

PHNOM PENH AUTONOMOUS PORT

**Financial Statements
for the year ended 31 December 2015
and
Report of the Independent Auditors**

Corporate information

Company	Phnom Penh Autonomous Port
Registration No	Co.7175 Et/2004
Registered office	No. 649, Preah Sisowath Quay Sangkat Sras Chork Khan Daun Penh, Phnom Penh Kingdom of Cambodia
Majority shareholder	Ministry of Economy and Finance
Board of Directors	H.E. Hei Bavy, Chairman and Chief Executive Officer H.E. Suon Rachana, Member representing MPWT H.E. Ly Sivanna, Member representing Council of Ministers H.E. Ken Sambath, Member representing MEF H.E. Penn Sovicheat, Member representing MOC H.E. Proum Sokhany, Member representing PPAP employees Mr. Hout Hay, Member representing Municipality of Phnom Penh
Management team	H.E. Hei Bavy, Chief Executive Officer H.E. Kim Sen, Deputy Director General of Administration and Finance Mr. Proum Sokhany, Deputy Director General of Technique Mr. Hiek Phirun, Deputy Director General of Maritime Service/Traffic Mr. Nem Thim, Deputy Director General of Operation Mr. Keo Sophanara, Head of Internal Audit Department Mrs. Chuon Sokhem, Head of Administration Department Mr. Kong Sothea, Head of Personnel/HR Department Ms. Chheav Vanthea, Head of Accounting/Finance Department Mr. Koy Bunthorn, Head of Engineer Department Mr. Chiep Viraya, Head of Hydrographic Department Mr. Yim Choeurn, Head of Harbour Department Mr. Soy Sereysovathanak, Head of Commercial Zone/Domestic Port Department Mrs. Hei Phanin, Head of Planning/Marketing Department Mr. Tol Sokhom, Head of TS3 Operation Department Mr. Chui Vichet, Head of LM17 Operation Department Mr. Kong Channy, Manager of Secretariat Mr. Mam Rithy, State Controller
Principal bankers	Foreign Trade Bank of Cambodia ANZ Royal Bank (Cambodia) Ltd. Canadia Bank Plc. Advanced Bank of Asia Limited Bank of China Limited
Auditor	KPMG Cambodia Ltd

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Report of the Directors

The Directors have pleasure in submitting their report together with the audited financial statements of Phnom Penh Autonomous Port (“PPAP” or “the Company”) for the year ended 31 December 2015.

Principal activities

Phnom Penh Autonomous Port is an international port which is under the technical supervision of the Ministry of Public Works and Transport (“MPWT”), and governed by the Ministry of Economy and Finance (“MEF”).

The Royal Government of Cambodia has transferred PPAP the rights and obligations to implement its mission. PPAP has objectives and obligations as follows:

- Provide pilotage and logistic service for vessel in - out of Cambodia;
- Handle, load/discharge and transport cargos;
- Dredging service for business and maintenance of navigation channel;
- Maintenance of waterway transportation;
- Provide storage, warehouse and container yard for cargos;
- Develop, rehabilitate, and expand the infrastructure;
- Manage Phnom Penh lines for waterway transportation;
- Provide service for passenger and tourist vessel passing through;
- Responsible for the safety, security and order under PPAP’s management area; and
- Conduct other legal business of any kind, in addition to the above mentioned, to further the objectives of PPAP as deemed necessary or appropriate by the Board of Directors of PPAP.

On 9 December 2015, PPAP was successfully listed on the Cambodia Securities Exchange (“CSX”).

There were no significant changes to these principal activities during the financial year.

Financial results

The financial results of PPAP for the year ended 31 December 2015 are stated in the statement of profit or loss and other comprehensive income on page 10.

Dividends

Net profit for the year ended 31 December 2015 amounting to US\$3,183,221 is eligible for the dividend distribution.

On 5 Feb 2015, the shareholder resolved to distribute dividends in respect of net profit for the year ended 31 December 2014 amounting to US\$492,368 to the MEF. The amounts were fully paid to the MEF during the year.

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Share capital

On 24 July 2015, the Board of Directors of PPAP resolved to transfer the retained earnings amounting to US\$83,538,740 (equivalent to KHR338,582,513 thousand) to the share capital. On 14 October 2015, MPWT and MEF have approved to amend the Memorandum and Articles of Association (“MAA”) to reflect the above changes. This transfer was approved by the Ministry of Commerce (“MOC”) on 10 November 2015. Refer to Note 9 for additional detail.

Reserves and provisions

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

Bad and doubtful debts

Before the financial statements of PPAP were prepared, the Directors took reasonable steps to ascertain that actions had been taken in relation to the writing off of debts and the making of allowances for doubtful debts, and satisfied themselves that all known bad debts had been written off and adequate allowance had been made for bad and doubtful debts.

At the date of this report, the Directors are not aware of any circumstances, which would render the amount written off for bad debts, or the amount of allowance for doubtful debts in the financial statements of PPAP, inadequate to any material extent.

Current assets

Before the financial statements of PPAP were prepared, the Directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business at their value as shown in the accounting records of PPAP have been written down to an amount which they might be expected to realise.

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

Valuation methods

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

Contingent and other liabilities

At the date of this report, there does not exist:

- (a) any charge on the assets of PPAP which has arisen since the end of the financial year which secures the liabilities of any other person, or

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Contingent and other liabilities (continued)

- (b) any contingent liability in respect of PPAP that has arisen since the end of the financial year other than in the ordinary course of business.

No contingent or other liability of PPAP has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of PPAP to meet its obligations as and when they fall due.

Change of circumstances

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

Items of unusual nature

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

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of PPAP for the current financial year for which this report is made.

Directors

The Directors who served as of the date of this report are as follows:

H.E. Hei Bavy	Chairman and Chief Executive Officer
H.E. Suon Rachana	Member Representing MPWT
H.E. Ly Sivanna	Member Representing Council of Ministers
H.E. Ken Sambath	Member Representing MEF
H.E. Penn Sovicheat	Member Representing MOC
H.E. Proum Sokhany	Member Representing PPAP employees
Mr. Hout Hay	Member Representing Municipality of Phnom Penh

Directors' benefits

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

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Directors' benefits

Since the end of the previous financial year, no Director of PPAP has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments receivable by the Directors as disclosed in the financial statements) by reason of a contract made by PPAP or a related corporation with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than as disclosed in the financial statements.

Auditors

The auditors, Messrs KPMG Cambodia Ltd, have indicate their willingness to accept re-appointment.

Directors' responsibility in respect of the financial statements

The Board of Directors is responsible for ascertaining that the financial statements present fairly, in all material respects, the financial position of PPAP as at 31 December 2015, and its financial performance and its cash flows for the year then ended. In preparing these financial statements, the Board of Directors is required to:

- (i) adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- (ii) comply with Cambodian International Financial Reporting Standards or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;
- (iii) maintain adequate accounting records and an effective system of internal controls;
- (iv) prepare the financial statements on the going concern basis unless it is inappropriate to assume that PPAP will continue operations in the foreseeable future; and
- (v) control and direct effectively PPAP in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

The Board of Directors confirms they have complied with the above requirements in preparing the financial statements of PPAP.

