

**PHNOM PENH AUTONOMOUS PORT**

**Financial Statements  
for the year ended 31 December 2017  
and  
Report of the Independent Auditors**

## Corporate information

Company	Phnom Penh Autonomous Port
Registration No	Co.7175 Et/2004
Registered office	No. 649, Preah Sisowat 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. Ken Sambath, Member representing MEF H.E. Penn Sovicheat, Member representing MOC Mr. Gui Anvanith, Member as Independent Director Mrs. Chuon Sokhem, Member representing PPAP employees Mr. Dith Sochal, Member as Non-Executive Director representing private shareholders
Management team	H.E. Hei Bavy, Chief Executive Officer Mr. Mam Rithy, State Controller H.E. Nem Thim, Deputy Director General of Administration/Finance (Retired on 01 October 2017) Mr. Tor Ny, Deputy Director General of Administration/Finance (Appointed on 01 November 2017) Mr. Hiek Phirun, Deputy Director General of Maritime Service/Traffic Mr. Koy Bunthorn Deputy Director General of Technique Mrs. Hei Phanin, Deputy Director General of Business/Operation Mr. Keo Sophanara, Head of Internal Audit Department Mrs. Chuon Sokhem, Head of Administration Department Mr. Kong Sothea, Head of Personnel/HR Department Mr. Chui Vichet, Head of Engineer Department Ms. Chheav Vanthea, Head of Accounting/Finance Department Mr. Chiep Viraya, Head of Hydrographic Department Mr. Yim Choeurn, Head of LM 17 Operation Department Mr. Soy Sereysovathanak, Head of Commercial Zone/ Domestic Port Department Mr. Tol Sokhom, Head of Harbour Department (Appointed on 01 November 2017) Mr. Hun Sokhalay, Head of Planning/ Marketing Department (Appointed on 10 November 2017) Mr. Kong Channy, Head of Corporate Secretariat

## Corporate information (continued)

Principal bankers	Foreign Trade Bank of Cambodia ANZ Royal Bank (Cambodia) Ltd. Canadia Bank Plc. Advanced Bank of Asia Limited Bank of China Limited ACLEDA Bank Plc.
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Auditor	KPMG Cambodia Ltd
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# Phnom Penh Autonomous Port

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# Phnom Penh Autonomous Port

## 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 2017.

### 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 the objectives to undertake the management, maintenance and operation of the port service as well as related port facilities in order to expand and develop for the need of commercial, industrial, or tourism sectors and takes all necessary measures for the growth of the Company.

PPAP has responsibilities as port authority and port operator, including but not limited to:

- Provide pilotage, navigating the vessel entering into or departing from port;
- Provide vessel’s berth;
- Provide a location for vessel repairing and fuel refilling;
- Provide dredging service and maintain navigation channel;
- Monitor operation according to technical standard and ensure safety, environmental sustainability, and orders in the port’s commercial zone;
- Check ship documents in order to complete the formalities for vessel entering into-departing from the port;
- Train human resources in navigation and port sector through the Cambodia Maritime Institute;
- Develop port infrastructure through cooperation with the domestic and foreign development partners in order to expand container terminal, general/bulk cargo terminal, feeder port, and passenger/tourist terminal;
- Establish port supporting areas, including special economic zone, industrial zone, agricultural products processing zone and logistics zone;
- Take various measures in order to ensure the enforcement of laws and legal norms related to port and means of water transportation;
- Lift on-lift off, load-unload, and store cargo;
- Transport goods within port area, between the port and industrial area;
- Provide bonded warehouse service, temporary customs warehouse service and container yard;

# Phnom Penh Autonomous Port

## Principal activities (continued)

- Provide tug-boat assistance, and mooring-unmooring service;
- Provide logistics supply, pure water, and hygiene service to vessel;
- Provide container stuffing-unstuffing service;
- Provide container repair and maintenance service;
- Provide tourist/passenger terminal and domestic port service; and
- Operate other businesses of any kinds authorized by the laws and legal norms in force to support the growth 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 2017 are stated in the statement of profit or loss and other comprehensive income on page 13.

## Dividends

On 6 March 2017, the Board of Directors of PPAP resolved to distribute the dividends in respect to the net profit for the year 2016 to shareholders of each class of share as follows:

- Class A shareholders is entitled to total guaranteed dividends of US\$261,298 (equivalent to KHR1,059,039,488) and was paid on 30 March 2017. The guaranteed dividend declared in 2016 to class A shareholder of US\$26,325 was also paid on the same date.
- Class B shareholders is entitled to total dividends of US\$538,038 (equivalent to KHR2,150,000,000) and was paid on 14 July 2017.

In accordance with the Board of Directors’ meeting on 27 October 2017 and the public announcement of PPAP on 31 October 2017, PPAP would consider distributing additional dividends of 1% (amounting to US\$52,467) in addition to the original guaranteed dividend of 5% of the IPO price to Class A shareholders for the year 2017 in case the financial operation of PPAP for the year 2017 meet the target. In 2018, the Board of Directors issued a resolution to approve this dividend and record this additional dividend of US\$52,467 in the financial statements for the year ended 31 December 2017.

# **Phnom Penh Autonomous Port**

## **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 bad 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
- (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.

# Phnom Penh Autonomous Port

## 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. Ken Sambath,	Member representing MEF
H.E. Penn Sovicheat,	Member representing MOC
Mr. Gui Anvanith,	Member as Independent Director
Mrs. Chuon Sokhem,	Member representing PPAP employees
Mr. Dith Sochal,	Member as Non-Executive Director representing private shareholders

## 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.

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.



# Phnom Penh Autonomous Port

## 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 2017, 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) oversee PPAP's financial reporting process and maintain adequate accounting records and an effective system of internal controls;
- (iv) assess the PPAP'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 the PPAP or to cease operations, or has no realistic alternative but to do so; 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.

# Phnom Penh Autonomous Port

## Approval of the financial statements

We hereby approve the accompanying financial statements together with the notes thereto as set out on pages 11 to 56 which present fairly, in all material respects, the financial position of Phnom Penh Autonomous Port as at 31 December 2017, and its financial performance and its cash flows for the year then ended, in accordance with Cambodian International Financial Reporting Standards. *LK*

*For and on behalf of the Board of Directors,*



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**H.E. Hei Bavy**

*Chairman and Chief Executive Officer*

Phnom Penh, Kingdom of Cambodia

Date: **7 MAR 2018**

A handwritten signature in blue ink, appearing to read 'CNS', positioned above a horizontal line.

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**Ms. Chheav Vanthea**

*Head of Accounting/Finance  
Department*



KPMG Cambodia Ltd  
4<sup>th</sup> Floor, Delano Center  
No. 144, Street 169, Sangkat Veal Vong  
Khan 7 Makara, Phnom Penh  
Kingdom of Cambodia  
+855 23 216 899 | kpmg.com.kh

## **Report of the independent auditors To the shareholders Phnom Penh Autonomous Port**

### ***Opinion***

We have audited the financial statements of Phnom Penh Autonomous Port (“PPAP” or “the Company”), which comprise the statement of financial position as at 31 December 2017, 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 significant accounting policies and other explanatory information as set out on pages 11 to 56.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards (“CIFRS”).

