	(12,641,525)	(2,300,000)
Proceeds from borrowings		38,276,871	48,935,481
Repayments of borrowings		(20,160,151)	(14,678,915)
Interest paid		<u>(11,035,321)</u>	<u>(10,748,532)</u>
Cash (used in)/generated from financing activities		<u>(5,560,126)</u>	<u>124,547,103</u>
Net increase in cash and cash equivalents		11,110,296	16,429,625
Cash and cash equivalents at beginning of the year		<u>51,081,229</u>	<u>34,651,604</u>
Cash and cash equivalents at end of the year	14	<u><u>62,191,525</u></u>	<u><u>51,081,229</u></u>

(*) For cash and non-cash transactions relating to the purchases of property and equipment, please refer to note 7.

The accompanying notes on pages 13 to 62 are an integral part of these financial statements.

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. BACKGROUND INFORMATION

The Sihanoukville Autonomous Port (PAS) is a public autonomous institution that is under the technical supervision of the Ministry of Public Works and Transport (MoPWT) and the financial supervision of the Ministry of Economy and Finance (MoEF), with its headquarters in Preah Sihanouk Province, the Kingdom of Cambodia.

PAS is a legal entity with autonomous administration and financing and was established in accordance with Sub-decree 50 ANKR BK dated 17 July 1998, which gave it the general status as a public autonomous institution.

PAS was registered with the Ministry of Commerce and obtained the registration number Co.4784 ET/2017, dated 21 February 2017. Its shares of class C were listed on the Main Board of Cambodia Securities Exchange (CSX) on 8 June 2017.

PAS is currently the sole international and commercial deep sea port in the Kingdom of Cambodia. According to the established sub-decree, the principal activities of PAS are to provide the following sea port services and sea port related services which include:

- bringing vessels in and out and providing them with supplies;
- conducting cargo handling, offloading, loading and transporting;
- maintaining and safeguarding stocks, warehouses and yards;
- developing, rehabilitating and expanding the PAS's existing infrastructures;
- taking responsibility on health care, security and order in its management areas; and
- committing to manage and organise the operational activities to be effective and progressive

PAS also operates the leases of its Special Economic Zones.

In the status as public autonomous institution, PAS has hereby obtained an extensive authority and major duties from the Royal Government of Cambodia to carry out its activities in accordance with its objectives.

The registered office of PAS is Terak Vithei Samdech Akka Moha Sena Padei Techo Hun Sen Sangkat No. 3, Sihanoukville City, Preah Sihanouk Province, the Kingdom of Cambodia.

The financial statements for the year ended 31 December 2018 were approved for issue by the Board of Directors on 12 April 2019.

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements of PAS are expressed in Khmer Riel ("KHR").

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with CIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 5.

2.2 New and amended accounting standards and interpretations

(i) New standards, amendments and interpretations adopted by PAS

A number of new or amended standards became applicable for the current reporting period and PAS had to change its accounting policies and make necessary adjustments as a result of adopting the following standards:

CIFRS 9 replaces CIAS 39 that relates to the recognition, classification and measurement of financial assets and financial liabilities derecognition of financial instruments, impairment of financial assets and hedge accounting.

CIFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede CIAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under CIFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

PAS has adopted the simplified expected credit loss model for its trade receivables as required by CIFRS 9 and the general expected credit loss model for non-trade receivables and other financial assets such as loans to employees, short-term bank deposits and cash and cash equivalents.

CIFRS 15 is based on the principle that revenue is recognised when control of goods or services is transferred to customers. The adoption of CIFRS 15, other amendments and interpretations has no significant impact on the results and financial position of PAS for the current or prior periods.

The adoption of these new and amended standards has no significant impact on the results and financial position of PAS for the current or prior periods.

PAS had to change its accounting policies and make certain adjustments following the adoption of CIFRS 9 and CIFRS 15. This is disclosed in note 3.

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 New standards and interpretations (continued)

(ii) New standards and interpretations not yet adopted

PAS has not early adopted the following new standards and amendments which have been issued but are not yet effective:

Title	Key requirements	Effective date
CIFRS 16 Leases	<p>CIFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.</p> <p>The statement of profit or loss will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change.</p> <p>Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.</p> <p>The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under CIFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.</p>	1 January 2019 Early adoption is permitted only if CIFRS 15 is adopted at the same time.

SIHANOUKVILLE AUTONOMOUS PORT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 New standards and interpretations (continued)

(ii) New standards and interpretations not yet adopted (continued)

Title	Key requirements	Effective date
<p>Interpretation 23 Uncertainty over Income Tax Treatments</p>	<p>The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:</p> <ul style="list-style-type: none"> • how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty • that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored • that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment • that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty, and • that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements. <p>While there are no new disclosure requirements, entities are reminded of the general requirement to provide information about judgements and estimates made in preparing the financial statements.</p>	<p>1 January 2019</p>

SIHANOUKVILLE AUTONOMOUS PORT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 New standards and interpretations (continued)

(ii) New standards and interpretations not yet adopted (continued)

Title	Key requirements	Effective date
Annual Improvements to CIFRS Standards 2015-2017 Cycle	<p>The following improvements were finalised in December 2017:</p> <ul style="list-style-type: none"> • CIAS 12 - clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised. • CIAS 23 - clarified that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings. 	1 January 2019
Plan Amendment, Curtailment or Settlement – Amendments to CIAS 19	<p>The amendments to CIAS 19 clarify the accounting for defined benefit plan amendments, curtailments and settlements. They confirm that entities must :</p> <ul style="list-style-type: none"> • calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change • any reduction in a surplus should be recognised immediately in profit or loss either as part of past service cost, or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in profit or loss even if that surplus was not previously recognised because of the impact of the asset ceiling • separately recognise any changes in the asset ceiling through other comprehensive income. 	1 January 2019

PAS is in the process of making an assessment of the impact of these new standards and amendments on the financial statements of PAS in the initial application.

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Foreign currency translation

(i) Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which PAS operates (the functional currency). PAS maintains its accounting records and its financial statements in Khmer riel (“KHR”), its functional and presentation currency.

(ii) Transactions and balances

Transactions in currencies other than Riel are translated into the functional currency using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than Riel are recognised in profit or loss. Foreign exchange gains and losses that relate to borrowings are presented in profit or loss in ‘finance income and costs’.

2.4 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation. The historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to PAS and the cost of the item can be measured reliably. The carrying amount of replaced parts is derecognised. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate the cost of each asset to their residual values over their estimated useful lives as follows:

	Years
Land improvement	7, 30, 50
Buildings	7, 20, 25, 30, 35, 50
Port facilities	50
Technical equipment	5 – 30
Other equipment	5 – 15
Furniture and fittings	3 – 10
Computer and office equipment	3 – 5
Motor vehicles	
- Motor vehicle	5
- Others (Prime mover, truck, caterpillar)	10 – 15
Sea port equipment	20 – 30
Palettes	10

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Intangible assets

Intangible assets consist of accounting software and port operation system and are stated at historical cost less accumulated amortisation and impairment, if any. They are capitalised based on the costs incurred to acquire and bring into use the specific software. PAS amortises intangible assets with a useful life using the straight-line method over the following periods:

	Years
Accounting software	10
Port operation system	10

2.6 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by PAS, is classified as investment property. Investment property also includes property that is being constructed for developed for future use as investment property. Investment properties are initially measured at cost less accumulated depreciation and impairment, if any. PAS uses the cost model and accounts for investment property in accordance with CIAS 16 (Property, plant and equipment).

Investment properties are transferred into inventory when, and only when, there is a change in use, evidenced by the commencement of development with a view to sale. When PAS decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognised and eliminated from the statement of financial position, and does not treat it as inventory. If an investment property is redeveloped for continued use as investment property, the property remains as investment property and is not reclassified as owner-occupied property during the redevelopment.

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it is derecognised (eliminated from the balance sheet). The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period of retirement or disposal.

Land is not depreciated, buildings are depreciated using the straight-line method over its estimated useful life of 50 year.

2.7 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units).

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Financial assets

2.8.1 Classification

From 1 January 2018, PAS classifies its financial assets as measured at amortised cost. The classification depends on the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Loans to employees, trade and other receivables, short term deposits and cash and cash equivalents meet the solely payments of principal and interest (SPPI) criterion as their contractual terms give rise to cash flows that are SPPI and consistent with a basic lending arrangement. These are also held within a held-to-collect business model, and therefore would be classified and measured at amortised cost. Financial assets measured at amortised cost are subject to impairment under CIFRS 9.

2.8.2 Recognition and measurement

At initial recognition, PAS measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Changes in the fair value of financial assets at FVPL are recognised in other gain or losses in the statement of profit or loss as applicable.

2.8.3 Impairment of financial assets

CIFRS 9 replaces the “incurred loss” impairment model in CIAS 39 with a forward-looking “expected credit loss” (“ECLs”) model.

PAS recognises a loss allowance for ECLs on financial assets which are subject to impairment under CIFRS 9. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

ECLs are updated at each reporting date to reflect changes in credit risk since initial recognition. Any change in ECLs is recognised in profit or loss.