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Approval of the financial statements

We hereby approve the accompanying financial statements together with the notes thereto as set out on pages 8 to 47 which present fairly, in all material respects, the financial position of Phnom Penh Autonomous Port as at 31 December 2015, and its financial performance and its cash flows for the year then ended, in accordance with Cambodian International Financial Reporting Standards: *† 2/16*

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



H.E. Hei Bavy

Chairman and Chief Executive Officer

Phnom Penh, Kingdom of Cambodia

Date: 29 MAR 2016



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Report of the independent auditors

To the shareholders

Phnom Penh Autonomous Port

We have audited the accompanying financial statements of Phnom Penh Autonomous Port (“PPAP”), which comprise the statement of financial position as at 31 December 2015, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information as set out on pages 8 to 47.

Management’s responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Cambodian International Financial Reporting Standards, 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.

Auditors’ responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Cambodian International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to entity’s preparation and fair presentation of the financial statements 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 entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Phnom Penh Autonomous Port as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards.

For KPMG Cambodia Ltd



Nge Huy
Partner

Phnom Penh, Kingdom of Cambodia

29 March 2016

Phnom Penh Autonomous Port

Statement of financial position As at 31 December 2015

	Note	31 December 2015		31 December 2014	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
ASSETS					
Non-current assets					
Property, plant and equipment	5	140,013,553	568,455,025	140,767,115	568,417,610
Investment properties	6	7,907,653	32,105,071	7,842,164	31,666,658
		<u>147,921,206</u>	<u>600,560,096</u>	<u>148,609,279</u>	<u>600,084,268</u>
Current assets					
Trade and other receivables	7	2,913,180	11,827,511	1,375,233	5,553,191
Cash and cash equivalents	8	8,749,221	35,521,837	1,820,910	7,352,835
		<u>11,662,401</u>	<u>47,349,348</u>	<u>3,196,143</u>	<u>12,906,026</u>
Total assets		<u>159,583,607</u>	<u>647,909,444</u>	<u>151,805,422</u>	<u>612,990,294</u>
EQUITY AND LIABILITIES					
Equity					
Share capital	9	110,316,612	447,885,445	26,777,872	108,129,047
Other capital	9	4,292,375	17,427,043	-	-
Legal reserves		431,780	1,753,027	349,143	1,409,839
General reserves		431,780	1,753,027	349,143	1,409,839
Development fund		7,822,617	31,759,825	6,335,151	25,581,341
Retained earnings		3,160,025	12,829,702	85,655,817	345,878,189
Total equity		<u>126,455,189</u>	<u>513,408,069</u>	<u>119,467,126</u>	<u>482,408,255</u>
Liabilities					
Non-current liabilities					
Borrowings	10	28,979,637	117,657,326	28,979,637	117,019,774
Provision for retirement benefits	11	525,192	2,132,280	717,462	2,897,112
Deferred tax liabilities, net	12	1,082,617	4,395,425	693,094	2,798,713
		<u>30,587,446</u>	<u>124,185,031</u>	<u>30,390,193</u>	<u>122,715,599</u>

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Statement of financial position (continued) As at 31 December 2015

	Note	31 December 2015		31 December 2014	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Current liabilities					
Trade and other payables	13	1,900,091	7,714,367	1,628,128	6,574,381
Provision for income tax	12	640,881	2,601,977	319,975	1,292,059
		<hr/>	<hr/>	<hr/>	<hr/>
		2,540,972	10,316,344	1,948,103	7,866,440
		<hr/>	<hr/>	<hr/>	<hr/>
		33,128,418	134,501,375	32,338,296	130,582,039
		<hr/>	<hr/>	<hr/>	<hr/>
Total equity and liabilities		159,583,607	647,909,444	151,805,422	612,990,294
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

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Statement of profit or loss and other comprehensive income for the year ended 31 December 2015

	Note	2015		2014	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Revenue	14	15,137,484	61,458,186	13,292,255	53,674,126
Cost of sales and services	15	(5,388,585)	(21,877,655)	(5,311,058)	(21,446,052)
Gross profit		9,748,899	39,580,531	7,981,197	32,228,074
Other income	16	360,285	1,462,757	301,336	1,216,795
General administration and selling expenses	17	(4,581,506)	(18,600,916)	(4,188,216)	(16,912,016)
Net operating income		5,527,678	22,442,372	4,094,317	16,532,853
Finance costs		(1,159,186)	(4,706,295)	(1,288,541)	(5,203,129)
Profit before income tax		4,368,492	17,736,077	2,805,776	11,329,724
Income tax expense	12	(1,185,267)	(4,812,184)	(660,667)	(2,667,773)
Net profit for the year		3,183,225	12,923,893	2,145,109	8,661,951
Other comprehensive income					
Re-measurements of defined benefit liability		4,831	19,614	(49,004)	(197,878)
		3,188,056	12,943,507	2,096,105	8,464,073
Earnings per shares	22				
Basic earnings per shares		0.19	0.77		
Diluted earnings per shares		0.19	0.77		

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

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Statement of changes in equity for the year ended 31 December 2015

	Capital US\$	Legal reserves US\$	General reserves US\$	Development fund US\$	Retained earnings US\$	Total US\$
At 1 January 2014	25,884,662	335,366	335,366	6,087,168	84,331,897	116,974,459
<i>Transactions with owners of the Company</i>						
Additional capital	893,210	-	-	-	-	893,210
<i>Total comprehensive incomes</i>						
Net profit for the year	-	-	-	-	2,145,109	2,145,109
Other comprehensive loss	-	-	-	-	(49,004)	(49,004)
Dividend paid	-	-	-	-	(496,648)	(496,648)
Transfers	-	13,777	13,777	247,983	(275,537)	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	-	13,777	13,777	247,983	1,323,920	1,599,457
At 31 December 2014	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	26,777,872	349,143	349,143	6,335,151	85,655,817	119,467,126
At 31 December 2014 (KHR'000 – Note 4)	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	108,129,047	1,409,839	1,409,839	25,581,341	345,878,189	482,408,255

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Statement of changes in equity (continued) for the year ended 31 December 2015