### ***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 *Auditors’ Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Cambodia, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Key Audit Matter***

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the financial statements of the current year. This matter was 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 this matter.

The key audit matter	How the matter was addressed in our audit
<p>Risk of fraud in revenue recognition</p> <p>Market expectations and profit based targets may place pressure on Management to distort revenue recognition, this therefore increases the risk of material misstatement in respect to measurement and occurrence of revenue. This may result in overstatement or deferral of revenues to assist in meeting current or future targets or expectations.</p>	<p>Our audit procedures included, among others, obtaining an understanding of the Company's accounting policies for revenue recognition. We evaluated the relevant underlying entity level controls and tested the operating effectiveness of internal controls over the completeness, accuracy and existence and timing of revenue recognition. We tested journal entries posted to revenue accounts to identify unusual and irregular items.</p> <p>We also performed substantive procedures and test of details for significant revenue items.</p>

### ***Other information***

Management is responsible for the other information. The other information comprises the Report of the Directors on pages 1 to 6. Our opinion on the financial statements does not cover the other information and we do 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 and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### ***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 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.



## ***Responsibilities of Management and Those Charged with Governance for the Financial Statements (continued)***

In preparing the financial statements, management is responsible for assessing the Company'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 the Company or to cease operations, or has no realistic alternative but to do so.

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

## ***Auditors' 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 auditors' 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 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 judgement and maintain professional skepticism 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 the Company'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 the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company 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.

***Auditors' Responsibilities for the Audit of the Financial Statements (continued)***

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 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 year and are therefore the key audit matter. We describe this matter in our auditors' 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 KPMG Cambodia Ltd.**

  
  
Nge Huy  
*Engagement Partner*

Phnom Penh, Kingdom of Cambodia

7 March 2018

# Phnom Penh Autonomous Port

## Statement of financial position As at 31 December 2017

	Note	As at 31 December 2017		As at 31 December 2016	
		US\$	KHR'000	US\$	KHR'000
			(Note 4)		(Note 4)
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	5	145,355,017	586,798,204	145,156,392	585,996,355
Investment properties	6	8,473,703	34,208,339	8,535,320	34,457,087
		<u>153,828,720</u>	<u>621,006,543</u>	<u>153,691,712</u>	<u>620,453,442</u>
<b>Current assets</b>					
Trade and other receivables	7	3,009,308	12,148,576	2,934,781	11,847,711
Cash and cash equivalents	8	11,717,944	47,305,340	6,751,489	27,255,761
		<u>14,727,252</u>	<u>59,453,916</u>	<u>9,686,270</u>	<u>39,103,472</u>
<b>Total assets</b>		<u>168,555,972</u>	<u>680,460,459</u>	<u>163,377,982</u>	<u>659,556,914</u>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Share capital	9	114,453,485	457,813,940	114,453,485	457,813,940
Share premium/other capital	9	155,502	622,008	155,502	622,008
Legal reserves		795,311	3,210,671	590,941	2,385,629
General reserves		795,311	3,210,671	590,941	2,385,629
Development fund		12,355,661	49,879,803	10,126,768	40,881,762
Retained earnings		5,282,062	21,323,684	3,175,671	12,820,184
Currency translation difference		-	4,240,532	-	4,240,532
<b>Total equity</b>		<u>133,837,332</u>	<u>540,301,309</u>	<u>129,093,308</u>	<u>521,149,684</u>
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Guaranteed dividends payable	9	630,080	2,543,633	793,653	3,203,977
Borrowings	10	26,909,663	108,634,310	28,979,637	116,990,795
Provision for retirement benefits	11	619,279	2,500,029	533,959	2,155,592
Deferred tax liabilities, net	12	1,414,296	5,709,513	1,183,701	4,778,601
		<u>29,573,318</u>	<u>119,387,485</u>	<u>31,490,950</u>	<u>127,128,965</u>

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

## Phnom Penh Autonomous Port

### Statement of financial position (continued) As at 31 December 2017

	Note	As at 31 December 2017		As at 31 December 2016	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
<b>Current liabilities</b>					
Trade and other payables	13	2,510,885	10,136,443	2,304,463	9,303,118
Provision for income tax	12	564,463	2,278,737	489,261	1,975,147
Current portion of borrowings	10	2,069,974	8,356,485	-	-
		<u>5,145,322</u>	<u>20,771,665</u>	<u>2,793,724</u>	<u>11,278,265</u>
		<u>34,718,640</u>	<u>140,159,150</u>	<u>34,284,674</u>	<u>138,407,230</u>
<b>Total equity and liabilities</b>		<u><u>168,555,972</u></u>	<u><u>680,460,459</u></u>	<u><u>163,377,982</u></u>	<u><u>659,556,914</u></u>

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



## Phnom Penh Autonomous Port

### Statement of profit or loss and other comprehensive income for the year ended 31 December 2017

	Note	Year ended 31 December 2017		Year ended 31 December 2016	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
<b>Revenue</b>	14	18,856,296	76,273,717	16,300,422	66,065,610
Cost of sales and services	15	(6,460,794)	(26,133,912)	(5,619,645)	(22,776,421)
<b>Gross profit</b>		12,395,502	50,139,805	10,680,777	43,289,189
Other income	16	603,968	2,443,051	967,904	3,922,915
General administration and selling expenses	17	(5,561,219)	(22,495,131)	(5,619,730)	(22,776,766)
<b>Net operating income</b>		7,438,251	30,087,725	6,028,951	24,435,338
Finance costs		(1,254,767)	(5,075,533)	(1,272,385)	(5,156,976)
<b>Profit before income tax</b>		6,183,484	25,012,192	4,756,566	19,278,362
Income tax expense	12	(821,651)	(3,323,578)	(669,176)	(2,712,170)
<b>Net profit for the year</b>		5,361,833	21,688,614	4,087,390	16,566,192
<b>Other comprehensive income</b>					
Re-measurements of defined employee benefit liability		(27,304)	(110,445)	47,626	193,028
<b>Total comprehensive incomes</b>		5,334,529	21,578,169	4,135,016	16,759,220
<b>Earnings per shares</b>					
	22				
Basic earnings per shares (continuing operations)		0.26	1.05	0.20	0.80

