Registration No:
Co.7175 Et/2004

PHNOM PENH AUTONOMOUS PORT
(INCORPORATED IN CAMBODIA)

AUDITED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
31 DECEMBER 2018

Registration No:
Co.7175 Et/2004

PHNOM PENH AUTONOMOUS PORT
(Incorporated in Cambodia)

CORPORATE INFORMATION

DIRECTORS:	H.E. Hei Bavy H.E. Suon Rachana H.E. Ken Sambath H.E. Penn Sovicheat Mr. Gui Anvanith Mrs. Choun Sokhem Mr. Dith Sochal
REGISTERED OFFICE:	No. 649, Preah Sisowat Quay Sangkat Srah Chork, Khan Daun Penh Phnom Penh Cambodia
PRINCIPAL BANKERS:	ACLEDA Bank Plc. Advance Bank of Asia Ltd. ANZ Royal Bank (Cambodia) Ltd. Bank of China Limited Canadia Bank Plc. Foreign Trade Bank of Cambodia
AUDITORS:	BDO (Cambodia) Limited

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PHNOM PENH AUTONOMOUS PORT
(Incorporated in Cambodia)

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Phnom Penh Autonomous Port ("PPAP") for the financial year ended 31 December 2018.

Principal activities

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

PPAP has the objectives to undertake the management, maintenance and operation of the port services 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 PPAP.

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;
- Monitor operation according to technical standard and ensure safety, enviromental 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, industial zone, agricultural products procession 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;
- Trasport 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 maintence service;
- Provide tourist/passenger terminal and domestic port service; and
- Operate other bussiness of any kinds authorised by the laws and legal norns in force to support the growth of PPAP.

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

Results of operations

	US$	KHR'000
Profit for the financial year	8,100,738	32,767,486

Dividends

Dividends paid since the end of the previous financial year were as follows:

	US$	KHR'000
In respect of financial year ended 31 December 2017:		
Class A first and final dividend paid on 16 March 2018	315,416	1,275,858
Class B first and final dividend paid on 11 July 2018	553,203	2,237,706
	868,619	3,513,564

PHNOM PENH AUTONOMOUS PORT
(Incorporated in Cambodia)

DIRECTORS' REPORT (continued)

Reserves and provisions

There was a transfer of US$4,728,859 from retained earnings to legal, general and development reserves, as approved during the Board of Directors meeting on 28 February 2018.

Bad and doubtful debts

Before the statement of profit or loss and other comprehensive income and statement of financial position of PPAP were made out, the Directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no known bad debts and that adequate allowance had been made for doubtful debts.

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

Current assets

Before the statement of profit or loss and other comprehensive income and statement of financial position were made out, the Directors took reasonable steps to ensure that for any current assets which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of PPAP have been written down to an amount expected if realised.

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 and which may render adherence to the existing method of valuation of assets or liabilities of PPAP misleading or inappropriate.

Contingent and other liabilities

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

(i) 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

(ii) any contingent liability of PPAP which has arisen since the end of the financial year.

No contingent or other liability has become enforceable, or is likely to become enforceable, within the period of 12 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 when they fall due.

Change of circumstances

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

DIRECTORS' REPORT (continued)

Items of an unusual nature

The results of the operations of PPAP during 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 financial year for which this report is made.

Share capital

PPAP did not issue any shares during the current financial year.

No option to take up unissued shares in PPAP was granted during the financial year and there were no shares under options at the end of the financial year in respect of shares in PPAP.

Directors

The Directors who have held for office since the date of the last report are:

H.E. Hei Bavy
H.E. Suon Rachana
H.E. Ken Sambath
H.E. Penn Sovicheat
Mr. Gui Anvanith
Mrs. Choun Sokhem
Mr. Dith Sochal

Directors' benefits

During and at the end of the financial year, no arrangements subsisted to which PPAP is a party, with the object or objects of enabling the 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, the Directors have not received or become entitled to receive any benefit by reason of a contract made by PPAP or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except for any benefit which may be deemed to have arisen by virtue of those transactions as disclosed in Note 26 to the financial statements.