	Share capital US\$	Other capital US\$	Legal reserves US\$	General reserves US\$	Development fund US\$	Retained earnings US\$	Total US\$
At 1 January 2015	26,777,872	-	349,143	349,143	6,335,151	85,655,817	119,467,126
<i>Transaction with owners of the Company</i>							
Additional capital through initial public offerings (“IPO”)	-	5,193,915	-	-	-	-	5,193,915
Transaction costs	-	(901,540)	-	-	-	-	(901,540)
	<u>-</u>	<u>4,292,375</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,292,375</u>
<i>Total comprehensive incomes</i>							
Net profit for the year	-	-	-	-	-	3,183,225	3,183,225
Other comprehensive income	-	-	-	-	-	4,831	4,831
Dividend paid	-	-	-	-	-	(492,368)	(492,368)
Transfers	83,538,740	-	82,637	82,637	1,487,466	(85,191,480)	-
	<u>83,538,740</u>	<u>-</u>	<u>82,637</u>	<u>82,637</u>	<u>1,487,466</u>	<u>(82,495,792)</u>	<u>2,695,688</u>
At 31 December 2015	<u>110,316,612</u>	<u>4,292,375</u>	<u>431,780</u>	<u>431,780</u>	<u>7,822,617</u>	<u>3,160,025</u>	<u>126,455,189</u>
At 31 December 2015 (KHR’000 – Note 4)	<u>447,885,445</u>	<u>17,427,043</u>	<u>1,753,027</u>	<u>1,753,027</u>	<u>31,759,825</u>	<u>12,829,702</u>	<u>513,408,069</u>

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

Phnom Penh Autonomous Port

Statement of cash flows for the year ended 31 December 2015

	2015		2014	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Operating activities				
Net profit for the year	3,183,225	12,923,895	2,145,109	8,661,951
Adjustments for:				
Income tax expense	1,185,267	4,812,184	660,667	2,667,773
Depreciation of property, plant and equipment and investment property	2,305,546	9,360,517	2,279,349	9,204,011
Loss on disposal of property, plant and equipment	7,212	29,281	25,294	102,137
Property, plant and equipment written off	15,376	62,427	-	-
Provision for retirement benefits	(144,853)	(588,103)	92,268	372,579
Finance costs	1,159,186	4,706,295	1,288,541	5,203,129
	<u>7,710,959</u>	<u>31,306,496</u>	<u>6,491,228</u>	<u>26,211,580</u>
Changes in:				
Trade and other receivables	(1,537,947)	(6,244,070)	890,585	3,596,181
Trade and other payables	271,963	1,104,170	(337,885)	(1,364,380)
	<u>6,444,975</u>	<u>26,166,596</u>	<u>7,043,928</u>	<u>28,443,381</u>
Interest paid	(1,159,186)	(4,706,295)	(1,288,541)	(5,203,129)
Income tax paid	(474,838)	(1,927,842)	(349,448)	(1,411,071)
Employee benefit paid	(42,586)	(172,899)	(43,652)	(176,266)
	<u>4,768,365</u>	<u>19,359,560</u>	<u>5,362,287</u>	<u>21,652,915</u>
Investing activities				
Purchase of property, plant and equipment	(1,631,473)	(6,623,780)	(855,455)	(3,454,327)
Purchase of investment property	(11,314)	(45,935)	(34,339)	(138,661)
Proceeds from disposals of property, plant and equipment	2,726	11,068	1,368	5,524
	<u>(1,640,061)</u>	<u>(6,658,647)</u>	<u>(888,426)</u>	<u>(3,587,464)</u>

Phnom Penh Autonomous Port

Statement of cash flows (continued) for the year ended 31 December 2015

	2015		2014	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Financing activities				
Proceed from IPO, net of transaction costs	4,292,375	17,427,043	893,210	3,606,782
Dividend paid	(492,368)	(1,999,014)	(496,648)	(2,005,465)
Net cash generated from financing activities	<u>3,800,007</u>	<u>15,428,029</u>	<u>396,562</u>	<u>1,601,317</u>
Net increase in cash and cash equivalents	6,928,311	28,128,942	4,870,423	19,666,768
Cash and cash equivalents at 1 January	<u>1,820,910</u>	<u>7,392,895</u>	<u>(3,049,513)</u>	<u>(12,313,933)</u>
Cash and cash equivalents at 31 December (Note 8)	<u>8,749,221</u>	<u>35,521,837</u>	<u>1,820,910</u>	<u>7,352,835</u>

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

Phnom Penh Autonomous Port

Notes to the financial statements for the year ended 31 December 2015

1. Reporting entity

Phnom Penh Autonomous Port (“PPAP”) was incorporated in the Kingdom of Cambodia under the Sub-Decree number 51 អនក្រឹត្យ dated 17 July 1998 as a state-owned enterprise supervised by the Ministry of Economy and Finance (“MEF”) and the Ministry of Public Works and Transport (“MPWT”). On 9 December 2015, PPAP was listed on the Cambodia Securities Exchange (“CSX”) with the securities listing certificate number 003 CSX/SC. PPAP received the rights and obligations from the Government to implement its mission.

PPAP has objectives and obligations as follows:

- Provide pilotage and logistic service for vessel in - out of Cambodia;
- Handle, load/discharge and transport cargos;
- Dredging service for business and maintenance of navigation channel;
- Maintenance of waterway transportation;
- Provide storage, warehouse and container yard for cargos;
- Develop, rehabilitate, and expand the infrastructure;
- Manage Phnom Penh lines for waterway transportation;
- Provide service for passenger and tourist vessel passing through;
- Responsible for the safety, security and order under PPAP’s management area; and
- Conduct other legal business of any kind, in addition to the above mentioned, to further the objectives of PPAP as deemed necessary or appropriate by the Board of Directors of PPAP.

There were no significant changes to these principal activities during the financial year.

As at 31 December 2015, PPAP had 478 employees (2014: 446 employees).

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with Cambodian International Financial Reporting Standards (“CIFRS”). They were authorised for issue by the Board of Directors on 29 March 2016.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

Phnom Penh Autonomous Port

Notes to the financial statements (continued) for the year ended 31 December 2015

2. Basis of preparation (continued)

(c) Functional and presentation currency

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

These financial statements are presented in US\$, which is the Company’s functional currency. All information in US\$ has been rounded to the nearest dollars.

(d) Use of estimate and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 11 – Measurement of defined benefit obligations
- Note 21 – Tax contingencies.

Measurement of fair values

A number of the Company’s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The finance team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the finance team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of CIFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Phnom Penh Autonomous Port

Notes to the financial statements (continued) for the year ended 31 December 2015

2. Basis of preparation (continued)

(d) Use of estimate and judgements (continued)

Measurement of fair values (continued)

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Information about the assumptions made in measuring fair values is included in Note 19 – financial risk management.

3. Significant accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these financial statements.

(a) Foreign currency translations

Transactions in currencies other than US\$ are translated into US\$ at the exchange rates ruling at the dates of the transactions.

Monetary assets and liabilities denominated in currencies other than US\$ at the reporting date are translated into US\$ at the rates of exchange ruling at that date. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Exchange differences arising on translation are recognised in the profit or loss.

Phnom Penh Autonomous Port

Notes to the financial statements (continued) for the year ended 31 December 2015

3. Significant accounting policies (continued)

(b) Financial instruments

The Company classifies non-derivative financial assets into loans and receivables category.

The Company classifies non-derivative financial liabilities into other financial liabilities category.

(i) Non-derivative financial assets and financial liabilities – recognition and derecognition

The Company initially recognises loans and receivables on the date that they are originated. All other financial assets and financial liabilities are recognised initially on the trade date.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control over the transferred assets. Any interest in such transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(ii) Non-derivative financial assets and financial liabilities – measurement

Loans and receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the transaction date that are subject to an insignificant risk of changes in their fair value and form an integral part of the Company's cash management.