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

## Phnom Penh Autonomous Port

### Statement of changes in equity for the year ended 31 December 2017

	Share capital US\$	Share premium/ other capital US\$	Legal reserves US\$	General reserves US\$	Development fund US\$	Retained earnings US\$	Currency translation difference US\$	Total US\$
<b>At 1 January 2017</b>	114,453,485	155,502	590,941	590,941	10,126,768	3,175,671	-	129,093,308
<i>Transaction with owners of PPAP</i>								
Dividends for Class B shareholders	-	-	-	-	-	(538,038)	-	(538,038)
Dividends for Class A shareholders (Note 9)	-	-	-	-	-	(52,467)	-	(52,467)
	-	-	-	-	-	(590,505)	-	(590,505)
<i>Total comprehensive incomes</i>								
Net profit for the year	-	-	-	-	-	5,361,833	-	5,361,833
Other comprehensive income	-	-	-	-	-	(27,304)	-	(27,304)
Transfers	-	-	204,370	204,370	2,228,893	(2,637,633)	-	-
	-	-	204,370	204,370	2,228,893	2,696,896	-	5,334,529
<b>At 31 December 2017</b>	114,453,485	155,502	795,311	795,311	12,355,661	5,282,062	-	133,837,332
<b>At 31 December 2017 (KHR'000 – Note 4)</b>	457,813,940	622,008	3,210,671	3,210,671	49,879,803	21,323,684	4,240,532	540,301,309

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

## Phnom Penh Autonomous Port

### Statement of changes in equity (continued) for the year ended 31 December 2017

	Share capital US\$	Share premium/ other capital US\$	Legal reserves US\$	General reserves US\$	Development fund US\$	Retained earnings US\$	Currency translation difference US\$	Total US\$
<b>At 1 January 2016</b>	110,316,612	4,292,375	431,780	431,780	7,822,617	3,160,025	-	126,455,189
<i>Transaction with owners of PPAP</i>								
Guaranteed dividends payable	-	-	-	-	-	(936,145)	-	(936,145)
Dividends for Class B shareholders	-	-	-	-	-	(560,752)	-	(560,752)
	-	-	-	-	-	(1,496,897)	-	(1,496,897)
<i>Total comprehensive incomes</i>								
Net profit for the year	-	-	-	-	-	4,087,390	-	4,087,390
Other comprehensive income	-	-	-	-	-	47,626	-	47,626
Transfers	4,136,873	(4,136,873)	159,161	159,161	2,304,151	(2,622,473)	-	-
	4,136,873	(4,136,873)	159,161	159,161	2,304,151	1,512,543	-	4,135,016
<b>At 31 December 2016</b>	114,453,485	155,502	590,941	590,941	10,126,768	3,175,671	-	129,093,308
<b>At 31 December 2016 (KHR'000 – Note 4)</b>	457,813,940	622,008	2,385,629	2,385,629	40,881,762	12,820,184	4,240,532	521,149,684

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

# Phnom Penh Autonomous Port

## Statement of cash flows for the year ended 31 December 2017

	Year ended 31 December 2017		Year ended 31 December 2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
<b>Operating activities</b>				
Net profit for the year	5,361,833	21,688,614	4,087,390	16,566,192
Adjustments for:				
Income tax expense	821,651	3,323,578	669,176	2,712,170
Depreciation of property, plant and equipment and investment property	2,894,175	11,706,938	2,378,131	9,638,565
Property, plant and equipment written off	-	-	14,090	57,107
Foreign exchange difference	3,795	15,351	5,607	22,725
Provision for retirement benefits	90,982	368,022	95,688	387,823
Finance costs	1,254,767	5,075,533	1,272,385	5,156,976
	<u>10,427,203</u>	<u>42,178,036</u>	<u>8,522,467</u>	<u>34,541,558</u>
Changes in:				
Trade and other receivables	(74,527)	(301,462)	(21,601)	(87,549)
Trade and other payables	178,629	722,554	116,749	473,187
	<u>10,531,305</u>	<u>42,599,128</u>	<u>8,617,615</u>	<u>34,927,196</u>
Interest paid	(1,159,186)	(4,688,907)	(1,159,186)	(4,698,181)
Income tax paid	(496,526)	(2,008,448)	(709,926)	(2,877,331)
Withholding tax credit	(19,328)	(78,182)	(9,786)	(39,663)
Employee benefits paid	(32,966)	(133,348)	(39,295)	(159,263)
	<u>(1,788,006)</u>	<u>(7,008,885)</u>	<u>(1,928,193)</u>	<u>(7,782,568)</u>
Net cash generated from operating activities	<u>8,823,299</u>	<u>35,690,243</u>	<u>6,699,422</u>	<u>27,152,758</u>
<b>Investing activities</b>				
Purchase of property, plant and equipment	(3,029,290)	(12,253,478)	(7,611,051)	(30,847,590)
Purchase of investment property	(1,893)	(7,657)	(551,676)	(2,235,943)
	<u>(3,031,183)</u>	<u>(12,261,135)</u>	<u>(8,162,727)</u>	<u>(33,083,533)</u>

## Phnom Penh Autonomous Port

### Statement of cash flows (continued) for the year ended 31 December 2017

	Year ended 31 December 2017		Year ended 31 December 2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
<b>Financing activities</b>				
Dividend paid	(825,661)	(3,339,799)	(534,427)	(2,166,033)
Net cash used in financing activities	<u>(825,661)</u>	<u>(3,339,799)</u>	<u>(534,427)</u>	<u>(2,166,033)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	4,966,455	20,089,309	(1,997,732)	(8,096,808)
<b>Cash and cash equivalents at 1 January</b>	6,751,489	27,255,761	8,749,221	35,434,345
Currency translation difference	-	(39,730)	-	(81,776)
<b>Cash and cash equivalents at 31 December (Note 8)</b>	<u>11,717,944</u>	<u>47,305,340</u>	<u>6,751,489</u>	<u>27,255,761</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 2017

### 1. Reporting entity

Phnom Penh Autonomous Port (“PPAP” or “the Company”) was incorporated in the Kingdom of Cambodia under the Sub-Decree number 51 អនក្រឹត្យ dated 17 July 1998 as

a state-owned public 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 and became a state-owned public enterprise offering shares to the public.

PPAP is a legal entity with technical, administrative, and financial autonomy and its main mission are port services and other related port facilities.

The organizing and functioning of all departments of PPAP shall comply with the relevant laws and legal norms in force.

PPAP has the objectives to undertake the management, maintenance and operation of the port service as well as related port facilities in order to expand and develop for the need of commercial, industrial, or tourism sectors and takes all necessary measures for the growth of the Company.

PPAP has responsibilities as port authority and port operator, including but not limited to:

- Provide pilotage, navigating the vessel entering into or departing from port;
- Provide vessel’s berth;
- Provide a location for vessel repairing and fuel refilling;
- Provide dredging service and maintain navigation channel;
- Monitor operation according to technical standard and ensure safety, environmental sustainability, and orders in the port’s commercial zone;
- Check ship documents in order to complete the formalities for vessel entering into-departing from the port;
- Train human resources in navigation and port sector through the Cambodia Maritime Institute;
- Develop port infrastructure through cooperation with the domestic and foreign development partners in order to expand container terminal, general/bulk cargo terminal, feeder port, and passenger/tourist terminal;
- Establish port supporting areas, including special economic zone, industrial zone, agricultural products processing zone and logistics zone;
- Take various measures in order to ensure the enforcement of laws and legal norms related to port and means of water transportation;

# Phnom Penh Autonomous Port

## Notes to the financial statements (continued) for the year ended 31 December 2017

### 1. Reporting entity (continued)

- Lift on-lift off, load-unload, and store cargo;
- Transport goods within port area, between the port and industrial area;
- Provide bonded warehouse service, temporary customs warehouse service and container yard;
- Provide tug-boat assistance, and mooring-unmooring service;
- Provide logistics supply, pure water, and hygiene service to vessel;
- Provide container stuffing-unstuffing service;
- Provide container repair and maintenance service;
- Provide tourist/passenger terminal and domestic port service; and
- Operate other businesses of any kinds authorized by the laws and legal norms in force to support the growth of PPAP.