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.10 Inventories

Inventories are stated at the lower of cost (costs of purchase and other costs incurred in bringing the inventories to their present location and condition) and the net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Inventories include consumables, spare parts and other supply-related inventories and are valued at the actual cost of bringing the inventory to its intended purpose less allowances for damaged, obsolete and slow-moving items using the first-in first-out basis.

2.11 Trade and other receivables

Trade and other receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment and expected credit losses.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances held with banks, and other short-term, highly liquid investments with original maturities of three months or less.

2.13 Share capital and share premium

Share capital and share premium is classified as equity. Incremental costs directly attributable to the issue of new share capital are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the borrowing to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

2.16 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.17 Income tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for Cambodian jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated based on the tax laws enacted or substantively enacted at the end of reporting date in Cambodia, where PAS generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which the applicable tax regulations are subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Income tax (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.18 Employee benefits

2.18.1 Retirement benefit obligations

PAS operates defined benefit plan whereby:

- The employees' contribution is 10% of their monthly salary.
- The employer's contribution is 10% of the employees' monthly salary.
- On an annual basis, the Board of Directors decides on an additional amount to be contributed to the scheme based on PAS's performance during the year.

Staff must meet all of the following criteria to be eligible to receive retirement benefits:

- be a permanent staff member
- have worked for PAS for 25 years or more
- contribute to the scheme as required
- hold a staff card, and
- if retiring before reaching the retirement age, the retirement must be approved by the Chairman and Chief Executive Officer.

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Employee benefits (continued)

2.18.1 Retirement benefit obligations (continued)

- (a) Staff who have served for 25 or more years can choose to receive a one-off payment at the retirement age or a monthly payment until the end of their life. Payments to eligible employees are based on the following terms and conditions:

One-off payment:

Staff who decide to receive a one-off payment at retirement will receive a payment equal to 12.5 times their last monthly salary.

Monthly payment until end of life:

The monthly payment made to staff who decide to receive monthly benefits until the end of their life depends on their years of service as set out below:

<u>Years of service</u>	<u>Benefit</u>
25 years	Receive a monthly payment of 75% of their last month's net salary.
26 to 40 years	Receive a monthly payment of 75% of the last month's net salary plus an additional 1% for each additional year of service over 25 years.
Over 40 years	Receive a monthly payment of 90% of the last month's net salary.

- (b) Staff who have served less than 25 years are not entitled to post-employment benefits, but they are entitled to a one off lump-sum payment as follows:

<u>Years of service</u>	<u>Benefit</u>
Less than 10 years	No benefit and no refund of total contribution. The total contribution will become the scheme's income.
10 to 24 years	Receive a 200% of total contributions from PAS and employee.

If the plan is demolished for any reasons, the employee can claim back his/her contribution from the plan according to the actual condition of the plan and the procedures as stated in the policy.

- (c) Early retirement benefits

Staff who were retired or dismissed prior to reaching retirement age will receive the following benefit:

<u>Years of service</u>	<u>Benefit</u>
Less than 10 years	No refund of employee's total contribution.
From 10 to 20 years	120% of the employee's total contributions and an additional 1% for each year of service over 10 years.
From 21 to 30 years	135% of the employee's total contributions and an additional 1% for each year of service over 21 years.
From 31 to 40 years	155% of the employee's total contributions and an additional 1% for each year of service over 31 years.
More than 40 years	164% of the employee's total contributions

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Employee benefits (continued)

2.18.1 Retirement benefit obligations (continued)

(d) Death benefits

A one-off benefit will be paid upon death of the staff. The benefit is based on total contributions from PAS and employee and it depends on the staff member's years of service as follows:

<u>Years of service</u>	<u>Work-related death</u>	<u>Non-work related death</u>
Less than 11 years	125%	115%
From 11 to 20 years	145%	135%
From 21 to 30 years	155%	145%
More than 30 years	165%	155%

(e) Disability benefits:

Staff who have served less than 25 years and become disabled will receive a one-off payment based on their total contributions from PAS and employee as follows:

<u>Years of services</u>	<u>Work related disability</u>	<u>Non-work related disability</u>
Less than 11 years	125%	115%
From 11 to 25 years	125% plus 3% for each year of service over 10 years	115% plus 3% for each year of service over 10 years
More than 25 years:		
Option 1	170%	160%
Option 2	Monthly annuity retirement benefits	Monthly annuity retirement benefits

The liability recognised in the statement of financial position in respect of defined benefit retirement plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets (if any). The defined benefit obligation is calculated using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using the average deposit rate of funds reserved for retirement benefit payments deposited at banks, as there is no deep high-quality corporate bond market or government bonds in Cambodia.

Remeasurement gains and (losses) arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income.

Past-service costs are recognised immediately in profit or loss.

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Employee benefits (continued)

2.18.2 Seniority payment obligations

The amended labour law dated 26 June 2018 and the ministerial Prakas No. 443 MLVT/Br.k dated 21 September 2018 introduced seniority payment obligations from 1 January 2019 and the payments are to be made every six months on 30 June and 31 December for unspecified duration employment contract (UDC). It also requires to back pay seniority payment up to 31 December 2018 for staff who had worked for PAS before 31 December 2018 and still continue working with the Company. The past seniority payment depends on each staff past services and shall not exceed six months of average gross salaries.

The past seniority liability was recognised at the present value of defined obligation at the reporting period using the projected unit credit method to better estimate the ultimate cost to the Company that employees have earned in return for their service in the current and prior period. That obligations arises as employees render the services that PAS expected to pay in the future reporting periods. The present value of the past seniority payment is determined by discounting the estimate future payments.

2.19 Provision and contingent liability

Provisions are recognised when PAS has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the amount expected to be required to settle the obligation. If the time value of money is material, provisions will be measured at their present value using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Increases in provisions due to the passage of time are recognised as interest expenses.

A contingent liability is a potential obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within PAS's control. It may also be a present obligation arising from past events that is not recognised because it is not probable that the outflow of economic resources will be required or the amount of the obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When the outflow of economic resources becomes probable, it will be recognised as a provision.

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Revenue recognition

Under CIFRS 15, PAS recognises revenue when (or as) it satisfies a performance obligation by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service). A performance obligation is a promise to transfer a distinct good or service to a customer. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

Port revenue

Port revenue mainly includes fees charged for stevedoring (cargo handling from/to vessels), Lift-on Lift-Off (cargo handling from/to vehicles), port due (piloting/berthing) and other services. Revenue from the provision of these services is recognised when services are rendered.

Rental revenue – Company is the lessor

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rental income on operating lease is recognised over the lease term of the lease on a straight-line basis.

Other revenue

Other revenue includes truck entrance and other fees. Other revenue is recognised when the services are rendered.

2.21 Interest income

Interest income is recognised using the effective interest method and included in finance income in profit or loss.

2.22 Operating Leases – Company is the lessor

Properties leased out under operating leases are included in investment properties in the statement of financial position (note 8). See note 2.20 for the recognition of rental income.

2.23 Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of PAS, on or before the end of the reporting period but not distributed at the end of the reporting period.

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 Earnings per share

(i) *Basic earnings per share*

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of PAS, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares (if any).

(ii) *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.25 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources to and assessing the performance of the operating segments, has been identified as the management team (including the director general and all deputy director generals), which makes strategic decisions.

2.26 Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand Khmer Riel (KHR) currency unless otherwise stated.

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

3. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of CIFRS 9 Financial Instruments and CIFRS 15 Revenue from Contracts with Customers on the PAS's financial statements.

(a) CIFRS 9 Financial Instruments

CIFRS 9 replaces the provision of CIAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of CIFRS 9 *Financial Instruments* from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Note 2.8. In accordance with the transitional provisions in CIFRS 9, comparative figures have not been restated.

(i) Classification and measurement

On 1 January 2018 (the date of initial application of CIFRS 9), PAS's management has assessed which business models apply to the financial assets held by PAS and has classified its financial instruments into the appropriate CIFRS 9 categories. There is no impact from classification as the previous financial assets (trade and other receivables, loans to employees, short-term bank deposits, and cash at banks) classified under CIAS 39 are loans and receivables and measured at amortised cost.

At the date of initial application, PAS's business model is to hold these financial assets for collection of contractual cash flows, and the cash flows represent solely payments of principal and interest on the principal amount which are also measured at amortised cost. The fair value as at 1 January 2018 was immaterial to the amortised cost for these assets. There was no impact on retained earnings at 1 January 2018.

(ii) Impairment of financial assets

PAS was required to revise its impairment methodology under CIFRS 9 for each of these classes of assets. Impact of the change in impairment methodology on PAS's retained earnings and equity are insignificant, and PAS decided not recognise any impairment as at 1 January 2018.

While cash and cash equivalents are also subject to the impairment requirements of CIFRS 9, the identified impairment loss are immaterial.

(b) CIFRS 15 Revenue from Contracts with Customers

PAS has adopted CIFRS 15 from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. PAS performed the assessment of CIFRS 15, and identified no impact from CIFRS 15 that required to restate its comparative for the 2017 financial year.

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

4. FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

PAS's activities expose it to a variety of financial risks: market risk (including interest rate risk and foreign exchange risk), credit risk and liquidity risk. PAS assumes and manages such risks by monitoring the market interest rates, the credit history of its counter-parties, foreign exchange rates and cash flows. PAS does not currently use derivative instruments to hedge its interest rate and foreign exchange risk exposure.

a. Market risk

a.1 Interest rate risk

Interest rate risk is the risk that future movements in market interest rates will affect the results of PAS's operations and its cash flows.