Phnom Penh Autonomous Port

Notes to the financial statements (continued) for the year ended 31 December 2015

3. Significant accounting policies (continued)

(b) Financial instruments (continued)

(ii) Non-derivative financial assets and financial liabilities – measurement (continued)

Other financial liabilities

Other financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

(iii) Capital – ordinary shares

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

(c) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Construction in progress which includes cost of construction and equipment and other direct costs are stated at cost. The construction costs also include related borrowing costs.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gains or losses on disposal of an item of property, plant and equipment is recognised in profit or loss.

(ii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Company.

Phnom Penh Autonomous Port

Notes to the financial statements (continued) for the year ended 31 December 2015

3. Significant accounting policies (continued)

(c) Property, plant and equipment (continued)

(iii) Depreciation

Items of property, plant and equipment are depreciated from the date they are available for use or, in respect of constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using on a straight-line basis over their estimated useful lives. Depreciation is recognised in profit or loss. Land is not depreciated

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

Harbours and buildings	10 - 50 years
Plant and machineries	10 - 15 years
Furniture and fixtures	5 years
Computers	5 - 15 years
Office equipment and others	5 - 15 years
Moto vehicles	8 - 15 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(d) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Investment property is depreciated over 10 – 50 years.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Phnom Penh Autonomous Port

Notes to the financial statements (continued) for the year ended 31 December 2015

3. Significant accounting policies (continued)

(e) Impairment

(i) Non-derivative financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes

- default or delinquency by a debtor;
- restructuring of an amount due to the Company on terms that the Company would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security; or
- observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

Financial assets measure at amortised cost

The Company considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical information on the timing of recoveries and the amount of loss incurred, and makes a judgement if any current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the impairment loss subsequently decrease and the decrease can be related to objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Phnom Penh Autonomous Port

Notes to the financial statements (continued) for the year ended 31 December 2015

3. Significant accounting policies (continued)

(e) Impairment (continued)

(ii) Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If such indication exists, then the asset's recoverable amount is estimated.

For the impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses are allocated to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

(f) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Phnom Penh Autonomous Port

Notes to the financial statements (continued) for the year ended 31 December 2015

3. Significant accounting policies (continued)

(f) Employee benefits (continued)

(ii) Defined benefit plans (continued)

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(g) Provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

(h) Legal and general reserves, and development fund

Based on the Memorandum and Articles of Association, PPAP shall transfer from the annual profit after tax of preceding year to reserves and development fund as follows:

Legal reserves	5%
General reserves	5%
Development Fund	90%

(i) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown, net of tax, rebates and discounts.

Phnom Penh Autonomous Port

Notes to the financial statements (continued) for the year ended 31 December 2015

3. Significant accounting policies (continued)

(i) Revenue recognition (continued)

Revenue is recognised as follows:

(i) *Port services*

Port services revenue is recognised when the related service is performed. If at reporting date, the service is in progress, then the portion performed is recognised in the current year.

(ii) *Freight handling – lift on lift off, storage and stevedoring*

Freight handling revenue is recognised when the service is performed. If at reporting date, the service is in progress, then the portion performed is recognised in the current year.

(iii) *Sand dredging*

Sand dredging revenue is recognised when the service is performed. If at reporting date, the service is in progress, then the portion performed is recognised in the current year.

(iv) *Gate*

Gate fee is recognised when the service is performed. If at reporting date, the service is in progress, then the portion performed is recognised in the current year.

(v) *Survey service*

Survey service revenue is recognised when the service is performed. If at reporting date, the service is in progress, then the portion performed is recognised in the current year.

(j) Rental income

Rental income from property leased under operating leases is recognised in the income statement on a straight line basis over the term of the lease. Lease incentives provided are recognised as an integral part of the total lease income, over the term of the lease.

(k) Finance costs

Finance costs comprise interest expense on borrowings and unwinding of the discount on provisions.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Phnom Penh Autonomous Port

Notes to the financial statements (continued) for the year ended 31 December 2015

3. Significant accounting policies (continued)

(l) Operating leases

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(m) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except items recognised directly in equity or in other comprehensive income.

Current tax

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

A deferred tax assets are recognised for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

Phnom Penh Autonomous Port

Notes to the financial statements (continued) for the year ended 31 December 2015

3. Significant accounting policies (continued)

(n) New standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2015; however, the Company has not applied the following new or amended standards in preparing the financial statements.

CIFRS 9 Financial Instruments

CIFRS 9 published in July 2014, replaces the existing guidance in CIAS 39 Financial Instruments: Recognition and Measurement. CIFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from CIAS 39.

CIFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Company is assessing the potential impact on its financial statements resulting from the application of CIFRS 9.

CIFRS 15 Revenue from Contracts with Customers

CIFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced existing revenue recognition guidance, including CIAS 18 Revenue, CIAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

CIFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The company is assessing the potential impact on its financial statements resulting from the application of CIFRS 15.

(o) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Company's decision makers. Those whom is responsible for allocating resources to and assessing the performance of the operating segments, has been identified as the key management team. The Company operates in one operating segment being port related business.

Phnom Penh Autonomous Port

Notes to the financial statements (continued) for the year ended 31 December 2015

4. Translation of United States Dollars into Khmer Riel

The financial statements are stated in United States Dollars. The translations of United States Dollars amounts into Khmer Riel are included solely for meeting the presentation requirements pursuant to Law on Corporate Accounts, their Audit and the Accounting Profession of Cambodia and have been made using the prescribed official exchange rate of US\$1 to KHR4,060 (2014: KHR4,038) published by the General Department of Taxation on 31 December 2015. These convenience translations should not be construed as representations that the United States Dollars amounts have been, could have been, or could in the future be, converted into Khmer Riel at this or any other rate of exchange.

Phnom Penh Autonomous Port

Notes to the financial statements (continued) for the year ended 31 December 2015

5. Property, plant and equipment

2015	Land US\$	Harbours and buildings US\$	Plants and machineries US\$	Furniture and fixtures US\$	Computers US\$	Office equipment and others US\$	Motor vehicles US\$	Construction in progress US\$	Total US\$	KHR'000 (Note 4)
Cost										
At 1 January 2015	95,356,352	38,321,666	11,034,758	48,722	561,069	505,363	792,921	-	146,620,851	595,280,655
Additions	406,475	109,690	220,849	8,120	1,260	3,499	545,532	336,048	1,631,473	6,623,781
Transfers to investment properties	-	-	-	-	-	-	-	(101,306)	(101,306)	(411,302)
Disposals	-	-	-	-	-	-	(20,644)	-	(20,644)	(83,815)
Written off	-	-	-	-	(23,212)	(3,021)	-	-	(26,233)	(106,506)
At 31 December 2015	95,762,827	38,431,356	11,255,607	56,842	539,117	505,841	1,317,809	234,742	148,104,141	601,302,813
Less: Accumulated depreciation										
At 1 January 2015	-	3,739,315	1,577,947	28,171	252,524	87,860	167,919	-	5,853,736	23,766,168
Depreciation for the year	-	1,263,952	769,995	6,803	104,283	41,788	71,594	-	2,258,415	9,169,165
Disposals	-	-	-	-	-	-	(10,706)	-	(10,706)	(43,466)
Written off	-	-	-	-	(8,248)	(2,609)	-	-	(10,857)	(44,079)
At 31 December 2015	-	5,003,267	2,347,942	34,974	348,559	127,039	228,807	-	8,090,588	32,847,788
Carrying amounts										
At 31 December 2015	95,762,827	33,428,089	8,907,665	21,868	190,558	378,802	1,089,002	234,742	140,013,553	568,455,025