As at 31 December 2017, PPAP had 560 employees (as at 31 December 2016: 475 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 7 March 2018.

#### (b) Basis of measurement

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

#### (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 currency as it reflects the economic substance of the underlying events and circumstances of the Company.

# Phnom Penh Autonomous Port

## Notes to the financial statements (continued) for the year ended 31 December 2017

### 2. Basis of preparation (continued)

#### (c) Functional and presentation currency (continued)

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 in the year in which the estimates are revised and in any future periods affected.

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.

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).



# Phnom Penh Autonomous Port

## Notes to the financial statements (continued) for the year ended 31 December 2017

### 2. Basis of preparation (continued)

#### (d) Use of estimate and judgements (continued)

##### *Measurement of fair values (continued)*

- 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 profit or loss.

#### (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.

# Phnom Penh Autonomous Port

## Notes to the financial statements (continued) for the year ended 31 December 2017

### 3. Significant accounting policies (continued)

#### (b) Financial instruments (continued)

##### (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 when the entity becomes a party to the contractual provisions of the instrument.

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 2017

### 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) Share 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.

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 expenditure

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 2017

### 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, and is generally 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
Motor 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 on a straight-line basis 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 2017

### 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 2017

### 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 2017

### 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

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. 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 as follows:

- 5% to legal reserves
- 5% to general reserves
- The remaining annual profit after tax of preceding year after the above transfer is to be distributed as the dividend to shareholder base on the Board of Director's discretion.
- The final remaining balance is to be transfer to development fund.

# Phnom Penh Autonomous Port

## Notes to the financial statements (continued) for the year ended 31 December 2017

### 3. Significant accounting policies (continued)

#### (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.

Revenue is recognised as follows:

#### (i) *Port due/charges*

Port due/charges 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 – stevedoring, lift on lift off and storage*

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, trucking and weighting service*

Survey, trucking and weighting 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 investment property is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.



# Phnom Penh Autonomous Port

## Notes to the financial statements (continued) for the year ended 31 December 2017

### 3. Significant accounting policies (continued)

#### (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.

#### (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.

# Phnom Penh Autonomous Port

## Notes to the financial statements (continued) for the year ended 31 December 2017

### 3. Significant accounting policies (continued)

#### (m) Income tax (continued)

##### Deferred tax (continued)

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.

#### (n) New standards and interpretations not yet adopted

The following standards, interpretations and amendments have been issued but are not yet effective in 2017 and have not been early adopted. This is not intended to be a complete list as only those standards, interpretations and amendments that could have an impact upon the company's financial statements are discussed. Management is assessing the potential impact on its financial statements resulting from the application of the following CIFRS:

##### **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 IAS 18 *Revenue*, IAS 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.

# Phnom Penh Autonomous Port

## Notes to the financial statements (continued) for the year ended 31 December 2017

### 3. Significant accounting policies (continued)

#### (n) New standards and interpretations not yet adopted (continued)

##### CIFRS 9 Financial Instruments

CIFRS 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces CIAS 39 Financial Instruments: Recognition and Measurement.

CIFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. CIFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (“FVOCI”) and fair value through profit or loss (“FVTPL”). The standard eliminates the existing CIAS 39 categories of held to maturity, loans and receivables and available for sale.

CIFRS 9 replaces the ‘incurred loss’ model in CIAS 39 with a forward-looking ‘expected credit loss’ (“ECL”) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or fair value through other comprehensive income (“FVOCI”) except for investments in equity instruments, and to contract assets.

Under CIFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ELC measurement applies if it has not. An entity may determine that a financial asset’s credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade and other receivables without a significant financial component.

# Phnom Penh Autonomous Port

## Notes to the financial statements (continued) for the year ended 31 December 2017

### 3. Significant accounting policies (continued)

#### (n) New standards and interpretations not yet adopted (continued)

##### **CIFRS 9 Financial Instruments (continued)**

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

##### **CIFRS 16 Leases**

CIFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

CIFRS 16 replaces existing leases guidance including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply CIFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of CIFRS 16.

#### (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 2017

### 4. Translation of United States Dollars into Khmer Riel

The financial statements are expressed in United States Dollars. The translations of United States Dollars amounts into Khmer Riel (“KHR”) are included solely for meeting the presentation requirements pursuant to Law on Accounting and Auditing.

Assets and liabilities are translated at the closing rate as at the reporting date; and share capital account is translated at the historical rate. The statements of comprehensive income and cash flows are translated into KHR using the average rate for the year. Exchange differences arising from the translation are recognised as “Currency Translation Difference” in the other comprehensive income.

The Company uses the following official closing and average rate of exchange for the translation:

<b>Financial year end</b>		<b>Closing rate</b>	<b>Average rate</b>
31 December 2017	US\$1 =	KHR4,037	KHR4,045
31 December 2016	US\$1 =	<u>KHR4,037</u>	<u>KHR4,053</u>

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 2017

#### 5. Property, plant and equipment

2017	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\$
<b>Cost</b>									
At 1 January 2017	96,276,681	38,777,101	11,932,525	56,842	592,185	547,007	1,318,147	6,058,380	155,558,868
Additions	-	47,531	130,071	-	6,296	10,780	48,601	2,786,011	3,029,290
Transfers	860,666	257,500	7,371,144	7,975	39,138	40,218	-	(8,576,641)	-
At 31 December 2017	<u>97,137,347</u>	<u>39,082,132</u>	<u>19,433,740</u>	<u>64,817</u>	<u>637,619</u>	<u>598,005</u>	<u>1,366,748</u>	<u>267,750</u>	<u>158,588,158</u>
<b>Less: Accumulated depreciation</b>									
At 1 January 2017	-	6,287,411	3,138,296	42,376	442,694	167,819	323,880	-	10,402,476
Depreciation for the year	-	1,294,126	1,300,393	6,408	84,106	49,548	96,084	-	2,830,665
At 31 December 2017	<u>-</u>	<u>7,581,537</u>	<u>4,438,689</u>	<u>48,784</u>	<u>526,800</u>	<u>217,367</u>	<u>419,964</u>	<u>-</u>	<u>13,233,141</u>
<b>Carrying amounts</b>									
At 31 December 2017	<u><u>97,137,347</u></u>	<u><u>31,500,595</u></u>	<u><u>14,995,051</u></u>	<u><u>16,033</u></u>	<u><u>110,819</u></u>	<u><u>380,638</u></u>	<u><u>946,784</u></u>	<u><u>267,750</u></u>	<u><u>145,355,017</u></u>
(KHR'000 equivalents – Note 4)	<u><u>392,143,470</u></u>	<u><u>127,167,902</u></u>	<u><u>60,535,021</u></u>	<u><u>64,725</u></u>	<u><u>447,376</u></u>	<u><u>1,536,636</u></u>	<u><u>3,822,167</u></u>	<u><u>1,080,907</u></u>	<u><u>586,798,204</u></u>