PAS obtained borrowings (at fixed interest rates) from Japan International Cooperation Agency (JICA) and Japan Bank for International Cooperation (JBIC) through the MoEF.

No interest rate swaps or other derivatives financial instruments have been entered into to hedge interest rate risk as management believes that the interest rate risk does not result in a significant exposure.

a.2 Foreign exchange risk

PAS is exposed to the risk of changes in foreign currency exchange rates, primarily between the Khmer Riel (KHR) and the Japanese yen (JPY) and US dollar (US\$), since its loans from JICA and JBIC through the MoEF are in Japanese yen and US dollars, but it maintains its accounting records in Khmer Riel, its functional currency. Currently PAS does not hedge or use forward exchange contracts to manage this risk.

PAS's sensitivity to foreign exchange rates on its Japanese yen and US dollar financial instruments is analysed below. PAS's financial instruments are mainly denominated in these two currencies. PAS has analysed the movement in these currencies over the last three years and considered that a 2.7% and 0.3% movement in the Japanese yen and US dollar rates, respectively, is a reasonable benchmark.

If the Japanese yen had weakened or strengthened by 2.7% (average fluctuation for the last three years) against the Khmer Riel, post-tax profit for the year would have been KHR 10,195 million higher or lower mainly due to foreign exchange gains/losses on the translation of borrowings denominated in Japanese yen.

If the US dollar had weakened or strengthened by 0.3% (average fluctuation for the last three years) against the Khmer Riel, the post-tax profit for the year would have been KHR 36 million higher or lower mainly due to foreign exchange gains/losses on the translation of borrowings denominated in US dollars.

The table below summarises PAS's exposure to foreign currency exchange rate risk at 31 December 2018 and 31 December 2017. Included in the table are the financial instruments at carrying amount by currency in KHR'000 equivalent.

SIHANOUKVILLE AUTONOMOUS PORT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

4. FINANCIAL RISK MANAGEMENT (continued)

4.1 Financial risk factors (continued)

a. Market risk (continued)

a.2 Foreign exchange risk (continued)

	In equivalent KHR'000			Total
	JPY	US\$	KHR	
Year ended 31 December 2018				
Financial assets				
Trade and other receivables	-	28,962,532	10,107,190	39,069,722
Loans to employees	-	-	5,305,113	5,305,113
Short-term bank deposits	-	70,046,930	4,826,309	74,873,239
Cash and cash equivalents	-	50,355,606	11,835,919	62,191,525
	-	<u>149,365,068</u>	<u>32,074,531</u>	<u>181,439,599</u>
Financial liabilities				
Borrowings	(420,192,943)	(130,428,286)	-	(550,621,229)
Guaranteed dividend payables	-	-	(10,168,805)	(10,168,805)
Trade and other payables	-	(3,571,240)	(3,719,050)	(7,290,290)
	<u>(420,192,943)</u>	<u>(133,999,526)</u>	<u>(13,887,855)</u>	<u>(568,080,324)</u>
Net position	<u>(420,192,943)</u>	<u>15,365,542</u>	<u>18,186,676</u>	<u>(386,640,725)</u>
Year ended 31 December 2017				
Financial assets				
Trade and other receivables	-	25,593,115	10,870,528	36,463,643
Loans to employees	-	-	6,923,538	6,923,538
Short-term bank deposits	-	68,629,000	4,565,201	73,194,201
Cash and cash equivalents	-	40,208,573	10,872,656	51,081,229
	-	<u>134,430,688</u>	<u>33,231,923</u>	<u>167,662,611</u>
Financial liabilities				
Borrowings	(398,179,854)	(127,055,028)	-	(525,234,882)
Guaranteed dividend payables	-	-	(14,759,894)	(14,759,894)
Trade and other payables	-	(22,323,926)	(2,376,940)	(24,700,866)
	<u>(398,179,854)</u>	<u>(149,378,954)</u>	<u>(17,136,834)</u>	<u>(564,695,642)</u>
Net position	<u>(398,179,854)</u>	<u>(14,948,266)</u>	<u>16,095,089</u>	<u>(397,033,031)</u>

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

4. FINANCIAL RISK MANAGEMENT (continued)

4.1 Financial risk factors (continued)

b. Credit risk

PAS is exposed to credit risk primarily with respect to trade and other receivables, loans to employees, short-term bank deposits, and cash at banks carried at amortised cost.

b.1 Risk management

To manage risk from trade and other receivables, PAS requires a deposit from each shipping line before handling any transactions for the shipping line. No deposit is required for governmental departments as PAS believes that it can collect trade and other receivables from such departments through the MoEF (which finances such departments). Deposits are not obtained from shipping lines that use PAS's services infrequently as such lines are required to make payment on delivery of the services. PAS has a deposit deduction policy for customers that have not settled their debts in accordance with the credit terms and conditions. PAS's exposure to credit risk on trade and other receivables is limited to the carrying amount of the receivables less provision for impairment and expected credit losses of the receivables based on a review of all outstanding amounts at year-end. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

Loans to employees are granted to a limited numbers of employees according to the staff grade, length of service and salary level. Repayments are deducted monthly directly from the employees' salaries. Credit risk is low as PAS's individual employee has pension benefit higher than the loan request to buy shares. Also, shares will be returned to PAS should the employees leave PAS.

For short-term bank deposits, placements are made only to reputable banks and financial institutions.

b.2 Security

For some trade receivables, PAS may obtain security in form of cash deposits which can be called upon if the counterparty is in default under the terms of the agreement.

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

4. FINANCIAL RISK MANAGEMENT (continued)

4.1 Financial risk factors (continued)

b. Credit risk (continued)

b.3 Impairment of financial assets

PAS has only financial assets (mainly trade receivables) that are subject to the expected credit loss model.

While cash and cash equivalents are also subject to the impairment requirements of CIFRS 9, the identified impairment loss was immaterial.

Trade receivables

PAS applies the CIFRS 9 simplified approach to measuring expected credit losses (ECL) which use two measurement bases for all trade receivables.

- 12-month ECL, which applies to all relevant financial assets as long as there is no significant deterioration in credit risk; and
- Lifetime ECL, which applies when a significant increase in credit risk has occurred on an individual or collective basis or the asset is impaired.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

PAS's trade receivables generally consist of receivables ranging from 31 to 41 debtors from year 2013 to 2018. Based on PAS's historical credit loss experience for trade receivables, there were no cases of default in the past 6 years except for one invoice issued in December 2013. All invoices were paid within one year. Based on ageing provided as at 31 December 2018, most balances aged more than 120 days have been subsequently settled in January 2019.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. PAS has identified the GDP and the unemployment rate of Cambodia in which it sells its services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan, and a failure to make contractual payments for a period of greater than specified past due days to be approved by the Board of Directors.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

SIHANOUKVILLE AUTONOMOUS PORT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

4. FINANCIAL RISK MANAGEMENT (continued)

4.1 Financial risk factors (continued)

b. Credit risk (continued)

b.3 Impairment of financial assets (continued)

Trade receivables (continued)

On that basis, the loss allowance as at 31 December 2018 was determined as follows for both trade receivables.

As at 31 December 2018	Expected loss rate %	Gross carrying amount KHR' 000	Loss allowance KHR' 000
Current	0%	20,873,254	-
More than 30 days past due	0%	6,050,130	-
More than 60 days past due	0%	300,465	-
More than 90 days past due	0%	465,088	-
More than 120 days past due	21%	1,611,627	338,032
Collective assessment		29,300,564	338,032
Individual assessment	100%	286,283	286,283
Total		29,586,847	624,315

The closing loss allowances for trade receivables as at 31 December 2018 are as follows:

	2018 KHR'000	2017 KHR'000
As at 01 January 2018		
Amounts restated through opening retained earnings	288,563	288,563
Opening loss allowance as at 1 January 2018 – calculated under CIFRS 9 (*)	-	-
	<u>288,563</u>	<u>288,563</u>
Increase in loss allowance recognised in profit or loss during the year	338,032	-
Currency translation differences	<u>(2,280)</u>	<u>-</u>
As at 31 December	<u>624,315</u>	<u>288,563</u>

(*) Based on the historical credit loss experience above, which is based on reasonable and supportable information that is available without undue cost and effort, the expected credit loss allowance for trade receivables of KHR 415 million and KHR 624 million as at 1 January 2018 and 31 December 2018, respectively. The loss allowance for both opening and closing balance is considered having immaterial impact, so the management has adjusted trade receivables as at 31 December 2018 only and the opening balance as at 01 January 2018 remains unchanged.

SIHANOUKVILLE AUTONOMOUS PORT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

4. FINANCIAL RISK MANAGEMENT (continued)

4.1 Financial risk factors (continued)

c. Liquidity risk

PAS's exposure to liquidity risk arises from the general funding of its business activities. It includes the risk of being unable to fund business activities in a timely manner.

PAS has a policy to maintain sufficient cash and cash equivalents for its operations and uses credit facilities together with its own funds to pay for capital investments.