Phnom Penh Autonomous Port

Notes to the financial statements (continued) for the year ended 31 December 2015

5. Property, plant and equipment (continued)

2014	Land US\$	Harbours and buildings US\$	Plants and machineries US\$	Furniture and fixtures US\$	Computers US\$	Office equipment and others US\$	Motor vehicles US\$	Total US\$	Total KHR'000 (Note 4)
Cost									
At 1 January 2014	94,935,686	38,249,893	10,994,684	42,703	508,944	479,024	592,389	145,803,323	588,753,818
Additions	420,666	71,773	40,074	6,019	52,125	29,192	235,606	855,455	3,454,327
Disposals	-	-	-	-	-	-	(35,074)	(35,074)	(141,629)
Written off	-	-	-	-	-	(2,853)	-	(2,853)	(11,520)
At 31 December 2014	95,356,352	38,321,666	11,034,758	48,722	561,069	505,363	792,921	146,620,851	592,054,996
Less: Accumulated depreciation									
At 1 January 2014	-	2,471,126	814,627	18,736	148,080	52,812	124,864	3,630,245	14,658,929
Depreciation for the year	-	1,268,189	763,320	9,435	104,444	37,901	51,467	2,234,756	9,023,945
Disposals	-	-	-	-	-	-	(8,412)	(8,412)	(33,968)
Written off	-	-	-	-	-	(2,853)	-	(2,853)	(11,520)
At 31 December 2014	-	3,739,315	1,577,947	28,171	252,524	87,860	167,919	5,853,736	23,637,386
Carrying amounts									
At 31 December 2014	95,356,352	34,582,351	9,456,811	20,551	308,545	417,503	625,002	140,767,115	568,417,610

Phnom Penh Autonomous Port

Notes to the financial statements (continued) for the year ended 31 December 2015

5. Property, plant and equipment (continued)

The depreciation charge is allocated as follows:

	2015		2014	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Cost of sales and services (Note 15)	1,963,082	7,970,113	1,956,752	7,901,364
General administration and selling expenses	295,333	1,199,052	278,004	1,122,581
	<u>2,258,415</u>	<u>9,169,165</u>	<u>2,234,756</u>	<u>9,023,945</u>

6. Investment properties

	31 December 2015		31 December 2014	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Cost				
At 1 January	8,016,692	32,547,770	7,982,353	32,232,741
Additions	11,314	45,935	34,339	138,661
Transfers from property, plant and equipment	101,306	411,302	-	-
At 31 December	<u>8,129,312</u>	<u>33,005,007</u>	<u>8,016,692</u>	<u>32,371,402</u>
Less: Accumulated depreciation				
At 1 January	174,528	708,584	129,935	524,678
Depreciation during the year	47,131	191,352	44,593	180,066
At 31 December	<u>221,659</u>	<u>899,936</u>	<u>174,528</u>	<u>704,744</u>
Carrying amounts				
At 31 December	<u>7,907,653</u>	<u>32,105,071</u>	<u>7,842,164</u>	<u>31,666,658</u>

Phnom Penh Autonomous Port

Notes to the financial statements (continued) for the year ended 31 December 2015

7. Trade and other receivables

	31 December 2015		31 December 2014	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Trade receivables	1,880,547	7,635,021	1,135,908	4,586,797
Advances, prepayments and others	589,415	2,393,025	239,325	966,394
Staff loans (*)	389,838	1,582,742	-	-
Advance to MPWT	53,380	216,723	-	-
	<u>2,913,180</u>	<u>11,827,511</u>	<u>1,375,233</u>	<u>5,553,191</u>

(*) This represents loans to staff to acquire the Company's shares during the IPO process. Staff loans are interest-free and repayable on 24 equal monthly instalments.

The fair values of the loans to employees are based on cash flows discounted using an effective interest rate of 12% per annum. Management assessed that the 12% interest rate is a reasonable rate, being equivalent to the rate at which the employees could obtain loans from commercial banks in KHR for a period of two years.

8. Cash and cash equivalents

	31 December 2015		31 December 2014	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Cash in banks	8,745,579	35,507,050	1,817,333	7,338,391
Cash on hand	3,642	14,787	3,577	14,444
	<u>8,749,221</u>	<u>35,521,837</u>	<u>1,820,910</u>	<u>7,352,835</u>

9. Share capital

	31 December 2015		31 December 2014	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Registered, issued and fully paid	<u>110,316,612</u>	<u>447,885,445</u>	<u>26,777,872</u>	<u>108,129,047</u>

Phnom Penh Autonomous Port

Notes to the financial statements (continued) for the year ended 31 December 2015

9. Share capital (continued)

On 24 July 2015, the Board of Directors of PPAP resolved to transfer the retained earnings amounting to US\$83,538,740 (equivalent to KHR338,582,513 thousand) to the share capital. On 14 October 2015, MPWT and MEF have approved to amend the Memorandum and Articles of Association (“MAA”) to reflect the above changes. This transfer was approved by the Ministry of Commerce on 10 November 2015.

After the transfer, the total share capital is US\$110,316,612 divided into 110,316,612 shares at KHR4,000 (equivalent to US\$1) each, divided into two classes:

- 16,547,492 Class B (Voting) shares (15%) with a total value of US\$16,547,492 (equivalent to KHR66,189,968,000)
- 93,769,120 Class C (Non-voting) shares (85%) with a total value of US\$93,769,120 (equivalent to KHR375,076,480,000).

On 9 December 2015, PPAP was successfully listed on the Cambodia Securities Exchange (“CSX”). The total number of ordinary shares (voting) is 20,684,365 shares, of which 4,136,873 (Class A) shares were from IPO with a par value of KHR4,000 per share with a premium of US\$1,136,169. After listing, the Ministry of Economy and Finance hold 80% of the total number of shares. The Company received the proceed from IPO amounting to US\$5,193,915 and incurred IPO costs of US\$901,540. PPAP is in the process to amend MAA; accordingly net proceed of US\$4,292,375 is classified as other capital.

Class A shareholders will enjoy the minimum guaranteed dividend yield of 5% based on the IPO price for the period of at least 5 years after being listed.

Class C shareholders do not entitle to the company’s earnings but have first priority in case of the company’s liquidation.