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PHNOM PENH AUTONOMOUS PORT
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DIRECTORS' REPORT (continued)

Directors' responsibility in respect of the financial statements

The Directors are responsible to ascertain that the financial statements give a true and fair view of the financial position of PPAP as at 31 December 2018, and of its financial performance and cash flows for the financial year then ended. In preparing these financial statements, the Directors are required to:

(a) adopt appropriate accounting policies which are supported by reasonable judgements and estimates and then apply them consistently;

(b) comply with the disclosure requirements of the Cambodian International Financial Reporting Standards ("CIFRSs") 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;

(c) maintain adequate accounting records and an effective system of internal controls;

(d) prepare the financial statements on a going concern basis unless it is inappropriate to assume that PPAP will continue its operations in the foreseeable future; and

(e) control and direct effectively PPAP in all material decisions affecting its operations and performance and ascertain that such decisions and/or instructions have been properly reflected in the financial statements.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

Significant event during the financial year

The significant event during the financial year is disclosed in Note 29 to the financial statements.

Statement by the Directors

In the opinion of the Directors, the financial statements set out on pages 10 to 46 have been drawn up in accordance with Cambodian International Financial Reporting Standards so as to give a true and fair view of the financial position of PPAP as at 31 December 2018, and of its financial performance and cash flows for the financial year then ended.

For and on behalf of the board of Directors,

H.E. Hei Bavy
Chairman and Chief Executive Officer

Ms. Chheav Vanthea
Head of Accounting/Finance Department

Phnom Penh, Cambodia
Date: 22 MAR 2019

BDO

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Kingdom of Cambodia

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PHNOM PENH AUTONOMOUS PORT
(Incorporated in Cambodia)
(Registration No: Co.7175 Et/2004)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Phnom Penh Autonomous Port ("PPAP"), which comprise statement of financial position as at 31 December 2018, and statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and a summary of significant accounting policies, as set out on pages 10 to 46.

The financial statements of PPAP for the financial year ended 31 December 2017 was audited by another firm of Certified Public Accountants, whose report dated 7 March 2018 expressed an unqualified opinion on those statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of PPAP as at 31 December 2018, and of its financial performance and cash flows for the financial year then ended in accordance with Cambodian International Financial Reporting Standards ("CIFRSs").

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

Independence and Other Ethical Responsibilities

We are independent of PPAP in accordance with the *Code of Ethics for Professional Accountants and Auditors* of the Kampuchea Institute of Certified Public Accountants and Auditors ("Code of Ethics") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics and the IESBA Code.

Key Audit Matters

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PHNOM PENH AUTONOMOUS PORT
(Incorporated in Cambodia)
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Key Audit Matters (continued)

(a) Retirement benefit obligation

The retirement benefit obligations were determined based on a number of actuarial assumptions and calculations, which were subject to significant judgement and estimate. Changes in these assumptions can have a material impact on the quantum of retirement benefit obligation recorded in the statement of financial position. The assumptions include the discount rate, salary growth rate, mortality rate, disability rate and turnover rates.

As at 31 December 2018, the Board of Directors has engaged an actuarial specialist in order to present actuarial estimate of liabilities as at 31 December 2018 and to provide an actuarial estimate of the defined benefit expenses for the financial year ending 31 December 2018. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using average long-term deposit rates from major banks in Cambodia of 6% per annum.

Audit response

We performed procedures to place reliance on the actuarial valuation report, which include evaluating the competence, capabilities and objectivity of the actuarial specialist as well as assessing whether the actuarial assumptions are recoverable and consistently applied.

(b) Impairment of trade receivables

Gross trade receivables of PPAP as at 31 December 2018 were US$2,665,112 as disclosed in Note 8 to the financial statements.

We determined this to be key audit matter because it requires management to exercise significant judgement in determining the probability of default by trade receivables, appropriate forward looking information, significant increase in credit risk, and estimated cash flows recoverable in worst-case scenarios.