PAS had access to the following undrawn borrowing facilities at the end of year:

	2018	2017
	KHR'000	KHR'000
Fixed rate		
Expiring beyond one year	<u>42,919,599</u>	<u>79,948,625</u>

The table below analyses PAS's financial liabilities by the remaining period until the maturity date as at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year KHR'000	Between 1 and 2 years KHR'000	Between 2 and 5 years KHR'000	Over 5 years KHR'000	Total KHR'000
At 31 December 2018					
Borrowings	22,197,311	24,144,780	88,411,112	415,868,026	550,621,229
Guaranteed dividend payables	5,403,634	5,403,634	-	-	10,807,268
Trade and other payables	7,290,290	-	-	-	7,290,290
	<u>34,891,235</u>	<u>29,548,414</u>	<u>88,411,112</u>	<u>415,868,026</u>	<u>568,718,787</u>
At 31 December 2017					
Borrowings	21,697,576	21,808,458	74,819,814	406,909,034	525,234,882
Guaranteed dividend payables	5,403,634	5,403,634	5,403,634	-	16,210,902
Trade and other payables	24,700,866	-	-	-	24,700,866
	<u>51,802,076</u>	<u>27,212,092</u>	<u>80,223,448</u>	<u>406,909,034</u>	<u>566,146,650</u>

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Capital risk management

PAS's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

PAS does not have a specific policy on gearing ratios.

4.2.1 Dividends

On 3 July 2018, the Board of Directors approved to distribute the dividends in respect of profit of the financial year ended 31 December 2017 as follows:

	<u>2018</u> <u>KHR'000</u>	<u>2017</u> <u>KHR'000</u>
Dividends paid to Class B shares	4,000,000	2,300,000
Dividends paid to Class C shares of KHR 403 per share (*)	<u>8,641,525</u>	<u>-</u>
Total dividends paid	<u>12,641,525</u>	<u>2,300,000</u>

(*) Including the obligation of guaranteed dividends amounting to KHR 5,403,633 thousand (note 15-c).

4.3 Fair value of financial assets and financial liabilities measured at amortised cost

The methods and assumptions used in estimating the fair values of financial instruments are as follows:

- (a) *Cash and cash equivalents and short-term bank deposits* – The carrying values of these amounts approximate their fair values due to their short-term nature.
- (b) *Trade and other receivables* – The carrying amounts less impairment provisions approximate the fair value because these are subject to normal credit terms and are short-term in nature.
- (c) *Loans to employees* – The carrying amount of current portion of loans to employees is KHR 2,567 million as at 31 December 2018, compared to a fair value of KHR 1,884 million. For the non-current portion of loans to employees, it has a fair value of KHR 3,421 million as at 31 December 2018, compared to a carrying amount of KHR 3,850 million. The fair values were calculated based on cash flows discounted using a current lending rate. They were classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.
- (d) *Trade and other payables* – The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

4. FINANCIAL RISK MANAGEMENT (continued)

4.3 Fair value of financial assets and financial liabilities measured at amortised cost (continued)

- (e) *Guaranteed dividend payable* - KHR 5,404 million as at 31 December 2018, compared to a fair value of KHR 4,912 million. For the non-current portion of guaranteed dividend payable, it has a fair value of KHR 5,256 million as at 31 December 2018, compared to a carrying amount of KHR 5,404 million. The fair values were calculated based on cash flows discounted using a current fixed deposit rate. They were classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.
- (f) *Borrowings* – The fair value is estimated by discounting the future contractual cash outflows using a current borrowing rate at the period-end.

Financial instruments measured at fair value are analysed into the following fair value measurement hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities. PAS does not hold any listed securities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

5. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. PAS makes estimates, assumptions and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Taxes

Taxes are calculated on the basis of current interpretation of the tax regulations enacted as at reporting date. The management periodically evaluates position taken in tax returns with respect to situations in which applicable tax regulation is subjected to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

However, these regulations are subject to periodic variation and the ultimate determination of tax liabilities will be made following inspection by the tax authorities. Where the final tax outcome of these matters is different from the amounts initially recorded, such differences will impact the taxes liabilities and balances in the period in which the determination is made.

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

5. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

(b) Retirement benefit obligations

The present value of the retirement benefit obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used to determine the net cost of pensions include the discount rate, salary growth rates, mortality rates and withdrawal rates. Any changes in these assumptions will impact the carrying amount of the obligations.

In late 2018, Cambodia has only one corporate bond listed in the Cambodia Stock Exchange. The current listed bond was issued in KHR having coupon rate of 8.5% per annum with maturity of 3 years and rated BBB+. It is not considered as high quality (AA or greater) and not actively traded yet, so PAS uses the average annual deposit rates in KHR from banks as an adjusted discount rate to determine the present value of the estimated future cash outflows expected to be required to settle the retirement benefit obligation.

If the discount rate, salary and increase rate used is different from management's estimate by 0.5% and 2.5% respectively, the approximate effect on the carrying amount of the retirement benefit obligation as at 31 December 2018 would be as shown below:

	Base case	Sensitivity impact			
Discount rate	6.00%	6.50%	5.50%	6.00%	6.00%
Salary increase rate	5.00%	5.00%	5.00%	7.50%	2.50%
Defined benefit obligation (million KHR)	69,939	66,098	74,181	78,058	64,024
Impact (million KHR)		(3,841)	4,242	8,119	(5,915)
Impact (%)		(5%)	6%	12%	(8%)

(c) Seniority payment obligations

The present value of the seniority payment obligations depends on a number of factors that are determined on a basis using a number of assumptions. The assumptions used in determining the ultimate cost for seniority payment include the staff turnover and discount rate. Any changes in these assumptions will impact the carrying amount of seniority payment obligations. PAS used the adjusted discount rate (applicable to retirement benefits obligations above) to determine the present value of the estimated future cash outflows expected to be required to settle the seniority payment obligation. The seniority payment obligations and retirement benefits have similar characteristics in term of staff profile, turnover rate and length of services.

(d) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. PAS uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on PAS's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. The allowance of impairment of financial assets is immaterial as determined by management.

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

6. SEGMENT INFORMATION

PAS has a reportable segment, namely, port service. The chief operating decision-maker (the management team) reviews the internal management report, which reports the performance of the port service segment as a whole, to assess performance and allocate resources. The chief operating decision-maker assesses the performance of the reportable segment by measuring gross revenue, profit before tax and net profit compared to prior periods. In addition, PAS also has a Special Economic Zone (SEZ) operating at initial stage, please refer to note 8.

All revenues are derived from external customers. PAS is domiciled in Sihanoukville and all sales originate from Sihanoukville and the surrounding areas.

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

7. PROPERTY AND EQUIPMENT

Non-current assets	Land KHR'000	Land improvement KHR'000	Buildings KHR'000	Port facilities KHR'000	Technical equipment KHR'000	Other equipment KHR'000	Furniture and fittings KHR'000	Computer and office equipment KHR'000	Motor vehicles KHR'000	Sea port equipment KHR'000	Construction in progress KHR'000	Palettes KHR'000	Total KHR'000
At 31 December 2017													
Opening net book amount	252,045,640	25,152,760	156,704,054	899,947	6,782,339	377,009	426,938	3,339,964	8,652,119	113,827,331	166,182,526	353,165	734,743,792
Additions (*)	-	1,042,333	606,320	-	-	-	208,960	105,160	8,226,461	-	81,778,100	269,362	92,236,696
Transfers	-	-	-	-	679,713	-	-	-	-	90,377,289	(91,057,002)	-	-
Depreciation charges	-	(1,044,579)	(4,740,812)	(97,055)	(1,365,689)	(58,088)	(289,586)	(1,166,886)	(1,144,045)	(7,860,993)	-	(342,417)	(18,110,150)
Closing net book amount	252,045,640	25,150,514	152,569,562	802,892	6,096,363	318,921	346,312	2,278,238	15,734,535	196,343,627	156,903,624	280,110	808,870,338
At 31 December 2017													
Cost	252,045,640	49,949,973	232,090,496	114,290,576	23,129,954	1,201,254	2,270,322	6,596,668	33,807,459	326,868,210	156,903,624	1,617,586	1,200,771,762
Accumulated depreciation	-	(24,799,459)	(79,520,934)	(113,487,684)	(17,033,591)	(882,333)	(1,924,010)	(4,318,430)	(18,072,924)	(130,524,583)	-	(1,337,476)	(391,901,424)
Net book value	252,045,640	25,150,514	152,569,562	802,892	6,096,363	318,921	346,312	2,278,238	15,734,535	196,343,627	156,903,624	280,110	808,870,338
At 31 December 2018													
Opening net book amount	252,045,640	25,150,514	152,569,562	802,892	6,096,363	318,921	346,312	2,278,238	15,734,535	196,343,627	156,903,624	280,110	808,870,338
Additions (*)	-	1,866,178	68,919	-	-	-	237,260	1,455,434	9,950,794	-	45,256,852	179,826	59,015,263
Reclassification (**)	(1,115,731)	-	-	-	-	-	-	-	-	-	-	-	(1,115,731)
Transfers	-	-	1,343,495	-	-	-	-	-	-	-	(1,343,495)	-	-
Depreciation charges	-	(1,085,612)	(4,792,239)	(97,055)	(1,386,437)	(58,088)	(187,720)	(1,422,308)	(1,964,927)	(9,825,717)	-	(287,796)	(21,107,899)
Closing net book amount	250,929,909	25,931,080	149,189,737	705,837	4,709,926	260,833	395,852	2,311,364	23,720,402	186,517,910	200,816,981	172,140	845,661,971
At 31 December 2018													
Cost	250,929,909	51,816,151	233,502,910	114,290,576	23,129,954	1,201,254	2,507,582	8,052,102	43,758,253	326,868,210	200,816,981	1,797,412	1,258,671,294
Accumulated depreciation	-	(25,885,071)	(84,313,173)	(113,584,739)	(18,420,028)	(940,421)	(2,111,730)	(5,740,738)	(20,037,851)	(140,350,300)	-	(1,625,272)	(413,009,323)
Net book value	250,929,909	25,931,080	149,189,737	705,837	4,709,926	260,833	395,852	2,311,364	23,720,402	186,517,910	200,816,981	172,140	845,661,971

The interest cost that was capitalised on qualifying assets under construction in progress as at 31 December 2018 was KHR 8,595 million (interest rate at 1.65% per annum from MoEF – (JBIC) – Loan No. CP-P10 – note 17).