10. Borrowings

	31 December 2015		31 December 2014	
	US\$	KHR’000 (Note 4)	US\$	KHR’000 (Note 4)
Non-current				
Phnom Penh Port - New Container Terminal Project (“PPNCTP”)	28,979,637	117,657,326	28,979,637	117,019,774

PPNCTP represents an on-lending agreement between the MEF and PPAP for the lending of proceeds of The Import-Export Bank of China (“the Eximbank”) under the Preferential Buyer Credit Loan Agreement: No. (2010)29(136) dated 4 November 2010 for Phnom Penh Port - New Container Terminal Project.

Phnom Penh Autonomous Port

Notes to the financial statements (continued) for the year ended 31 December 2015

10. Borrowings (continued)

The amount to be re-lent to PPAP shall be deemed to be simultaneously lent to PPAP on the same dates, in the same currency and the same amount as those disbursed by Eximbank for the purposes of financing the implementation of the Project. PPAP pays interest to MEF semi-annually at the rate of 4% per annum. The loan on-lent is for 20 years, including a grace period of not exceeding 7 years from the date of the conclusion of the Loan Agreement.

11. Provision for retirement benefits

		31 December 2015		31 December 2014	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Defined benefit plan	(a)	507,399	2,060,040	702,442	2,836,461
Other benefits	(b)	17,793	72,240	15,020	60,651
		<u>525,192</u>	<u>2,132,280</u>	<u>717,462</u>	<u>2,897,112</u>

(a) Defined benefit plan

The Company offers final basic salary with lump sum payment at retirement or at an earlier exit through ill-health retirement or death-in-service.

The plan is neither a funded nor an approved retirement plan and therefore it is not subject to any regulatory framework pertaining to approved retirement fund.

The following tables analyse present value of defined benefit obligations, expense recognised in profit or loss, actuarial assumptions.

Movement in the present value of the defined benefit obligations is as follows:

	2015		2014	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
At 1 January	702,442	2,851,915	597,964	2,414,579
Benefits paid by the plan	(29,252)	(118,763)	(23,460)	(94,731)
Re-measurement	(4,831)	(19,614)	49,004	197,877
Service costs	(204,311)	(829,503)	38,075	153,747
Interest costs	43,351	176,005	40,859	164,989
At 31 December	<u>507,399</u>	<u>2,060,040</u>	<u>702,442</u>	<u>2,836,461</u>

Phnom Penh Autonomous Port

Notes to the financial statements (continued) for the year ended 31 December 2015

11. Provision for retirement benefits (continued)

(a) Defined benefit plan (continued)

Expense recognised in profit or loss:

	2015		2014	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Service costs	(204,311)	(829,503)	38,075	153,747
Interest costs	43,351	176,005	40,859	164,989
	<u>(160,960)</u>	<u>(653,498)</u>	<u>78,934</u>	<u>318,736</u>

Actuarial assumptions:

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages).

Discount rate *	7.00%
Future salary increases	23.00%, and gradually decreasing by 5% each year
Mortality	Thailand Mortality Ordinary Table 2008
Disability	10.00% of mortality
Retirement ages	55, 58 and 60 depending on the categories of employees
Turnover rate	1.40%

- (*) As information on Cambodian corporate or government bonds are not readily available, the Company have analysed the medium to long term deposit rates in denomination Cambodian Riel of two Cambodian banks.

Assumptions regarding future mortality are based on published statistics and mortality tables. As standard life tables are not available for Cambodia, PPAP used the standard Thailand Mortality Ordinary Life Table 2008 (TM2008) without modification (see below for comparison). The rates are published as a standard table TM2008. As those employed in the formal sector are likely to experience better mortality than the general population, an allowance for this has been made.

Life expectancy at birth in Cambodia

Males	61 years old
Females	64 years old

Life expectancy at birth for proposed TM2008

Males	66 years old
Females	74 years old

Phnom Penh Autonomous Port

Notes to the financial statements (continued) for the year ended 31 December 2015

11. Provision for retirement benefits (continued)

(a) Defined benefit plan (continued)

Sensitivity analysis:

- 0.25% decrease in discount rate results in a 2.21% increase in defined benefit plan obligations. 0.25% increase in discount rate results in a 2.13% decrease in defined benefit plan obligations.
- 0.50% decrease in salary increase rate results in a 3.87% decrease in defined benefit obligations. 0.50% increase in salary increase rate results in a 4.08% increase in defined benefit obligations.

(b) Other benefits

PPAP has paid an amount equal 3% of monthly basic salary to National Social Security Funds of Civil (“NSSFC”) annually. After retirement employees will get monthly retirements from NSSF.

Movement in other benefits is as follows:

	US\$	2015 KHR'000 (Note 4)	US\$	2014 KHR'000 (Note 4)
At 1 January	15,020	60,981	21,878	88,343
Benefits paid by the plan	(13,334)	(54,135)	(20,192)	(81,535)
Additional expense	16,107	65,394	13,334	53,843
At 31 December	<u>17,793</u>	<u>72,240</u>	<u>15,020</u>	<u>60,651</u>

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Notes to the financial statements (continued) for the year ended 31 December 2015

12. Taxation

(a) Deferred tax, net

	31 December 2015		31 December 2014	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Deferred tax assets	115,162	467,558	224,120	904,997
Deferred tax liabilities	(1,197,779)	(4,862,983)	(917,214)	(3,703,710)
	<u>(1,082,617)</u>	<u>(4,395,425)</u>	<u>(693,094)</u>	<u>(2,798,713)</u>

Deferred tax assets/(liabilities) are attributable to:

	2015		2014	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Depreciation	(1,197,779)	(4,862,983)	(917,214)	(3,703,710)
Provision for retirement benefits	105,038	426,455	132,678	535,754
Provision for bonuses	-	-	67,535	272,706
Deferred income	10,124	41,103	15,646	63,179
Unrealised foreign exchange loss	-	-	8,261	33,358
	<u>(1,082,617)</u>	<u>(4,395,425)</u>	<u>(693,094)</u>	<u>(2,798,713)</u>

Movement of deferred tax is as follows:

	2015		2014	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
At 1 January	(693,094)	(2,813,961)	(476,048)	(1,922,282)
Addition	(389,523)	(1,581,464)	(217,046)	(876,431)
At 31 December	<u>(1,082,617)</u>	<u>(4,395,425)</u>	<u>(693,094)</u>	<u>(2,798,713)</u>

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Notes to the financial statements (continued) for the year ended 31 December 2015

12. Taxation (continued)

(b) Provision for income tax

	31 December 2015		31 December 2014	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
At 1 January	319,975	1,299,099	225,802	911,788
Recognised in profit or loss	781,741	3,173,868	443,621	1,791,342
Prior year's under provision	14,003	56,852	-	-
Income tax paid	(474,838)	(1,927,842)	(349,448)	(1,411,071)
	<u>640,881</u>	<u>2,601,977</u>	<u>319,975</u>	<u>1,292,059</u>

(c) Income tax expense

	2015		2014	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Current income tax	781,741	3,173,868	443,621	1,791,342
Prior year's under provision	14,003	56,852	-	-
Deferred tax	389,523	1,581,464	217,046	876,431
	<u>1,185,267</u>	<u>4,812,184</u>	<u>660,667</u>	<u>2,667,773</u>

In accordance with Cambodian law, PPAP has an obligation to pay corporate income tax (CIT) at the higher of 20% of taxable profits or a minimum tax of 1% of revenue.