Audit response

Our audit procedures included the following:

- Recomputed the probability of default using historical data and forward looking information adjustment applied by PPAP;
- Recomputed the correlation coefficient between the macroeconomic indicators used by PPAP and historical losses to determine the appropriateness of the forward-looking information used by PPAP;
- Inquiries of management to assess the rationale underling the relationship between the forward-looking information and expected credit losses; and
- Assessed actual loss events subsequent to the end of reporting period for its relationship with the indicators of significant increase in credit risk applied by management.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
PHNOM PENH AUTONOMOUS PORT
(Incorporated in Cambodia)
(Registration No: Co.7175 Et/2004) (continued)

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of PPAP are responsible for the other information. The other information comprises the Directors' Report but does not include the financial statements of PPAP and our auditors' report thereon.

Our opinion on the financial statements of PPAP does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of PPAP, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of PPAP 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 the Directors' Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of PPAP are responsible for the preparation and fair presentation of these financial statements in accordance with CIFRSs. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of PPAP that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of PPAP, the Directors are responsible for assessing 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 the Directors either intend to liquidate PPAP, or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of PPAP 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
PHNOM PENH AUTONOMOUS PORT
(Incorporated in Cambodia)
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Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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

- Identify and assess the risks of material misstatement of the financial statements of PPAP, 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 PPAP's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- 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 PPAP's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of PPAP 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 PPAP to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of PPAP, including the disclosures, and whether the financial statements of PPAP represent the underlying transactions and events in a manner that achieves fair presentation.

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PHNOM PENH AUTONOMOUS PORT
(Incorporated in Cambodia)
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Auditors' Responsibilities for the Audit of the Financial Statements (continued)

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of PPAP for the current year and are therefore the key audit matters. We describe these matters 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.

Other Matters

This report is made solely to the shareholders of PPAP, as a body. We do not assume responsibility to any other person for the content of this report.

Lim Seng Siew
Partner

BDO (Cambodia) Limited
Certified Public Accountants

Phnom Penh, Cambodia
Date: 22 March 2019

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
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Auditors' Responsibilities for the Audit of the Financial Statements (continued)

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of PPAP for the current year and are therefore the key audit matters. We describe these matters 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.

Other Matters

This report is made solely to the shareholders of PPAP, as a body. We do not assume responsibility to any other person for the content of this report.

Lim Seng Siew
Partner

BDO (Cambodia) Limited
Certified Public Accountants

Phnom Penh, Cambodia
Date: 22 March 2019

PHNOM PENH AUTONOMOUS PORT
(Incorporated in Cambodia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 US$	2018 KHR'000	2017 US$	2017 KHR'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	73,809,447	296,566,358	145,355,017	586,798,204
Investment properties	6	85,026,198	341,635,264	8,473,703	34,208,339
Deferred tax assets	7	1,126,000	4,524,268	-	-
		159,961,645	642,725,890	153,828,720	621,006,543
Current assets					
Trade and other receivables	8	3,172,538	12,747,258	3,009,308	12,148,576
Cash and bank balances	9	23,995,410	96,413,557	11,717,944	47,305,340
		27,167,948	109,160,815	14,727,252	59,453,916
TOTAL ASSETS		187,129,593	751,886,705	168,555,972	680,460,459
EQUITY AND LIABILITIES					
Equity					
Share capital	10	114,453,485	457,813,940	114,453,485	457,813,940
Share premium	11	155,502	622,008	155,502	622,008
Reserves	12	18,675,142	75,036,721	13,946,283	56,301,145
Retained earnings		7,678,073	31,070,194	5,282,062	21,323,684
Currency translation difference		-	1,843,265	-	4,240,532
TOTAL EQUITY		140,962,202	566,386,128	133,837,332	540,301,309
LIABILITIES					
Non-current liabilities					
Guaranteed dividends payable		445,453	1,789,830	630,080	2,543,633
Borrowings	13	24,839,689	99,805,870	26,909,663	108,634,310
Provision for retirement benefits	14	644,644	2,590,180	619,279	2,500,029
Deferred tax liabilities	7	-	-	1,414,296	5,709,513
Contract liabilities	15	14,625,000	58,763,250	-	-
		40,554,786	162,949,130	29,573,318	119,387,485
Current liabilities					
Trade and other payables	16	2,691,950	10,816,255	2,510,885	10,136,443
Borrowings	13	2,069,974	8,317,156	2,069,974	8,356,485
Contract liabilities	15	225,000	904,050	-	-
Current tax liabilities		625,681	2,513,986	564,463	2,278,737
		5,612,605	22,551,447	5,145,322	20,771,665
TOTAL LIABILITIES		46,167,391	185,500,577	34,718,640	140,159,150
TOTAL EQUITY AND LIABILITIES		187,129,593	751,886,705	168,555,972	680,460,459