# Phnom Penh Autonomous Port

## Notes to the financial statements (continued) for the year ended 31 December 2017

### 5. Property, plant and equipment

2016	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\$
<b>Cost</b>									
At 1 January 2016	95,762,827	38,431,356	11,255,607	56,842	539,117	505,841	1,317,809	234,742	148,104,141
Additions	513,854	313,667	35,805	-	25,940	30,509	-	6,691,276	7,611,051
Transfers	-	31,918	632,896	-	43,529	19,200	-	(867,638)	(140,095)
Written off	-	-	(1,000)	-	(17,100)	(9,114)	-	-	(27,214)
Reclassification	-	160	9,217	-	699	571	338	-	10,985
At 31 December 2016	96,276,681	38,777,101	11,932,525	56,842	592,185	547,007	1,318,147	6,058,380	155,558,868
<b>Less: Accumulated depreciation</b>									
At 1 January 2016	-	5,003,267	2,347,942	34,974	348,559	127,039	228,807	-	8,090,588
Depreciation for the year	-	1,283,343	789,429	7,402	102,456	44,163	94,735	-	2,321,528
Written off	-	-	(150)	-	(9,020)	(3,954)	-	-	(13,124)
Reclassification	-	801	1,075	-	699	571	338	-	3,484
At 31 December 2016	-	6,287,411	3,138,296	42,376	442,694	167,819	323,880	-	10,402,476
<b>Carrying amounts</b>									
At 31 December 2016	96,276,681	32,489,690	8,794,229	14,466	149,491	379,188	994,267	6,058,380	145,156,392
(KHR'000 equivalents – Note 4)	388,668,961	131,160,879	35,502,302	58,399	603,495	1,530,782	4,013,856	24,457,680	585,996,355

# Phnom Penh Autonomous Port

## Notes to the financial statements (continued) for the year ended 31 December 2017

### 5. Property, plant and equipment (continued)

The depreciation charge is allocated as follows:

	Year ended 31 December 2017		Year ended 31 December 2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Cost of sales and services (Note 15)	2,508,858	10,148,331	1,992,954	8,077,443
General administration and selling expenses	321,807	1,301,709	328,574	1,331,710
	<u>2,830,665</u>	<u>11,450,040</u>	<u>2,321,528</u>	<u>9,409,153</u>

### 6. Investment properties

	As at 31 December 2017		As at 31 December 2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
<b>Cost</b>				
At 1 January	8,811,706	35,572,857	8,129,312	32,818,033
Additions	1,893	7,657	551,676	2,235,942
Transfers from property, plant and equipment	-	-	140,095	567,805
Reclassification	-	-	(9,377)	(38,005)
Currency translation difference	-	(15)	-	(10,918)
At 31 December	<u>8,813,599</u>	<u>35,580,499</u>	<u>8,811,706</u>	<u>35,572,857</u>
<b>Less: Accumulated depreciation</b>				
At 1 January	276,386	1,115,770	221,659	894,837
Depreciation during the year	63,510	256,898	56,603	229,412
Reclassification	-	-	(1,876)	(7,603)
Currency translation difference	-	(508)	-	(876)
At 31 December	<u>339,896</u>	<u>1,372,160</u>	<u>276,386</u>	<u>1,115,770</u>
<b>Carrying amounts</b>				
At 31 December	<u>8,473,703</u>	<u>34,208,339</u>	<u>8,535,320</u>	<u>34,457,087</u>



## Phnom Penh Autonomous Port

### Notes to the financial statements (continued) for the year ended 31 December 2017

#### 7. Trade and other receivables

	As at 31 December 2017		As at 31 December 2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Trade receivables	2,511,759	10,139,971	2,068,942	8,352,319
Advances, prepayments and others	497,549	2,008,605	688,812	2,780,734
Staff loans (*)	-	-	177,027	714,658
	<u>3,009,308</u>	<u>12,148,576</u>	<u>2,934,781</u>	<u>11,847,711</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 at initial recognition 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

	As at 31 December 2017		As at 31 December 2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Cash in banks	11,714,129	47,289,939	6,746,586	27,235,968
Cash on hand	3,815	15,401	4,903	19,793
	<u>11,717,944</u>	<u>47,305,340</u>	<u>6,751,489</u>	<u>27,255,761</u>

#### 9. Share capital and share premium

	As at 31 December 2017		As at 31 December 2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Registered, issued and fully paid	<u>114,453,485</u>	<u>457,813,940</u>	<u>114,453,485</u>	<u>457,813,940</u>

# Phnom Penh Autonomous Port

## Notes to the financial statements (continued) for the year ended 31 December 2017

### 9. Share capital and share premium (continued)

Share capital of US\$114,453,485 is divided into 114,453,485 shares at KHR4,000 (equivalent to US\$1) each, divided into three classes:

- 4,136,873 Class A (Voting) shares (3.61%) with a total value of US\$4,136,873 (equivalent to KHR16,547,492,000).
- 16,547,492 Class B (Voting) shares (14.46%) with a total value of US\$16,547,492 (equivalent to KHR66,189,968,000).
- 93,769,120 Class C (Non-voting) shares (81.93%) 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 the IPO with a par value of KHR4,000 per share with a surplus of US\$1,136,169 (prevailing exchange rate of US\$1 to KHR4,078 at IPO date). After listing, the MEF hold 80% of the issued shares. PPAP received the proceed from the IPO amounting to US\$5,193,915 and incurred the IPO costs of US\$901,540.

Class A shareholders will enjoy the minimum guaranteed dividend yield of 5% per year based on the IPO price for the period of at least 5 years, starting from 2016 to 2020. The present value of these guaranteed dividends amounting to US\$936,145 is expected to be paid over 5 years.

Class C shareholders do not entitle to PPAP’s dividend but have first priority in case of PPAP’s liquidation.

On 6 March 2017, the Board of Directors of PPAP resolved to distribute the dividends in respect to the net profit for the year 2016 to shareholders of each class of share as follows:

- Class A shareholders is entitled to total guaranteed dividends of US\$261,298 (equivalent to KHR1,059,039,488) and was paid on 30 March 2017. The guaranteed dividend declared in 2016 to class A shareholder of US\$26,325 was also paid on the same date.
- Class B shareholders is entitled to total dividends of US\$538,038 (equivalent to KHR2,150,000,000) and was paid on 14 July 2017.

# Phnom Penh Autonomous Port

## Notes to the financial statements (continued) for the year ended 31 December 2017

### 9. Share capital and share premium (continued)

In accordance with the Board of Directors' meeting on 27 October 2017 and the public announcement of PPAP on 31 October 2017, PPAP would consider distributing additional dividends of 1% (amounting to US\$52,467) in addition to the original guaranteed dividend of 5% of the IPO price to Class A shareholders for the year 2017 in case the financial operation of PPAP for the year 2017 meet the target. In 2018, the Board of Directors issued a resolution to approve this dividend and record this additional dividend of US\$52,467 in the financial statements for the year ended 31 December 2017.