Phnom Penh Autonomous Port

Notes to the financial statements (continued) for the year ended 31 December 2015

12. Taxation (continued)

(c) Income tax expense (continued)

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

	2015		2014	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Profit before income tax	4,368,492	17,736,077	2,805,776	11,329,724
Income tax using approved tax rate at 20%	873,698	3,547,215	561,155	2,265,945
Prior year's under provision	14,003	56,852	-	-
Effect of non-deductible expenses	297,566	1,208,117	99,512	401,828
Income tax expense	1,185,267	4,812,184	660,667	2,667,773

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

13. Trade and other payables

	31 December 2015		31 December 2014	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Trade payables	238,877	969,841	236,024	953,065
Customer deposits	241,575	980,795	178,757	721,820
Accrued operation expenses	797,919	3,239,548	657,067	2,653,237
Other tax payables	180,298	732,010	114,858	463,797
Interest payable	441,422	1,792,173	441,422	1,782,462
	1,900,091	7,714,367	1,628,128	6,574,381

Phnom Penh Autonomous Port

Notes to the financial statements (continued) for the year ended 31 December 2015

14. Revenue

	2015		2014	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Stevedoring	6,031,361	24,487,326	5,627,564	22,724,103
Lift On Lift Off (LOLO)	4,928,893	20,011,306	4,503,918	18,186,821
Port due/charges	2,494,712	10,128,531	2,126,595	8,587,191
Sand dredging	718,514	2,917,167	-	-
Gate fee	489,427	1,987,074	429,403	1,733,929
Storage	291,489	1,183,445	549,016	2,216,927
Survey	179,707	729,610	-	-
Others	3,381	13,727	55,759	225,155
	<u>15,137,484</u>	<u>61,458,186</u>	<u>13,292,255</u>	<u>53,674,126</u>

15. Cost of sales and services

	2015		2014	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Depreciation (Note 5)	1,963,082	7,970,113	1,956,752	7,901,364
Crane charge	1,276,608	5,183,028	1,187,524	4,795,222
Salaries and other benefits	1,061,764	4,310,762	909,500	3,672,561
Fuel and gasoline	561,022	2,277,749	656,660	2,651,593
Dredging costs	114,947	466,685	322,374	1,301,746
Maintenance costs	322,917	1,311,043	259,283	1,046,985
Survey	39,871	161,876	-	-
Others	48,374	196,399	18,965	76,581
	<u>5,388,585</u>	<u>21,877,655</u>	<u>5,311,058</u>	<u>21,446,052</u>

16. Other income

	2015		2014	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Rental income	251,131	1,019,592	225,271	909,645
Others	109,154	443,165	76,065	307,150
	<u>360,285</u>	<u>1,462,757</u>	<u>301,336</u>	<u>1,216,795</u>

Phnom Penh Autonomous Port

Notes to the financial statements (continued) for the year ended 31 December 2015

17. General administration and selling expenses

	2015		2014	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Salaries and wages	2,271,053	9,220,475	1,871,785	7,558,268
Donation expenses	299,642	1,216,547	432,103	1,744,832
Utilities and fuel	375,609	1,524,973	392,667	1,585,589
Depreciation and amortisation	342,464	1,390,404	322,597	1,302,647
Repairs and maintenance	126,636	514,142	281,312	1,135,938
Business entertainments	217,130	881,548	196,632	794,000
Travelling expenses	121,993	495,292	119,065	480,785
Professional fee	21,951	89,121	88,557	357,593
Board of Directors' fee	127,489	517,605	82,749	334,140
Office and material supplies	108,216	439,357	77,558	313,179
Communication expenses	63,394	257,380	58,513	236,276
Other tax expenses	223,366	906,866	25,902	104,592
Foreign exchange loss/(gain)	14,996	60,884	(2,094)	(8,456)
Others	267,567	1,086,322	240,870	972,633
	<u>4,581,506</u>	<u>18,600,916</u>	<u>4,188,216</u>	<u>16,912,016</u>

18. Related party transactions and balances

(a) Significant transactions with related parties

PPAP had significant related party transactions during the year as follows:

	2015		2014	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
MEF:				
Finance costs	<u>1,159,186</u>	<u>4,706,295</u>	<u>1,159,185</u>	<u>4,680,789</u>
MEF and MPWT:				
Donation and charities	<u>66,149</u>	<u>268,565</u>	<u>231,271</u>	<u>933,872</u>
With Directors:				
Directors' remuneration	<u>127,489</u>	<u>517,605</u>	<u>93,200</u>	<u>376,340</u>

Phnom Penh Autonomous Port

Notes to the financial statements (continued) for the year ended 31 December 2015

18. Related party transactions and balances (continued)

(b) Significant balances with related parties

	31 December 2015		31 December 2014	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Amounts due from related parties:				
MPWT	53,380	216,722	-	-
Borrowings from Eximbank through MEF	28,979,637	117,657,326	28,979,637	117,019,774
Interest payable on borrowings	441,422	1,792,173	418,595	1,690,287
	<u>29,421,059</u>	<u>119,449,499</u>	<u>29,398,232</u>	<u>118,710,061</u>

Amounts due from related parties are unsecured, interest free and are repayable on demand. Terms of borrowings are disclosed in Note 10.

19. Financial risk management

(a) Objectives and policies

Exposures to credit, currency, and liquidity risk arise in the normal course of PPAP's business. These risks are limited by PPAP's financial management policies and practices described below.

(b) Credit risk

Counterparty credit risk is the risk of losses (realised or unrealised) arising from a counterparty failing to meet its contractual obligations. Financial instruments which potentially subject PPAP to credit risk, principally consist of bank balances, trade and other receivables.

Phnom Penh Autonomous Port

Notes to the financial statements (continued) for the year ended 31 December 2015

19. Financial risk management (continued)

(b) Credit risk (continued)

(i) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. PPAP's maximum exposure to credit risk at reporting date was:

	31 December 2015		31 December 2014	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Trade receivables	1,880,547	7,635,021	1,135,908	4,586,797
Other receivables	854,865	3,470,752	180,013	726,891
Bank balances	8,745,579	35,507,050	1,817,333	7,338,391
	<u>11,480,991</u>	<u>46,612,823</u>	<u>3,133,254</u>	<u>12,652,079</u>

The above table represents a worst case scenario for credit risk exposure to the Company as at 31 December 2015 and 2014, without taking into account any collateral held or other credit enhancement attached.