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

PHNOM PENH AUTONOMOUS PORT
(Incorporated in Cambodia)

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

	Note	2018 US$	2018 KHR'000	2017 US$	2017 KHR'000
Revenue	18	20,722,928	83,824,244	18,856,296	76,273,717
Cost of services	19	(7,234,782)	(29,264,693)	(6,460,794)	(26,133,912)
Gross profit		13,488,146	54,559,551	12,395,502	50,139,805
Other income	20	1,457,658	5,896,227	603,968	2,443,051
General and administrative expenses	21	(6,093,272)	(24,647,285)	(5,561,219)	(22,495,131)
Operating profit		8,852,532	35,808,493	7,438,251	30,087,725
Finance costs	22	(1,170,227)	(4,733,568)	(1,254,767)	(5,075,533)
Profit before tax		7,682,305	31,074,925	6,183,484	25,012,192
Taxation	23	418,433	1,692,561	(821,651)	(3,323,578)
Profit for the financial year		8,100,738	32,767,486	5,361,833	21,688,614
Other comprehensive income, net of tax					
Items that will not be reclassified subsequently to profit or loss:					
Re-measurements of defined benefit liability		36,153	146,239	(27,304)	(110,445)
Total comprehensive income for the financial year		8,136,891	32,913,725	5,334,529	21,578,169

Earnings per share attributable to shareholders of PPAP during the financial year are as follows:

	Note	2018 US$	2018 KHR'000	2017 US$	2017 KHR'000
Basic earnings per share	24	0.39	1.59	0.26	1.05
Diluted earnings per share	24	0.39	1.59	0.26	1.05

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

PHNOM PENH AUTONOMOUS PORT
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STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Share capital US$	Share premium US$	Reserves US$	Retained earnings US$	Currency translation difference US$	Total US$
Balance as at 1 January 2018, as previously reported		**114,453,485**	**155,502**	**13,946,283**	**5,282,062**	**-**	**133,837,332**
Adjustments on initial application of CIFRS 9	32.1(a)	-	-	-	(458,818)	-	(458,818)
Balance as at 1 January 2018, as restated		114,453,485	155,502	13,946,283	4,823,244	-	133,378,514
Profit for the financial year		-	-	-	8,100,738	-	8,100,738
Actuarial gain on retirement benefit obligation		-	-	-	36,153	-	36,153
Total comprehensive income		-	-	-	8,136,891	-	8,136,891
Transactions with owners							
Transfer to reserves	12	-	-	4,728,859	(4,728,859)	-	-
Dividend Class B	25	-	-	-	(553,203)	-	(553,203)
Total transactions with owners		-	-	4,728,859	(5,282,062)	-	(553,203)
Balance as at 31 December 2018		**114,453,485**	**155,502**	**18,675,142**	**7,678,073**	**-**	**140,962,202**
(KHR'000 equivalent)		*457,813,940*	*622,008*	*75,036,721*	*31,070,194*	*1,843,265*	*566,386,128*