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

7. PROPERTY AND EQUIPMENT (continued)

(*) Please refer to below reconciliation of cash and non-cash of additions (purchases of property and equipment) for the year.

	2018	2017
	KHR'000	KHR'000
Purchases (cash and non-cash) during the year	59,015,263	92,236,696
Payable to a supplier (non-cash) – (note 21)	<u>(33,437)</u>	<u>(18,646,903)</u>
Cash paid during the year	<u>58,981,826</u>	<u>73,589,793</u>

The table below summarises the legal status of the land held and its carrying amount.

	2018	2017
	KHR'000	KHR'000
Land with legal title deeds	735,000	735,000
Land with no title deeds	250,194,909	250,194,909
Land with legal title deeds but occupied by households **	<u>-</u>	<u>1,115,731</u>
	<u>250,929,909</u>	<u>252,045,640</u>

(**) PAS reclassified the land from the property and equipment to the investment properties to align with its purpose for not being usage (note 8).

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

8. INVESTMENT PROPERTIES

Non-current assets	Land KHR'000	Building KHR'000	Construction in progress KHR'000	Total KHR'000
Year ended 31 December 2017				
Opening net book amount	103,014,016	156,121,934	-	259,135,950
Additions	28,963,489	941,443	703,060	30,607,992
Depreciation charges	-	(6,071,873)	-	(6,071,873)
Closing net book amount	131,977,505	150,991,504	703,060	283,672,069
At 31 December 2017				
Cost	131,977,505	174,996,763	703,060	307,677,328
Accumulated depreciation	-	(24,005,259)	-	(24,005,259)
Net book value	131,977,505	150,991,504	703,060	283,672,069
Year ended 31 December 2018				
Opening net book amount	131,977,505	150,991,504	703,060	283,672,069
Additions	-	269,754	529,587	799,341
Reclassification	1,115,731	-	-	1,115,731
Transfers	1,232,647	-	(1,232,647)	-
Depreciation charges	-	(6,104,961)	-	(6,104,961)
Closing net book amount	134,325,883	145,156,297	-	279,482,180
At 31 December 2018				
Cost	134,325,883	175,266,517	-	309,592,400
Accumulated depreciation	-	(30,110,220)	-	(30,110,220)
Net book value	134,325,883	145,156,297	-	279,482,180

Valuation process (technique/inputs) used to determine fair value

PAS obtained independent valuations for its investment properties as at 31 December 2018. The investment properties were valued by the valuation company accredited by the Securities and Exchanges Commission of Cambodia.

The level 3 fair value of investment properties has been derived using sales comparison approach for land and cost approach for buildings. Land valued using the sales comparison approach take into account comparable items. These values are adjusted for differences in key attributes such as size and location, condition and other relevant factors.

Management believed that the range of the fair value of investment properties is reliably measured.

	2018 KHR'000	2017 KHR'000
Investment properties at fair value	3,228,313,529	1,853,877,788

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

8. INVESTMENT PROPERTIES (continued)

The table below summarises the legal status of the land held and its carrying amounts:

	2018	2017
	KHR'000	KHR'000
Land with legal title deeds – Special Economic Zone (*)	85,212,370	85,212,370
Land with legal title deeds – Others	3,286,724	3,286,724
Land with no legal title deeds	44,711,058	43,478,411
Land with legal title deeds but occupied by households (reclassified from the property and equipment)	1,115,731	-
	<u>134,325,883</u>	<u>131,977,505</u>

(*) This represents the land value of 41 hectares which was handed over to PAS through the inter-ministry committee in 2002.

PAS settled and cleared the surrounding areas of its existing land of 41 hectares, resulting in getting the additional land of 27 hectares in 2012 where its value will be determined by the inter-ministry committee. The value of land of 27 hectares has not been recorded in the book yet but PAS obtained legal title deeds.

The following amounts have been recognised in profit or loss deriving from the business of investment properties:

	2018	2017
	KHR'000	KHR'000
Rental revenue	3,016,365	2,848,180
Amortisation expenses	(6,104,961)	(6,071,873)
Direct operating expenses arising from investment properties that generate rental revenue	(3,413,329)	(3,316,943)

Special Economic Zone (SEZ) is still at an initial stage of its business operations.

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

9. INTANGIBLE ASSETS

Non-current assets	Software KHR'000	Total KHR'000
Year ended 31 December 2017		
Opening net book amount	9,020,592	9,020,592
Additions	595,023	595,023
Amortisation charges	<u>(1,057,913)</u>	<u>(1,057,913)</u>
Closing net book amount	<u>8,557,702</u>	<u>8,557,702</u>
As at 31 December 2017		
Cost	13,467,947	13,467,947
Accumulated amortisation	<u>(4,910,245)</u>	<u>(4,910,245)</u>
Net book amount	<u>8,557,702</u>	<u>8,557,702</u>
Year ended 31 December 2018		
Opening net book amount	8,557,702	8,557,702
Amortisation charges	<u>(1,062,871)</u>	<u>(1,062,871)</u>
Closing net book amount	<u>7,494,831</u>	<u>7,494,831</u>
As at 31 December 2018		
Cost	13,467,947	13,467,947
Accumulated amortisation	<u>(5,973,116)</u>	<u>(5,973,116)</u>
Net book amount	<u>7,494,831</u>	<u>7,494,831</u>

10. LOANS TO EMPLOYEES

	2018 KHR'000	2017 KHR'000
Current	1,883,981	1,618,425
Non-Current	<u>3,421,132</u>	<u>5,305,113</u>
	<u>5,305,113</u>	<u>6,923,538</u>

On 8 February 2017, PAS approved to provide interest-free loans of KHR 10,266,904 thousand, with a term of four years, to its employees including retired staff to purchase its floating class C shares upon initial public offering (IPO).

The fair value adjustment to the loan balance of KHR 2,621,824 thousand was initially recognised as other assets in the statement of financial position and amortised to profit or loss as salaries, wages and related expenses throughout a period of four years. This was because the fair value of the loans has been reduced through a preferential rate (interest free) and a benefit was provided to the employees.

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

10. LOANS TO EMPLOYEES (continued)

The initial fair values of the loans to employees were based on cash flows discounted using a weighted average interest rate of 15.27% per annum and subsequently recognised at amortised cost. Management assessed that the 15.27% interest rate was a reasonable rate, being equivalent to the rate at which the employees could obtain unsecured loans from commercial banks in Khmer Riel currency for a period of four years.

The movement of loans to employees is as follows:

	2018	2017
	KHR'000	KHR'000
Opening balance	6,923,538	-
Loans on cash	-	10,266,904
Less: Fair value adjustment	-	(2,621,824)
Loans initially measured at fair value	<u>6,923,538</u>	<u>7,645,080</u>
Add: Interest expense from unwinding of discount rate	948,301	561,821
Less: Repayment of loans	<u>(2,566,726)</u>	<u>(1,283,363)</u>
Closing balance	<u>5,305,113</u>	<u>6,923,538</u>

11. INVENTORIES

	2018	2017
	KHR'000	KHR'000
Current assets		
Consumable supplies	10,544,248	8,142,916
Oil and lubricant	1,104,110	527,098
Combustible materials	417,254	516,546
Provision for consumable supplies (*)	<u>(742,994)</u>	<u>(742,994)</u>
	<u>11,322,618</u>	<u>8,443,566</u>

(*) Management reassesses the slow-moving inventory items periodically and considers the provision value remains sufficient and appropriate at the period-end date.

Inventories recognised as expenses during the year ended 31 December 2018 amounted to KHR 73,085 million (31 December 2017: KHR 53,444 million).

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

12. TRADE AND OTHER RECEIVABLES

	2018	2017
	KHR'000	KHR'000
Trade receivables	29,586,847	24,603,409
Loss allowance [see note 4.1(b.3)]	(624,315)	(288,563)
Trade receivables, net	28,962,532	24,314,846
Advances to MoPWT (*)	9,771,300	10,550,000
Advances	1,974,530	2,614,624
Withholding tax credit	1,033,902	961,250
Prepayments	116,747	48,407
Others	-	1,278,268
	41,859,011	39,767,395

PAS's customers are local and international shipping lines and shipping agents. Trade receivables are short term.