Total shares of PPAP are summarised as follows:

Class	Number of shares	Par value US\$	Premium US\$	As at	Classification
				31 December 2017 US\$	
A	4,136,873	4,136,873	155,502	4,292,375	Share capital and share premium
B	16,547,492	16,547,492	-	16,547,492	Share capital
C	93,769,120	93,769,120	-	93,769,120	Share capital
	<u>114,453,485</u>	<u>114,453,485</u>	<u>155,502</u>	<u>114,608,987</u>	

### 10. Borrowings

	As at 31 December 2017		As at 31 December 2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
<b>Non-current portion</b>				
Phnom Penh Port - New Container Terminal Project ("PPPNCTP") or Phnom Penh Port LM17	<u>26,909,663</u>	<u>108,634,310</u>	<u>28,979,637</u>	<u>116,990,795</u>
<b>Current portion</b>				
Phnom Penh Port - New Container Terminal Project ("PPPNCTP") or Phnom Penh Port LM17	<u>2,069,974</u>	<u>8,356,485</u>	-	-

PPPNCTP 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 2017

### 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 the Eximbank for the purposes of financing the implementation of the Project. PPAP pays interest to the 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.

The Company shall repay the principal amount in equal semi-annual instalments on 20<sup>th</sup> February and 20<sup>th</sup> August of each fiscal year, commencing in 2018 and ending on the last payment date in 2031. The amount of each instalment shall be equal to US\$2,069,974.

### 11. Provision for retirement benefits

		As at 31 December 2017		As at 31 December 2016	
		US\$	KHR'000	US\$	KHR'000
			(Note 4)		(Note 4)
Defined benefit plan	(a)	597,461	2,411,950	514,207	2,075,853
Other benefits	(b)	21,818	88,079	19,752	79,739
		<u>619,279</u>	<u>2,500,029</u>	<u>533,959</u>	<u>2,155,592</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.

# Phnom Penh Autonomous Port

## Notes to the financial statements (continued) for the year ended 31 December 2017

### 11. Provision for retirement benefits (continued)

#### (a) Defined benefit plan (continued)

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

	As at 31 December 2017		As at 31 December 2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
At 1 January	514,207	2,075,853	507,399	2,054,966
Benefits paid by the plan	(13,214)	(53,451)	(21,502)	(87,148)
Re-measurement	27,304	110,445	(47,626)	(193,028)
Service costs	35,536	143,743	41,385	167,733
Interest costs	33,628	136,025	34,551	140,035
Currency translation difference	-	(665)	-	(6,705)
At 31 December	<u>597,461</u>	<u>2,411,950</u>	<u>514,207</u>	<u>2,075,853</u>

Expense recognised in profit or loss:

	Year ended 31 December 2017		Year ended 31 December 2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Service costs	35,536	143,743	41,385	167,733
Interest costs	33,628	136,025	34,551	140,035
	<u>69,164</u>	<u>279,768</u>	<u>75,936</u>	<u>307,768</u>

#### Actuarial assumptions:

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

Discount rate *	6.25%
Future salary increases	21.00% per annum, and gradually decreasing to 5% by 2034 per annum for both basic and total salary
Mortality	Thailand Mortality Ordinary Life Table 2017
Disability	10.00% of mortality rate
Retirement ages	55, 58 and 60 depending on the categories of employees
Turnover rate	1.10%

# Phnom Penh Autonomous Port

## Notes to the financial statements (continued) for the year ended 31 December 2017

### 11. Provision for retirement benefits (continued)

#### (a) Defined benefit plan (continued)

##### Actuarial assumptions (continued):

\* As information on Cambodian corporate or government bonds are not readily available, PPAP has analysed the medium to long term deposit rates in denomination of KHR of major banks in Cambodia.

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 2017 (TM2017) without modification (see below for comparison). The rates are published as a standard table TM2017. 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 TM2017

Males	66 years old
Females	74 years old

##### Sensitivity analysis:

- 0.25% decrease in discount rate results in a 2.19% increase in defined benefit plan obligations. 0.25% increase in discount rate results in a 2.12% decrease in defined benefit plan obligations.
- 0.50% decrease in salary increase rate results in a 3.86% decrease in defined benefit obligations. 0.50% increase in salary increase rate results in a 4.09% 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.

## Phnom Penh Autonomous Port

### Notes to the financial statements (continued) for the year ended 31 December 2017

#### 11. Provision for retirement benefits (continued)

##### (b) Other benefits (continued)

Movement in other benefits is as follows:

	As at 31 December 2017		As at 31 December 2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
At 1 January	19,752	79,739	17,793	72,062
Benefits paid by the plan	(19,752)	(79,897)	(17,793)	(72,115)
Additional expense	21,818	88,254	19,752	80,055
Currency translation difference	-	(17)	-	(263)
At 31 December	<u>21,818</u>	<u>88,079</u>	<u>19,752</u>	<u>79,739</u>

#### 12. Taxation

##### (a) Deferred tax, net

	As at 31 December 2017		As at 31 December 2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Deferred tax assets	112,517	454,231	112,119	452,623
Deferred tax liabilities	(1,526,813)	(6,163,744)	(1,295,820)	(5,231,224)
	<u>(1,414,296)</u>	<u>(5,709,513)</u>	<u>(1,183,701)</u>	<u>(4,778,601)</u>

# Phnom Penh Autonomous Port

## Notes to the financial statements (continued) for the year ended 31 December 2017

### 12. Taxation (continued)

#### (a) Deferred tax, net (continued)

Deferred tax assets/(liabilities) are attributable to:

	As at 31 December 2017		As at 31 December 2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Depreciation	(1,526,814)	(6,163,748)	(1,295,820)	(5,231,226)
Provision for retirement benefits	107,654	434,599	103,939	419,602
Deferred income	3,797	15,328	7,593	30,653
Foreign exchange difference	1,067	4,308	587	2,370
	<u>(1,414,296)</u>	<u>(5,709,513)</u>	<u>(1,183,701)</u>	<u>(4,778,601)</u>

Movement of deferred tax is as follows:

	As at 31 December 2017		As at 31 December 2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
At 1 January	(1,183,701)	(4,778,601)	(1,082,617)	(4,384,599)
Addition	(230,595)	(932,757)	(101,084)	(409,694)
Currency translation difference	-	1,845	-	15,692
At 31 December	<u>(1,414,296)</u>	<u>(5,709,513)</u>	<u>(1,183,701)</u>	<u>(4,778,601)</u>

#### (b) Provision for income tax

	As at 31 December 2017		As at 31 December 2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
At 1 January	489,261	1,975,147	640,881	2,595,568
Recognised in profit or loss	583,791	2,361,435	499,047	2,022,637
Withholding tax credit	(19,328)	(78,182)	(9,786)	(39,663)
Prior year's under provision	7,265	29,386	69,045	279,839
Income tax paid	(496,526)	(2,008,448)	(709,926)	(2,877,331)
Currency translation difference	-	(601)	-	(5,903)
At 31 December	<u>564,463</u>	<u>2,278,737</u>	<u>489,261</u>	<u>1,975,147</u>