PHNOM PENH AUTONOMOUS PORT
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STATEMENT OF CHANGES IN EQUITY (continued)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Share capital US$	Share premium US$	Reserves US$	Retained earnings US$	Currency translation difference US$	Total US$
Balance as at 1 January 2017		**114,453,485**	**155,502**	**11,308,650**	**3,175,671**	**-**	**129,093,308**
Profit for the financial year		-	-	-	5,361,833	-	5,361,833
Actuarial loss on retirement benefit obligation		-	-	-	(27,304)	-	(27,304)
Total comprehensive income		-	-	-	5,334,529	-	5,334,529
Transactions with owners							
Transfer to reserves	12	-	-	2,637,633	(2,637,633)	-	-
Dividend Class A	25	-	-	-	(52,467)	-	(52,467)
Dividend Class B		-	-	-	(538,038)	-	(538,038)
Total transactions with owners		-	-	2,637,633	(3,228,138)	-	(590,505)
Balance as at 31 December 2017/1 January 2018		**114,453,485**	**155,502**	**13,946,283**	**5,282,062**	**-**	**133,837,332**
(KHR'000 equivalent)		*457,813,940*	*622,008*	*56,301,145*	*21,323,684*	*4,240,532*	*540,301,309*

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

PHNOM PENH AUTONOMOUS PORT
(Incorporated in Cambodia)

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

	Note	2018 US$	2018 KHR'000	2017 US$	2017 KHR'000
Cash flows from operating activities					
Profit before tax		7,682,305	31,074,925	6,183,484	25,012,192
Adjustments for:					
Depreciation of property, plant and equipment	5	2,892,290	11,699,313	2,830,665	11,450,040
Depreciation of investment properties	6	70,964	287,049	63,510	256,898
Finance costs	22	1,170,227	4,733,568	1,254,767	5,057,533
Loss on disposals of property, plant and equipment		52,246	211,335	-	-
Property, plant and equipment written off		8,768	35,467	-	-
Rental income		(150,000)	(606,750)	-	-
Retirement benefit obligation expenses	14	101,091	408,913	90,982	368,022
Reversal of impairment loss on receivables	8	(114,887)	(464,718)	-	-
Unrealised loss on foreign exchange		3,449	13,951	3,795	15,351
Operating profit before working capital changes		11,716,453	47,393,053	10,427,203	42,160,036
Changes in working capital:					
Trade and other receivables		(507,161)	(2,051,466)	(74,527)	(301,462)
Trade and other payables		276,664	1,119,106	178,629	722,554
Contract liabilities		15,000,000	60,675,000	-	-
Cash generated from operations		26,485,956	107,135,693	10,531,305	42,581,128
Income tax paid		(2,060,645)	(8,335,309)	(515,854)	(2,086,630)
Retirement benefit obligation paid		(39,573)	(160,073)	(32,966)	(133,348)
Net cash from operating activities		24,385,738	98,640,311	9,982,485	40,361,150
Cash flows from investing activities					
Purchase of property, plant and equipment	5	(8,065,559)	(32,625,186)	(3,029,290)	(12,253,478)
Purchase of investment properties	6	-	-	(1,893)	(7,657)
Proceeds from disposal of property, plant and equipment		34,366	139,010	-	-
Net cash used in investing activities		(8,031,193)	(32,486,176)	(3,031,183)	(12,261,135)

PHNOM PENH AUTONOMOUS PORT
(Incorporated in Cambodia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (continued)

	Note	2018 US$	2018 KHR'000	2017 US$	2017 KHR'000
Cash flows from financing activities					
Dividends paid		(868,619)	(3,513,564)	(825,661)	(3,339,799)
Interest paid		(1,138,486)	(4,605,176)	(1,159,186)	(4,688,907)
Repayments of borrowings		(2,069,974)	(8,373,045)	-	-
Placement of fixed deposits with a licensed bank		(11,839,376)	(47,570,613)	(153,574)	(619,978)
Net cash used in financing activities		(15,916,455)	(64,062,398)	(2,138,421)	(8,648,684)
Net increase in cash and cash equivalents		438,090	2,091,737	4,812,881	19,469,331
Cash and cash equivalents at beginning of financial year		8,557,320	34,545,901	3,744,439	15,116,300
Currency translation differences		-	(494,081)	-	(39,730)
Cash and cash equivalents at end of financial year	9	8,995,410	36,143,557	8,557,320	34,545,901