Advance to MoPWT of KHR 9,771 million (2017: KHR 10,550 million) is expected to realise more than 12 months while the remaining trade and other receivables of KHR 32,088 million (2017: KHR 29,217 million) are expected to realise within 12 months.

(*) This represents outstanding cash advances to the Ministry of Public Works and Transport ("MoPWT"), which based on letters issued by MoEF dated 14 December 2016 and 25 January 2018 for the purpose of renovating certain parts of National Road no.4 and no.8 respectively. The advances were settled by way of deduction from the dividend payment.

	2018	2017
	KHR'000	KHR'000
Opening balance	10,550,000	5,000,000
Addition during the year	3,221,300	7,850,000
Settled through dividends distribution (note 4.2.1)	(4,000,000)	(2,300,000)
Closing balance	9,771,300	10,550,000

13. SHORT-TERM BANK DEPOSITS

This represents fixed deposits placed with financial institutions for a period of between six to twelve months, earning interest at rates ranging from 3.50% to 4.75% (2017: 3.50% to 6.00%) per annum.

SIHANOUKVILLE AUTONOMOUS PORT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

14. CASH AND CASH EQUIVALENTS

	2018	2017
	KHR'000	KHR'000
Cash on hand	1,686,672	1,275,252
Cash at banks:		
Current accounts	<u>60,504,853</u>	<u>49,805,977</u>
	<u>62,191,525</u>	<u>51,081,229</u>

Cash at banks are deposited in local commercial banks. The current accounts carry no interest.

SIHANOUKVILLE AUTONOMOUS PORT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

15. SHARE CAPITAL AND SHARE PREMIUM

	Class A share		Class B share		Class C share		Share premium	Capital	Total
	Number	KHR'000	Number	KHR'000	Number	KHR'000	KHR'000	KHR'000	KHR'000
Year ended 31 December 2017									
At 1 January 2017	-	-	-	-	-	-	-	428,859,836	428,859,836
Conversion of capital to shares (a)	364,530,861	364,530,861	64,328,975	64,328,975	-	-	-	(428,859,836)	-
Proceeds from new shares issued (b)	-	-	-	-	21,442,992	21,442,992	67,715,235	-	89,158,227
At 31 December 2017	<u>364,530,861</u>	<u>364,530,861</u>	<u>64,328,975</u>	<u>64,328,975</u>	<u>21,442,992</u>	<u>21,442,992</u>	<u>67,715,235</u>	<u>-</u>	<u>518,018,063</u>
Year ended 31 December 2018									
At 1 January 2018	<u>364,530,861</u>	<u>364,530,861</u>	<u>64,328,975</u>	<u>64,328,975</u>	<u>21,442,992</u>	<u>21,442,992</u>	<u>67,715,235</u>	<u>-</u>	<u>518,018,063</u>
At 31 December 2018	<u>364,530,861</u>	<u>364,530,861</u>	<u>64,328,975</u>	<u>64,328,975</u>	<u>21,442,992</u>	<u>21,442,992</u>	<u>67,715,235</u>	<u>-</u>	<u>518,018,063</u>

- (a) According to Article 5 of the Articles of Incorporation dated 21 February 2017, the existing capital of KHR 428,859,836,000 were allocated into 364,530,861 class A shares and 64,328,975 class B shares with a par value of KHR 1,000 per share. Both class A shares and class B shares are controlled by the Royal Government of Cambodia represented by MoEF. Class A shares are not entitled to any dividend payment and have no voting rights except for conditions as detailed in article 9 of the Articles of Incorporation dated 21 February 2017. Class B shares have voting rights and are entitled to dividend as approved by the Board of Directors.

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

15. SHARE CAPITAL AND SHARE PREMIUM (continued)

(b) The details of voting rights shares are as follows:

Shareholders	Percentage	Number of shares	KHR'000
Class B shares:			
The Royal Government of Cambodia	75%	64,328,975	64,328,975
Class C shares:			
Japan International Cooperation Agency (JICA)	11%	9,434,916	9,434,916
Employee share option scheme	2%	2,144,299	2,144,299
Other investors	12%	9,863,777	9,863,777
	25%	21,442,992	21,442,992
	100%	85,771,967	85,771,967

On 8 June 2017, PAS was successfully listed on the Cambodia Securities Exchange (CSX). The number of new share issued in class C shares are 21,442,992 shares with a par value of KHR 1,000 per share, at an offering price of KHR 5,040 per share. All issued class C shares were fully paid.

As an incentive to public investors, class C shareholders (all carried voting rights) are entitled to receive a minimum guaranteed dividend yield of 5% per annum for 3 years (either in cash or in share in which the choice of settlement is made by PAS only) of the total class C shares multiplied by the offering price from the IPO listing date in June 2017. If settlement mode of dividend payment in shares, it is based on the closing market price of shares before ex-dividend day. No fixed number of share is guaranteed (only variable number of share). In case of having sufficient funds, the Directors shall declare and pay dividends to its investors within twelve months from the IPO listing date. In case that the minimum guaranteed dividend is not fully paid/distributed for any fiscal year, the remaining amount shall be accumulated/accrued to the next years until the minimum guaranteed dividend payment is viable.

The present value of minimum guaranteed dividends amount is KHR 14,180,842 thousand (at initial recognition) expected to be paid for three years from the listing date. The government, shareholder of class B voting shares and class A non-voting shares, is not entitled to receive the minimum guaranteed dividend.

	2018 KHR'000	2017 KHR'000
Opening balance	21,442,992	-
Proceed from new class C shares issued	-	108,072,680
Transaction costs	-	(4,733,611)
Cash proceed – net	21,442,992	103,339,069
Reclassification to guaranteed dividend payables	-	(14,180,842)
Reclassification to share premium	-	(67,715,235)
Closing balance	21,442,992	21,442,992

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

15. SHARE CAPITAL AND SHARE PREMIUM (continued)

(c) Guaranteed dividend payable to all class C shares

The maturity dates of these guaranteed dividend payables are as follows:

	2018	2017
	KHR'000	KHR'000
Current	4,912,466	5,403,634
Non-current	5,256,339	9,356,260
	<u>10,168,805</u>	<u>14,759,894</u>

The movement of guaranteed dividend payables is as follows:

	2018	2017
	KHR'000	KHR'000
Opening balance	14,759,894	-
Initial recognition	-	14,180,843
Interest expenses from winding up (note 28)	812,544	579,051
Guaranteed dividends paid	<u>(5,403,633)</u>	<u>-</u>
Closing balance	<u>10,168,805</u>	<u>14,759,894</u>

16. OTHER RESERVES

	2018	2017
	KHR'000	KHR'000
Opening balance	17,641,914	14,969,867
Add: General reserve	1,256,966	1,336,024
Add: Legal reserve	1,256,966	1,336,023
Closing balance	<u>20,155,846</u>	<u>17,641,914</u>

Article 34 of the Article of Incorporation dated 21 February 2017 stipulates that PAS's annual profit, after offsetting losses carried forward (if any), is allocated to general reserve at 5% and legal reserve at 5%. On 3 July 2018, the Board of Directors approved to transfer the profit for the year ended 31 December 2017 to general reserve of KHR 1,256,966 thousand and legal reserve of KHR 1,256,966 thousand.

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

17. BORROWINGS

	2018	2017
	KHR'000	KHR'000
Borrowings from:		
MoEF – (JICA) – Loan No. CP-P3	79,795,514	85,094,491
MoEF – (JBIC) – Loan No. CP-P4	119,018,127	127,055,028
MoEF – (JBIC) – Loan No. CP-P6	8,212,084	8,517,311
MoEF – (JBIC) – Loan No. CP-P8	123,945,263	126,754,757
MoEF – (JBIC) – Loan No. CP-P10	219,650,241	177,813,295
	<u>550,621,229</u>	<u>525,234,882</u>

MoEF signed borrowing agreements with JICA and JBIC in respect of the transactions relating to PAS. PAS also signed borrowing agreements with MoEF where borrowings are disbursed by JICA and JBIC directly to the suppliers of PAS. Repayments of borrowings are made by PAS directly to MoEF according to the repayment schedules.

The maturity dates of these borrowings are as follows:

	2018	2017
	KHR'000	KHR'000
Current		
Not later than one year	<u>22,197,311</u>	<u>21,697,576</u>
Non-current		
Later than one year but not later than two years	24,144,780	21,808,458
Later than two year but not later than five years	88,411,112	74,819,814
Later than five years	415,868,026	406,909,034
	<u>528,423,918</u>	<u>503,537,306</u>
	<u>550,621,229</u>	<u>525,234,882</u>

The carrying amounts and fair values of the current and non-current borrowings are as follows:

	2018	2017
	KHR'000	KHR'000
Carrying value		
Current portion	22,197,311	21,697,576
Non-current portion	528,423,918	503,537,306
	<u>550,621,229</u>	<u>525,234,882</u>
Fair value		
Current portion	18,487,318	18,383,339
Non-current portion	381,369,035	362,191,764
	<u>399,856,353</u>	<u>380,575,103</u>

SIHANOUKVILLE AUTONOMOUS PORT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

17. BORROWINGS (continued)

The fair values were calculated based on cash flows discounted using a current lending rate. They were classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.