Trade receivables

	31 December 2015		31 December 2014	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Neither past due nor impaired	159,857	649,021	1,055,245	4,261,079
Past due but not impaired	1,720,690	6,986,000	80,663	325,718
	<u>1,880,547</u>	<u>7,635,021</u>	<u>1,135,908</u>	<u>4,586,797</u>

Neither past due nor impaired

Neither past due nor impaired receivables are those receivables for which no experience of default and management views that likelihood of default is relatively low.

Phnom Penh Autonomous Port

Notes to the financial statements (continued) for the year ended 31 December 2015

19. Financial risk management (continued)

(b) Credit risk (continued)

(i) *Exposure to credit risk (continued)*

Trade receivables (continued)

Past due but not impaired

Past due but not impaired receivables are those for which contractual payments are past but still have active activities with the Company and are expected to be repaid in full.

	31 December 2015		31 December 2014	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Past due 1 - 30 days	574,988	2,334,451	9,372	37,844
Past due 30 - 60 days	468,037	1,900,232	17,443	70,435
Past due 60 - 90 days	173,750	705,425	(163)	(658)
Past due more than 90 days	503,915	2,045,892	54,011	218,097
	<u>1,720,690</u>	<u>6,986,000</u>	<u>80,663</u>	<u>325,718</u>

Bank balances

The Company deposits short-term excess liquidity with other banks leading to counter party risk exposure. The Company manages counter party risk exposure by performing due diligence on individual counter parties, having counterparty limits and diversifying the deposits to different banks. Management views that likelihood of default is relatively low.

(c) Foreign currency risk

The Company's revenue is principally earned in US\$. The Company's expenditure is principally paid in US\$. The Company does not therefore have significant exposure to foreign currency risk.

(d) Liquidity risk

PPAP monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance PPAP's operations and to mitigate the effects of fluctuations in cash flows.

Phnom Penh Autonomous Port

Notes to the financial statements (continued) for the year ended 31 December 2015

19. Financial risk management (continued)

(d) Liquidity risk (continued)

The following are the contractual maturities of non-derivative financial liabilities, including interest payments:

At 31 December 2015	Carrying amounts US\$	Undiscounted contractual cash flow US\$	6 months or less US\$	6-12 months US\$	After 1 year US\$
Borrowings	28,979,637	54,278,317	-	-	54,278,317
Trade and other payables	1,478,218	1,478,218	1,416,941	61,277	-
	<u>30,457,855</u>	<u>55,756,535</u>	<u>1,416,941</u>	<u>61,277</u>	<u>54,278,317</u>
Equivalent to KHR'000 (Note 4)	123,658,891	226,371,531	5,752,780	248,785	220,369,965

At 31 December 2014	Carrying amounts US\$	Undiscounted contractual cash flow US\$	6 months or less US\$	6-12 months US\$	After 1 year US\$
Borrowings	28,979,637	56,449,449	-	-	56,449,449
Trade and other payables	1,334,513	1,334,513	1,270,614	63,899	-
	<u>30,314,150</u>	<u>57,783,962</u>	<u>1,270,614</u>	<u>63,899</u>	<u>56,449,449</u>
Equivalent to KHR'000 (Note 4)	122,408,538	233,331,640	5,130,739	258,024	227,942,876

(e) Interest rate risk

PPAP's exposure to interest rate risk relates to interest-bearing financial assets and liabilities.

Interest-bearing financial assets

Interest-bearing financial assets include cash in banks – saving accounts.

Interest-bearing financial liabilities

Interest-bearing financial liabilities include borrowings.

PPAP manages the exposure to interest rate risk by monitoring the exposure to such risks on an ongoing basis. Management does not enter into interest rate hedging transactions since it considers that the cost of such instruments outweigh the potential risk of interest rate fluctuation.

Phnom Penh Autonomous Port

Notes to the financial statements (continued) for the year ended 31 December 2015

19. Financial risk management (continued)

(e) Interest rate risk (continued)

At the reporting date the interest rate profile of PPAP's interest-bearing financial instruments was:

	31 December 2015		31 December 2014	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Fixed rate instruments				
Financial liabilities	28,979,637	117,657,326	28,979,637	117,019,774
Financial assets	2,389,838	9,702,742	9,546	38,548

Fair value sensitivity analysis for fixed rate instruments

PPAP does not account for any fixed rate liabilities at fair value through profit or loss, and PPAP does not have derivatives as at the year end. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

(f) Fair value of financial assets and liabilities

Fair value represents the amount at which an asset could be exchanged or a liability settled on an arms-length basis. The Company financial assets and liabilities are categorised as Level 3 fair value and are not measured at fair value.

	31 December 2015		31 December 2014	
	Carrying amounts US\$	Fair value US\$	Carrying amounts US\$	Fair value US\$
Financial assets				
Trade and other receivables	2,735,412	2,735,412	1,315,921	1,315,921
Cash and bank balances	8,749,221	8,749,221	1,820,910	1,820,910
Total financial assets	11,484,633	11,484,633	3,136,831	3,136,831
Financial liabilities				
Borrowings	28,979,637	28,979,637	28,979,637	28,979,637
Trade and other payables	1,478,218	1,478,218	1,334,513	1,334,513
Total financial liabilities	30,457,855	30,457,855	30,314,150	30,314,150

Phnom Penh Autonomous Port

Notes to the financial statements (continued) for the year ended 31 December 2015

19. Financial risk management (continued)

(f) Fair value of financial assets and liabilities (continued)

Short-term financial assets and liabilities - trade and other receivables, cash and bank balances

Short-term financial assets and liabilities are measured at amortised cost. The estimated fair values is approximately equal to carrying value due to they are short-term maturity.

Borrowings

Fair value of borrowings is determined based on discounted cash flows. However, there is no verifiable market rate available, the fair values, therefore, have been based on management assumptions. In the opinion of the management, the carrying amounts of the borrowings included in the statement of financial position are a reasonable estimation of their fair values.

20. Commitments

The Company has commitments in respect of the rental expenses on the following terms:

	31 December 2015		31 December 2014	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Within 1 year	56,932	231,144	25,560	103,211
Within 2 to 3 years	111,528	452,804	1,168	4,716
	<u>168,460</u>	<u>683,948</u>	<u>26,728</u>	<u>107,927</u>

21. Taxation contingencies

The taxation system in Cambodia is relatively new and is characterised by numerous taxes and frequently changing legislation, which is often unclear, contradictory, and subject to interpretation. Often, different interpretations exist among numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges.

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

Phnom Penh Autonomous Port

Notes to the financial statements (continued) for the year ended 31 December 2015

22. Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

	2015	
	US\$	KHR'000 (Note 4)
Profit attributable to shareholders	3,183,221	12,923,877
Weighted average number of shares	16,800,301	16,800,301
	<u>0.19</u>	<u>0.77</u>

Weighted average number of shares include shares issued during IPO process even though they have not yet registered with the MOC. Class C shares are not included.

(ii) Diluted earnings per share

The calculation of diluted earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. PPAP had no dilutive potential ordinary shares as at the statement of financial position date. As such, the diluted earnings per share were equivalent to the basic earnings per share.