# Phnom Penh Autonomous Port

## Notes to the financial statements (continued) for the year ended 31 December 2017

### 12. Taxation (continued)

#### (c) Income tax expense

	Year ended 31 December 2017		Year ended 31 December 2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Current income tax	583,791	2,361,435	499,047	2,022,637
Prior year's under provision	7,265	29,386	69,045	279,839
Deferred tax	230,595	932,757	101,084	409,694
	<u>821,651</u>	<u>3,323,578</u>	<u>669,176</u>	<u>2,712,170</u>

In accordance with Cambodian Law on Taxation, PPAP has an obligation to pay corporate income tax of either the profit tax at the rate of 20% of taxable profits or a minimum tax of 1% of revenue, whichever is higher. Having been successfully listed on CSX, PPAP is entitled to tax incentive as follows:

- A reduction on the tax on profit and withholding tax by 50% respectively (specifically withholding tax on interest and/or dividend resulting from holding and/or buying-selling government, equity and debt securities) for the period of 3 years in accordance with the Sub-decree no. 1 អនក្រឹត្យលេខ ០១ អនក្រឹត្យ of the Royal Government of Cambodia dated on 8 January 2015. On 11 February 2016, the Securities and Exchange Commission of Cambodia ("SECC") submitted a letter to the General Department of Taxation ("GDT") suggesting that PPAP will be entitled to the tax incentive starting from 2016.

On 12 December 2016, the PPAP submitted a letter to SECC requesting for their assistance in facilitating with the GDT for the written approval on the 50% reduction on the tax on profit of PPAP for financial year ended 2016. The SECC, subsequently on 30 December 2016, submitted a letter to the GDT requesting for the written approval for the said tax incentive. This request was approved by the GDT on 8 February 2017 with the tax incentive of 3 years starting from 2016.

- A temporary postponement on the prepayment of profit tax for the period of 3 years in accordance with the Prakas number 855 សវ័ណៈលេខ ០១ អនក្រឹត្យ of the MEF dated on 24 July 2015. On 11 February 2016, PPAP submitted a letter to the GDT through SECC requesting the written approval for the said tax incentive. This request was approved by the GDT on 10 June 2016.

# Phnom Penh Autonomous Port

## Notes to the financial statements (continued) for the year ended 31 December 2017

### 12. Taxation (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:

	Year ended 31 December 2017		Year ended 31 December 2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Profit before income tax	6,183,484	25,012,192	4,756,566	19,278,362
Income tax using approved tax rate at 20%	1,236,697	5,002,438	951,313	3,855,672
Effect of tax incentive	(709,839)	(2,871,297)	(397,611)	(1,611,518)
Prior year's under provision	7,265	29,386	69,045	279,839
Effect of non-deductible expenses	287,528	1,163,051	46,429	188,177
Income tax expense	821,651	3,323,578	669,176	2,712,170

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

### 13. Trade and other payables

	As at 31 December 2017		As at 31 December 2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Trade payables	406,795	1,642,232	458,922	1,852,668
Customer deposits	248,114	1,001,636	166,800	673,372
Accrued operation expenses	945,783	3,818,126	918,408	3,707,613
Other tax payables	153,355	619,094	31,288	126,310
Interest payable	441,422	1,782,021	441,422	1,782,021
Provision for dividend/ dividend payable	52,467	211,809	26,325	106,274
Guaranteed dividends payable	262,949	1,061,525	261,298	1,054,860
	2,510,885	10,136,443	2,304,463	9,303,118

# Phnom Penh Autonomous Port

## Notes to the financial statements (continued) for the year ended 31 December 2017

### 14. Revenue

	Year ended 31 December 2017		Year ended 31 December 2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Stevedoring	7,737,469	31,298,062	6,710,037	27,195,780
Lift On Lift Off (LOLO)	6,598,109	26,689,351	5,353,929	21,699,474
Port due/charges	3,165,619	12,804,929	2,874,300	11,649,538
Gate fee	670,329	2,711,481	550,089	2,229,511
Storage	426,073	1,723,465	478,458	1,939,190
Sand dredging management fee	38,475	155,631	318,731	1,291,817
Survey	191,146	773,186	9,330	37,814
Trucking fee	728	2,945	1,609	6,521
Weighting fee	28,129	113,782	3,939	15,965
Repair and maintenance				
Container service	219	885	-	-
	<u>18,856,296</u>	<u>76,273,717</u>	<u>16,300,422</u>	<u>66,065,610</u>

### 15. Cost of sales and services

	Year ended 31 December 2017		Year ended 31 December 2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Depreciation (Note 5)	2,508,858	10,148,331	1,992,954	8,077,443
Crane charge	1,515,938	6,131,969	1,370,814	5,555,909
Salaries and wages	1,198,001	4,845,914	1,060,911	4,299,872
Maintenance costs	384,294	1,554,469	536,746	2,175,432
Fuel and gasoline	608,478	2,461,294	309,975	1,256,329
Sand dredging management costs	38,507	155,761	183,713	744,589
Survey costs	7,472	30,224	7,021	28,456
Repair and maintenance				
container fee	187	756	-	-
Others	199,059	805,194	157,511	638,391
	<u>6,460,794</u>	<u>26,133,912</u>	<u>5,619,645</u>	<u>22,776,421</u>

## Phnom Penh Autonomous Port

### Notes to the financial statements (continued) for the year ended 31 December 2017

#### 16. Other income

	Year ended 31 December 2017		Year ended 31 December 2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Rental income	317,709	1,285,133	602,115	2,440,372
Others	286,259	1,157,918	365,789	1,482,543
	<u>603,968</u>	<u>2,443,051</u>	<u>967,904</u>	<u>3,922,915</u>

#### 17. General administration and selling expenses

	Year ended 31 December 2017		Year ended 31 December 2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Salaries and other benefits	3,146,171	12,726,262	3,032,149	12,289,300
Donation expenses	386,613	1,563,850	400,542	1,623,397
Utilities and fuel	440,500	1,781,823	409,683	1,660,445
Depreciation	385,317	1,558,607	385,177	1,561,122
Repairs and maintenance	137,181	554,897	198,069	802,774
Business entertainments	192,023	776,733	163,182	661,377
Travelling expenses	109,725	443,838	132,838	538,392
Professional fee	51,218	207,177	59,742	242,134
Board of Directors' fee	209,220	846,295	208,818	846,339
Office and material supplies	102,571	414,900	129,197	523,635
Communication expenses	53,846	217,807	57,349	232,435
Other tax expenses	30,710	124,222	108,646	440,342
Others	316,124	1,278,720	334,338	1,355,074
	<u>5,561,219</u>	<u>22,495,131</u>	<u>5,619,730</u>	<u>22,776,766</u>