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Borrowings (Note 13) US$	Borrowings (Note 13) KHR'000
At 1 January 2017/31 December 2017/1 January 2018	28,979,637	116,990,795
Cash flows	(2,069,974)	(8,373,045)
Non-cash flows:		
- Effect of foreign exchange	-	(494,724)
At 31 December 2018	26,909,663	108,123,026

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

PHNOM PENH AUTONOMOUS PORT
(Incorporated in Cambodia)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

1. CORPORATE INFORMATION

Phnom Penh Autonomous Port ("PPAP") was registered under the Sub-Decree number 51 អនក្រ on 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"). PPAP was listed on the Cambodia Securities Exchange on 9 December 2015 with the security certificate number 003 CSX/SC and became a state-owned public enterprise offering shares to the public.

The registered office and principal place of business of PPAP is located at No. 649, Preah Sisowat Quay, Sangkat Sras Chork, Khan Duan Penh, Phnom Penh, Kingdom of Cambodia.

The financial statements are presented in United States Dollar ("US$"), which is also PPAP's functional currency.

The financial statements were authorised for issue by the Board of the Directors on 22 March 2019.

2. PRINCIPAL ACTIVITIES

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

PPAP has the objectives to undertake the management, maintenance and operation of the port services 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 PPAP.

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;
- Monitor operation according to technical standard and ensure safety, enviromental 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, industial zone, agricultural products procession 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;
- Trasport 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 maintence service;
- Provide tourist/passenger terminal and domestic port service; and
- Operate other bussiness of any kinds authorised by the laws and legal norns in force to support the growth of PPAP.

3. BASIS OF PREPARATION

The financial statements of PPAP have been prepared in accordance with Cambodian International Financial Reporting Standards ("CIFRSs") as issued by the National Accounting Council of the Ministry of Economy and Finance.

4. BASIS OF ACCOUNTING

The accounting policies adopted are consistent with those of the previous financial year except for the effects, if any, of the adoption of new CIFRSs during the financial year. The new CIFRSs adopted during the financial year are disclosed in Note 32 to the financial statements.

PPAP applied CIFRS 15 *Revenue from Contracts with Customers* and CIFRS 9 *Financial Instruments* for the first time during the current financial year, using the cumulative effect method as at 1 January 2018. Consequently, the comparative information were not restated and are not comparable to the financial information of the current financial year.

The financial statements of PPAP have been prepared under the historical cost convention except as otherwise stated in the financial statements.

Translations to Khmer Riel ("KHR") are presented in the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the notes to the financial statements as at and for the financial year ended 31 December 2018 of PPAP using the following official closing and average rates of exchange for the translation:

		Closing rate	Average rate
31 December 2018	US$1 =	KHR4,018	KHR4,045
31 December 2017	US$1 =	KHR4,037	KHR4,045

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

5. PROPERTY, PLANT AND EQUIPMENT

	Land US$	Computers US$	Office equipment and others US$	Furniture and fixtures US$	Motor vehicles US$	Plant and machineries US$	Harbours and buildings US$	Construction in progress US$	Total US$
Cost									
Balance at 1 January 2017	96,276,681	592,185	547,007	56,842	1,318,147	11,932,525	38,777,101	6,058,380	155,558,868
Additions	-	6,296	10,780	-	48,601	130,071	47,531	2,786,011	3,029,290
Reclassification	860,666	39,138	40,218	7,975	-	7,371,144	257,500	(8,576,641)	-
Balance at 31 December 2017/1 January 2018	97,137,347	637,619	598,005	64,817	1,366,748	19,433,740	39,082,132	267,750	158,588,158
Additions	48,193	1,840	17,803	-	306,850	-	2,165	7,688,708	8,065,559
Reclassification	2,840,067	11,381	-	-	-	-	3,377,406	(6,228,854)	-
Transfers to investment properties (Note 6)	(76,474,216)	-	-	-	-	-	(206,827)	-	(76,681,043)
Disposals	-	-	-	-	(142,565)	(96,504)	-	-	(239,069)
Written-off	-	(73,812)	(3,990)	-	-	-	-	-	(77,802)
Balance at 31 December 2018	23,551,391	577,028	611,818	64,817	1,531,033	19,337,236	42,254,876	1,727,604	89,655,803

5. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land US$	Computers US$	Office equipment and others US$	Furniture and fixtures US$	Motor vehicles US$	Plant and machineries US$	Harbours and buildings US$	Construction in progress US$	Total US$
Accumulated depreciation									
Balance at 1 January 2017	-	442,694	167,819	42,376	323,880	3,138,296	6,287,411	-	10,402,476
Depreciation for the year	-	84,106	49,548	6,408	96,084	1,300,393	1,294,126	-	2,830,665
Balance at 31 December 2017/1 January 2018	-	526,800	217,367	48,784	419,964	4,438,689	7,581,537	-	13,233,141
Depreciation for the year	-	37,630	49,636	3,644	101,337	1,364,234	1,335,809	-	2,892,290
Transfers to investment properties (Note 6)	-	-	-	-	-	-	(57,584)	-	(57,584)
Disposals	-	-	-	-	(85,461)	(66,996)	-	-	(152,457)
Written-off	-	(65,044)	(3,990)	-	-	-	-	-	(69,034)
Balance at 31 December 2018	-	499,386	263,013	52,428	435,840	5,735,927	8,859,762	-	15,846,356
Carrying amounts									
Balance at 31 December 2018	**23,551,391**	**77,642**	**348,805**	**12,389**	**1,095,193**	**13,601,309**	**33,395,114**	**1,727,604**	**73,809,447**
(KHR'000 equivalents)	*94,629,489*	*311,966*	*1,401,498*	*49,779*	*4,400,485*	*54,650,060*	*134,181,568*	*6,941,513*	*296,566,358*
Balance at 31 December 2017	97,137,437	110,819	380,638	16,033	946,784	14,995,051	31,500,595	267,750	145,355,107
(KHR'000 equivalents)	*392,143,470*	*447,376*	*1,536,636*	*64,725*	*3,822,167*	*60,535,021*	*127,167,902*	*1,080,907*	*586,798,204*

5. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) All items of property, plant and equipment are initially measured at cost. After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write down the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal depreciation periods are as follows:

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

Land has unlimited useful life and is not depreciated.

Construction in progress represents mainly harbours and buildings under construction. Construction in progress are not depreciated until such time when the assets are available for use.

(b) The depreciation charges are allocated as follows:

	2018		**2017**	
	US$	**KHR'000**	**US$**	**KHR'000**
Cost of sales	2,619,677	10,596,593	2,508,858	10,148,331
Administrative expenses	272,614	1,102,724	321,807	1,301,709
	2,892,291	11,699,317	2,830,665	11,450,040

6. INVESTMENT PROPERTIES

	Land US$	Buildings US$	Total US$
Cost			
Balance at 1 January 2017	7,178,221	1,633,485	8,811,706
Additions	-	1,893	1,893
Balance at 31 December 2017/ 1 January 2018	7,178,221	1,635,378	8,813,599
Transfers from property, plant and equipment (Note 5)	76,474,216	206,827	76,681,043
Balance at 31 December 2018	83,652,437	1,842,205	85,494,642
Accumulated depreciation			
Balance at 1 January 2017	-	276,386	276,386
Depreciation for the year	-	63,510	63,510
Balance at 31 December 2017/ 1 January 2018	-	339,896	339,896
Depreciation for the year	-	70,964	70,964
Transfers from property, plant and equipment (Note 5)	-	57,584	57,584
Balance at 31 December 2018	-	468,444	468,444
Carrying amounts			
Balance at 31 December 2018	**83,652,437**	**1,373,761**	**85,026,198**
(KHR'000 equivalents)	*336,115,492*	*5,519,773*	*341,635,264*
Balance at 31 December 2017	**7,178,221**	**1,295,482**	**8,473,703**
(KHR'000 equivalents)	*28,978,487*	*5,229,861*	*34,208,339*
Fair value			
Balance at 31 December 2018	**527,343,830**	**1,319,584**	**528,663,414**
(KHR'000 equivalents)	*2,118,867,509*	*5,302,087*	*2,124,169,596*
Balance at 31 December 2017	**8,458,580**	**1,319,584**	**9,778,164**
(KHR'000 equivalents)	*34,147,287*	*5,327,160*	***39,474,447***