Borrowings denominated in other currencies other than functional currency are as follows:

	2018	2017
	KHR'000	KHR'000
JPY	420,192,943	398,179,854
US\$	130,428,286	127,055,028
	<u>550,621,229</u>	<u>525,234,882</u>

The term of all borrowings is 30 years and the interest rates per annum for each borrowing is as follows:

	2018	2017
MoEF – (JICA) – Loan No. CP-P3	3.00%	3.00%
MoEF – (JBIC) – Loan No. CP-P4	3.70%	3.70%
MoEF – (JBIC) – Loan No. CP-P6	3.00%	3.00%
MoEF – (JBIC) – Loan No. CP-P8	2.65%	3.00%
MoEF – (JBIC) – Loan No. CP-P10	1.65%	1.65%

18. RETIREMENT BENEFIT OBLIGATIONS

The amounts recognised in the statement of financial position are as follows:

	2018	2017
	KHR'000	KHR'000
Present value of defined benefit obligations	69,938,976	41,008,255
Unfunded status	69,938,976	41,008,255
Net liability recognised in the statement of financial position	<u>69,938,976</u>	<u>41,008,255</u>

The movement in the defined benefit obligation over the year is as follows:

	2018	2017
	KHR'000	KHR'000
Beginning balance	41,008,255	40,301,411
Current service cost	1,151,000	1,148,000
Interest cost	3,135,000	3,006,000
Benefits paid	(3,107,279)	(3,447,156)
Remeasurement losses (*)	27,752,000	-
Closing balance	<u>69,938,976</u>	<u>41,008,255</u>

SIHANOUKVILLE AUTONOMOUS PORT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

18. RETIREMENT BENEFIT OBLIGATIONS (continued)

(*) The remeasurement losses arose from:

- (i) the change in discount rate per annum from 7% to 6%,
- (ii) the change in the pre-retirement mortality table from the 2008 Thailand Ordinary Mortality table to the 2017 Thailand Ordinary Mortality table,
- (iii) the difference between the actual and projected scheme experience, and
- (iv) the difference in the defined benefit obligations balance as at 31 December 2017 between the figure booked in the financial statements and the projected figure based on the 2014 valuation results.

	2018	2017
	KHR'000	KHR'000
Current portion	3,057,000	2,995,780
Non-current portion	66,881,976	38,012,475
	<u>69,938,976</u>	<u>41,008,255</u>

The retirement benefit costs recognised within salaries, wages and related expenses in the statement of profit or loss were as follows:

	2018	2017
	KHR'000	KHR'000
Current service cost	1,151,000	1,148,000
Interest cost	3,135,000	3,006,000
	<u>4,286,000</u>	<u>4,154,000</u>

The principal actuarial assumptions were as follows:

	2018	2017
Average expected future working years	18	20
Discount rate per annum	6%	7%
Salary increase rate per annum	5%	5%
Turnover rate per annum	0.5%	0.5%

Mortality rates

In the absence of published mortality rates in Cambodia, PAS used the 2017 Thailand Ordinary Mortality table modified to fit Cambodian life expectancy. The 2017 Thailand Ordinary Mortality table contains the most recent estimates of likelihood of death of the general population in Thailand and has remained consistent as at 31 December 2018.

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

19. SENIORITY PAYMENT OBLIGATIONS

PAS assessed the impact of past years of seniority payment obligations, and estimated the liabilities of KHR 1,839,721 thousand and recognised in the financial statement accordingly.

	2018 KHR'000	2017 KHR'000
Current portion	367,953	-
Non-current portion	1,471,768	-
	<u>1,839,721</u>	<u>-</u>

The assumptions used in determining the ultimate cost for seniority payment include:

	2018
Discount rate per annum	6%
Staff turnover rate per annum	0.5%

20. DEFERRED INCOME

PAS leased out pieces of land at the Sihanouk Special Economic Zone and at the port facility under a 50-year and two-year operating lease, respectively. The prepayment is credited to the statement of profit or loss on a straight-line basis over the lease term.

	2018 KHR'000	2017 KHR'000
Current	251,527	133,221
Non-current	5,635,245	5,795,114
	<u>5,886,772</u>	<u>5,928,335</u>
	2018 KHR'000	2017 KHR'000
Beginning balance	5,928,335	6,061,556
Additions	751,935	232,109
Credited to the statement of profit or loss	(769,692)	(367,585)
Foreign currency differences	(23,806)	2,255
Closing balance	<u>5,886,772</u>	<u>5,928,335</u>

SIHANOUKVILLE AUTONOMOUS PORT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

21. TRADE AND OTHER PAYABLES

	2018	2017
	KHR'000	KHR'000
Trade payables (*)	3,378,123	22,141,725
Accrued bonuses	10,143,833	8,590,721
Deposits from customers	1,260,537	1,231,327
Value added tax payable	1,865,755	1,065,163
Salary tax payable	381,488	300,422
Accrual social fund contribution	2,990,312	1,982,664
Other liabilities	921,856	576,478
	<u>20,941,904</u>	<u>35,888,500</u>

Deposits from customers of KHR 1,260,537 thousand (2017: KHR 1,231,327 thousand) are expected to settle more than 12 months while the remaining trade and other payables of KHR 19,681,367 thousand (2017: KHR 34,657,173 thousand) are expected to settle within 12 months from the balance sheet date.

(*) Included in trade payables, there is an outstanding payable of KHR 33,437 thousand (2017: KHR 18,646,903 thousand) for purchases of property and equipment.

22. REVENUE

	2018	2017
	KHR'000	KHR'000
Stevedoring charges	127,087,538	104,875,495
Lift-On Lift-Off (LO-LO)	75,138,978	63,629,447
Port due/charge services	57,694,034	49,644,049
Rental income from SEZ	3,016,365	2,848,180
Other revenue	12,638,730	6,400,664
	<u>275,575,645</u>	<u>227,397,835</u>

23. CONSUMABLE SUPPLIES

	2018	2017
	KHR'000	KHR'000
Combustible expenses	41,493,774	30,432,024
Spare parts	20,722,379	12,710,820
Warehouse supplies	7,700,704	5,652,106
Oil and lubricant	3,166,115	2,800,039
Office supplies	2,263,129	1,819,761
Other consumables	846,742	974,905
	<u>76,192,843</u>	<u>54,389,655</u>

SIHANOUKVILLE AUTONOMOUS PORT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

24. SALARIES, WAGES AND RELATED EXPENSES

	2018	2017
	KHR'000	KHR'000
Employee salaries	52,401,175	44,692,571
Bonuses	10,143,833	8,637,281
Accrued seniority payments	1,839,721	-
Retirement benefit costs (note 18)	4,286,000	4,154,000
Directors' remuneration	1,310,400	1,523,355
Social security expenses	570,686	273,277
Wages for contractors	216,100	139,894
Other employee-related expenses	3,940,403	2,214,508
	<u>74,708,318</u>	<u>61,634,886</u>

25. DEPRECIATION AND AMORTISATION CHARGES

	2018	2017
	KHR'000	KHR'000
Property and equipment (note 7)	21,107,899	18,110,150
Investment properties (note 8)	6,104,961	6,071,873
Intangible assets (note 9)	1,062,871	1,057,913
	<u>28,275,731</u>	<u>25,239,936</u>

26. OTHER EXPENSES

	2018	2017
	KHR'000	KHR'000
Contributions and donations	9,490,618	7,654,112
Special Economic Zone (SEZ) operating expense	3,413,329	3,316,943
Reception and hospitality	3,630,099	2,937,219
Missions	1,679,008	1,094,676
Expected credit losses	335,752	-
Administrative expenses	2,448,217	2,702,934
Training, workshops and seminars	1,173,407	1,219,676
Publications	851,783	944,051
Post services	636,839	700,943
Utilities	204,984	185,099
Professional and related costs	563,477	512,397
Health-care supplies	172,542	169,278
Equipment rental	105,758	176,096
Other taxes	90,582	192,210
Other expenses	168,537	91,513
	<u>24,964,932</u>	<u>21,897,147</u>

SIHANOUKVILLE AUTONOMOUS PORT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

27. OTHER LOSSES – NET

	2018	2017
	KHR'000	KHR'000
Foreign exchange gains	924,057	1,326,339
Foreign exchange losses	<u>(1,351,868)</u>	<u>(2,013,914)</u>
	<u>(427,811)</u>	<u>(687,575)</u>

28. FINANCE COSTS – NET

	2018	2017
	KHR'000	KHR'000
Finance income:		
Interest income on bank deposits (a)	2,763,365	1,413,263
Interest income from unwinding of discount of loans to employees	<u>948,301</u>	<u>561,821</u>
	<u>3,711,666</u>	<u>1,975,084</u>
Financial costs:		
Interest expenses on borrowings (b)	(10,799,173)	(11,185,401)
Net exchange losses on foreign currency borrowings (c)	(7,505,775)	(10,762,340)
Interest expenses from winding up guaranteed dividend payables	<u>(812,544)</u>	<u>(579,051)</u>
	<u>(19,117,492)</u>	<u>(22,526,792)</u>
Finance cost – net	<u>(15,405,826)</u>	<u>(20,551,708)</u>

(a) Interest income represents interest earned from savings and fixed deposit accounts held at local banks during the year.