## Phnom Penh Autonomous Port

### Notes to the financial statements (continued) for the year ended 31 December 2017

#### 18. Related party transactions and balances

##### (a) Significant transactions with related parties

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

	Year ended 31 December 2017		Year ended 31 December 2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
MEF:				
Finance costs	<u>1,159,186</u>	<u>4,688,907</u>	<u>1,159,186</u>	<u>4,698,181</u>
MEF and MPWT:				
Donation and charities	<u>74,276</u>	<u>300,445</u>	<u>25,960</u>	<u>105,216</u>
With Directors:				
Directors' remuneration	<u>209,220</u>	<u>846,295</u>	<u>208,818</u>	<u>846,339</u>

##### (b) Significant balances with related parties

	As at 31 December 2017		As at 31 December 2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Borrowings from Eximbank through MEF	28,979,637	116,990,795	28,979,637	116,990,795
Interest payable on borrowings	<u>441,422</u>	<u>1,782,021</u>	<u>441,422</u>	<u>1,782,021</u>
	<u>29,421,059</u>	<u>118,772,816</u>	<u>29,421,059</u>	<u>118,772,816</u>

# Phnom Penh Autonomous Port

## Notes to the financial statements (continued) for the year ended 31 December 2017

### 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 addressed 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 assets which potentially subject PPAP to credit risk, principally consist of bank balances, trade and other receivables.

##### (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:

	As at 31 December 2017		As at 31 December 2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Trade receivables	2,511,759	10,139,971	2,068,942	8,352,319
Other receivables	292,913	1,182,490	330,836	1,335,585
Bank balances	11,714,129	47,289,939	6,746,586	27,235,968
	<u>14,518,801</u>	<u>58,612,400</u>	<u>9,146,364</u>	<u>36,923,872</u>

The above table represents a worst case scenario for credit risk exposure to the Company as at 31 December 2017 and 2016, without taking into account any collateral held or other credit enhancement attached.

#### Trade receivables

	As at 31 December 2017		As at 31 December 2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Neither past due nor impaired	15,592	62,945	47,207	190,575
Past due but not impaired	2,496,167	10,077,026	2,021,735	8,161,744
	<u>2,511,759</u>	<u>10,139,971</u>	<u>2,068,942</u>	<u>8,352,319</u>

# Phnom Penh Autonomous Port

## Notes to the financial statements (continued) for the year ended 31 December 2017

### 19. Financial risk management (continued)

#### (b) Credit risk (continued)

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

###### Trade receivables (continued)

*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.

*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.

	As at 31 December 2017		As at 31 December 2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Past due 1 - 30 days	930,888	3,757,995	905,497	3,655,491
Past due 30 - 60 days	685,124	2,765,846	554,382	2,238,040
Past due 60 - 90 days	125,758	507,685	304,126	1,227,757
Past due more than 90 days	754,397	3,045,500	257,730	1,040,456
	<u>2,496,167</u>	<u>10,077,026</u>	<u>2,021,735</u>	<u>8,161,744</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.

# Phnom Penh Autonomous Port

## Notes to the financial statements (continued) for the year ended 31 December 2017

### 19. Financial risk management (continued)

#### (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.

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

At 31 December 2017	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	50,183,355	-	-	50,183,355
Guarantee dividend payable	630,080	1,046,123	-	-	1,046,123
Trade and other payables	2,109,416	2,109,416	2,109,416	-	-
	<u>31,719,133</u>	<u>53,338,895</u>	<u>2,109,416</u>	<u>-</u>	<u>51,229,479</u>
<b>Equivalent to KHR'000 (Note 4)</b>	128,050,141	215,329,117	8,515,712	-	206,813,405

  

At 31 December 2016	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	52,190,689	-	-	52,190,689
Guarantee dividend payable	793,653	1,045,190	-	-	1,045,190
Trade and other payables	2,106,375	2,106,375	2,081,066	25,309	-
	<u>31,879,665</u>	<u>55,342,254</u>	<u>2,081,066</u>	<u>25,309</u>	<u>53,235,879</u>
<b>Equivalent to KHR'000 (Note 4)</b>	128,698,209	223,416,683	8,401,263	102,173	214,913,247



# Phnom Penh Autonomous Port

## Notes to the financial statements (continued) for the year ended 31 December 2017

### 19. Financial risk management (continued)

#### (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.

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

	As at 31 December 2017		As at 31 December 2016	
	US\$	KHR'000	US\$	KHR'000
		(Note 4)		(Note 4)
<b>Fixed rate instruments</b>				
Financial liabilities	28,979,637	116,990,795	28,979,637	116,990,796
Financial assets	10,943,932	44,180,653	6,593,209	26,616,785

##### *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.

# Phnom Penh Autonomous Port

## Notes to the financial statements (continued) for the year ended 31 December 2017

### 19. Financial risk management (continued)

#### (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.

	As at 31 December 2017		As at 31 December 2016	
	Carrying amounts US\$	Fair value US\$	Carrying amounts US\$	Fair value US\$
<b>Financial assets</b>				
Trade and other receivables	2,804,672	2,804,672	2,399,778	2,399,778
Cash and bank balances	11,717,944	11,717,944	6,751,489	6,751,489
<b>Total financial assets</b>	<u>14,522,616</u>	<u>14,522,616</u>	<u>9,151,267</u>	<u>9,151,267</u>
<b>Financial liabilities</b>				
Guarantee dividend payable	630,080	630,080	793,653	793,653
Borrowings	28,979,637	28,979,637	28,979,637	28,979,637
Trade and other payables	2,109,416	2,109,416	2,106,375	2,106,375
<b>Total financial liabilities</b>	<u>31,719,133</u>	<u>31,719,133</u>	<u>31,879,665</u>	<u>31,879,665</u>

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

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.

## Phnom Penh Autonomous Port

### Notes to the financial statements (continued) for the year ended 31 December 2017

#### 20. Commitments

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

	As at 31 December 2017		As at 31 December 2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Within 1 year	55,767	225,131	55,767	225,131
Within 2 to 3 years	2,633	10,629	58,401	235,765
	<u>58,400</u>	<u>235,760</u>	<u>114,168</u>	<u>460,896</u>

#### 21. Taxation contingencies

Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges. The application of tax laws and regulations to many types of transactions are susceptible to varying interpretations.

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

#### 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. Class C shares are not included.

	Year ended 31 December 2017		Year ended 31 December 2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Profit attributable to ordinary shareholders	<u>5,361,833</u>	<u>21,688,614</u>	<u>4,087,390</u>	<u>16,566,192</u>
Weighted average number of ordinary shares	<u>20,684,365</u>	<u>20,684,365</u>	<u>20,684,365</u>	<u>20,684,365</u>

## Phnom Penh Autonomous Port

### Notes to the financial statements (continued) for the year ended 31 December 2017

#### 22. Earnings per share (continued)

##### (i) Basic earnings per share (continued)

	Year ended 31 December 2017		Year ended 31 December 2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Basic earnings per share	0.26	1.05	0.20	0.80

##### (ii) Diluted earnings per share

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.