(b) Interest expenses represent the interest charges on borrowings obtained from the MoEF, which are funded through borrowings obtained from JICA and JBIC.

(c) PAS has the borrowings (note 17) which are denominated in Japanese yen (JPY) and US dollar (US\$). Given the depreciation in KHR against JPY, this resulted in significant exchange losses on its borrowings denominated in JPY. The exchange rates are based on the exchange rates published by the National Bank of Cambodia as at the end of reporting periods.

	2018	2017	2016
JPY/KHR	36.59	35.92	34.85
US\$/KHR	4,018	4,037	4,037

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

29. INCOME TAX EXPENSE

(a) Income tax expense

	2018	2017
	KHR'000	KHR'000
Current income tax	6,999,331	4,308,799
Deferred tax	(3,010,316)	7,617,200
Adjustments for current tax of prior year	-	789,317
Income tax expense	<u>3,989,015</u>	<u>12,715,316</u>

(b) Reconciliation of income tax and accounting profit

	2018	2017
	KHR'000	KHR'000
Accounting profit before income tax	49,557,787	37,854,632
Income tax expenses (*)	4,955,779	3,785,463
Tax effect in respect of non-deductible expenses	<u>2,043,552</u>	<u>523,336</u>
	6,999,331	4,308,799
Current income tax	<u>6,999,331</u>	<u>4,308,799</u>

(*) Under the Cambodian tax regulations, PAS is subject to pay income tax at rate of 20%. According to ANUKRET No.01 ANKR.TT dated 8 January 2015, the listed entities are entitled to a three-year tax incentive given by the Securities Exchange Commission of Cambodia. On 16 May 2018, GDT approved the incentive as 50% reduction of income tax rate (20%) and accordingly PAS is subject to 10% income tax rate from 2017 to 2019.

(c) Deferred tax balances

	2018	2017
	KHR'000	KHR'000
Deferred tax assets	24,945,203	16,572,680
Deferred tax liabilities	<u>(29,552,087)</u>	<u>(24,189,880)</u>
Deferred tax liabilities – net	<u>(4,606,884)</u>	<u>(7,617,200)</u>

The movement of deferred tax balances:

	2018	2017
	KHR'000	KHR'000
At 1 January 2018	(7,617,200)	-
Charged to profit or loss	<u>3,010,316</u>	<u>(7,617,200)</u>
At 31 December 2018	<u>(4,606,884)</u>	<u>(7,617,200)</u>

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29. INCOME TAX EXPENSE (continued)

(c) Deferred tax balances (continued)

i. Deferred tax assets

	Retirement benefit obligations KHR'000	Seniority payment obligations KHR'000	Accrued bonus KHR'000	Provision KHR'000	Deferred income KHR'000	Taxable loss carried forward from SEZ KHR'000	Total KHR'000
At 1 January 2017	8,060,282	-	-	160,804	221,089	-	8,442,175
Credited/(Charged) to profit or loss	141,369	-	1,718,144	(12,205)	964,578	5,318,619	8,130,505
At 31 December 2017	<u>8,201,651</u>	<u>-</u>	<u>1,718,144</u>	<u>148,599</u>	<u>1,185,667</u>	<u>5,318,619</u>	<u>16,572,680</u>
At 1 January 2018	8,201,651	-	1,718,144	148,599	1,185,667	5,318,619	16,572,680
Credited/(Charged) to profit or loss	5,786,144	367,944	310,623	137,067	(8,313)	1,779,058	8,372,523
At 31 December 2018	<u>13,987,795</u>	<u>367,944</u>	<u>2,028,767</u>	<u>285,666</u>	<u>1,177,354</u>	<u>7,097,677</u>	<u>24,945,203</u>

ii. Deferred tax liabilities

	Accelerated depreciation and amortisation KHR'000	Total KHR'000
At 1 January 2017	(8,442,175)	(8,442,175)
Charged to profit or loss	(15,747,705)	(15,747,705)
At 31 December 2017	<u>(24,189,880)</u>	<u>(24,189,880)</u>
At 1 January 2018	(24,189,880)	(24,189,880)
Charged to profit or loss	(5,362,207)	(5,362,207)
At 31 December 2018	<u>(29,552,087)</u>	<u>(29,552,087)</u>

(d) Other tax matters

PAS's tax returns are subject to periodic examination by the respective tax authorities. Some areas of tax laws and regulations may be open to different interpretation; therefore tax amounts reported in the financial statements could be changed at a later date, upon final determination by the respective tax authorities.

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30. EARNINGS PER SHARE

i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of PAS by the weighted average number of ordinary shares in issue during the year.

	<u>2018</u>	<u>2017</u>
Profit attributable to shareholders (KHR'000)	45,568,772	25,139,316
Weighted average number of shares	<u>85,771,967</u>	<u>76,551,480</u>
Basic earnings per share (KHR)	<u>531.28</u>	<u>328.40</u>

ii) Diluted earnings per share

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. PAS had no dilutive potential ordinary shares as at the period end. As such, the diluted earnings per share was equivalent to the basic earnings per share.

31. CASH GENERATED FROM OPERATIONS

	Note	<u>2018</u> <u>KHR'000</u>	<u>2017</u> <u>KHR'000</u>
Profit before income tax		49,557,787	37,854,632
<i>Adjustments for:</i>			
Depreciation and amortisation charges	25	28,275,731	25,239,936
Finance costs– net	28	15,405,826	20,551,708
Retirement benefit obligation expenses	18	4,286,000	4,154,000
Seniority payment obligations		1,839,721	-
Other employees related expenses from loans to employees		655,456	327,728
<i>Changes in working capital:</i>			
Inventories		(2,879,052)	(1,647,655)
Trade and other receivables		(2,780,132)	(11,224,071)
Trade and other payables		(14,980,033)	1,527,710
Deferred income		<u>(41,563)</u>	<u>(133,221)</u>
Cash generated from operations		<u>79,339,741</u>	<u>76,650,767</u>

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31. CASH GENERATED FROM OPERATIONS (continued)

This section sets out an analysis of net debt and the movements in net debt for each year presented.

	2018	2017
	KHR'000	KHR'000
Cash and cash equivalents	62,191,525	51,081,229
Short-term bank deposits	74,873,239	73,194,201
Borrowings – repayable within one year	(22,197,311)	(21,697,576)
Borrowings – repayable after one year	(528,423,918)	(503,537,306)
Net debt	(413,556,465)	(400,959,452)
Cash and short-term bank deposits	137,064,764	124,275,430
Gross debt – fixed interest rates	(550,621,229)	(525,234,882)
Net debt	(413,556,465)	(400,959,452)

	Other assets		Liabilities from financing activities		Total
	Cash and cash equivalents	Short-term bank deposits	Borrowings due within 1 year	Borrowings due after 1 year	
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000
Net debt at 1 January 2018	51,081,229	73,194,201	(21,697,576)	(503,537,306)	(400,959,452)
Cash flows	11,110,296	1,679,038	23,177,342	(30,258,741)	5,707,935
Foreign exchange differences	-	-	(1,479,766)	(6,026,009)	(7,505,775)
Other non-cash movements	-	-	(22,197,311)	11,398,138	(10,799,173)
Net debt at 31 December 2018	62,191,525	74,873,239	(22,197,311)	(528,423,918)	(413,556,465)

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32. RELATED-PARTY TRANSACTIONS

(a) Related party transactions and balances

PAS is under the financial supervision of the MoEF and the technical supervision of the MoPWT.

Significant related party transactions and balances with MoPWT and MoEF are disclosed in note 12 and notes 17 and 28(b), respectively.

(b) Key management compensation

Key management compensation for the year ended is as follows:

	2018	2017
	KHR'000	KHR'000
<i>Board of directors</i>		
Fees and related expenses	<u>1,310,400</u>	<u>1,396,800</u>
<i>Key management personnel</i>		
Salaries and other expenses	<u>2,237,744</u>	<u>1,785,437</u>
Retirement benefit expenses (*)	<u>145,765</u>	<u>144,860</u>
Seniority benefit expenses (**)	<u>53,837</u>	<u>-</u>

Key management personnel comprise of Chief Executive Officer and Executive Directors who make strategic decisions over PAS's direction, financial and operational performances.

(*) Retirement benefit scheme is operated at entity wide which key management personnel are also entitled to the benefit scheme the same as other employees of PAS.

(**) Seniority benefit scheme is effective in 2018 and operated at entity wide which key management personnel are also entitled to the benefit scheme the same as other employees of PAS.

(c) Loan to key management

PAS provided loans to employees including key management and board of directors to buy its class C shares at the Initial Public Offering on 8 June 2017. Loan is interest free and has term of four years (note 10). Loan will be repaid on monthly basis by deducting from the monthly salaries of the key management. As at 31 December 2018, outstanding loans to the key management were KHR 2,439 million (31 December 2017: KHR 3,414 million).

33. COMMITMENTS

As at 31 December 2018, PAS had outstanding capital expenditure commitment of KHR 531 million (31 December 2017: KHR 52,608 million) for its purchase of property and equipment to be paid in 2019.