(a) Investment properties are initially measured at cost, which includes transaction costs. After initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

(b) Land has an unlimited useful life and therefore is not depreciated. The principal depreciation period for the buildings ranges from 5 to 50 (2017: 10 to 50) years.

(c) The fair value of investment properties is derived by the Directors based on valuation obtained from a professional valuer and estimation from available market information.

7. DEFERRED TAX

The components and movements of deferred tax assets/(liabilities) are as follows:

	At 1 January 2018 US$	Recognised in profit or loss (Note 23) US$	At 31 December 2018 US$
Property, plant and equipment	(1,526,814)	(511,633)	(2,038,447)
Retirement benefit obligation	107,654	16,538	124,192
Deferred income	3,797	2,966,203	2,970,000
Impairment loss on receivables	-	68,786	68,786
Unrealised exchange differences	1,067	402	1,469
	(1,414,296)	2,540,296	1,126,000
(KHR'000 equivalent)			*4,524,268*

	At 1 January 2017 US$	Recognised in profit or loss (Note 23) US$	At 31 December 2017 US$
Property, plant and equipment	(1,295,820)	(230,994)	(1,526,814)
Retirement benefit obligation	103,939	3,715	107,654
Deferred income	7,593	(3,796)	3,797
Unrealised exchange differences	587	480	1,067
	(1,183,701)	(230,595)	(1,414,296)
(KHR'000 equivalent)			*(5,709,513)*

8. TRADE AND OTHER RECEIVABLES

	2018		2017	
	US$	KHR'000	US$	KHR'000
Trade receivables				
Third parties	2,665,112	10,708,420	2,511,759	10,139,971
Less: Impairment loss				
-Third parties	(343,931)	(1,381,915)	-	-
	2,321,181	9,326,505	2,511,759	10,139,971
Other receivables				
Third parties	474,543	1,906,714	-	-
Advances	2,688	10,800	62,974	254,226
Deposits	3,897	15,658	-	-
Other receivables	62,165	249,780	35,436	143,055
	543,293	2,182,952	98,410	397,281
Total receivables	2,864,474	11,509,457	2,610,169	10,537,252
Prepayments	308,064	1,237,801	399,139	1,611,324
	3,172,538	12,747,258	3,009,308	12,148,576

8. TRADE AND OTHER RECEIVABLES (continued)

(a) Total receivables are classified as financial assets measured at amortised cost.

(b) Trade receivables are non-interest bearing and the normal trade credit terms granted by PPAP is 30 days (2017: 30 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

(c) Trade and other receivables are denominated in US$.

(d) PPAP applies the CIFRS 9 simplified approach to measuring expected credit loss using a lifetime credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and aging. The expected loss rates are based on PPAP's historical credit losses experienced. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting PPAP's customers.

Lifetime expected loss provision for trade receivables as at 31 December 2018 are as follows:

	1-30 days	**31-60 days**	**61-90 days**	**91-120 days**	**121-150 days**	**151-180 days**	**Over 180 days**	**Total US$**
Expected loss rate	5.23%	7.47%	16.51%	26.82%	39.76%	80.15%	100%	
Gross carrying amount (US$)	1,212,174	766,719	437,615	71,598	72,647	-	104,359	2,665,112
Impairment (US$)	63,043	57,006	71,433	19,204	28,886	-	104,359	343,931

During the financial year, PPAP did not renegotiate the terms of any trade receivables.

(e) Movements in the impairment allowance for trade receivables are as follows:

	2018 US$	**2017 US$**
At 1 January under CIAS 39	-	-
Restated through opening retained earnings	458,818	-
Opening impairment loss of trade receivables in accordance with CIFRS 9	458,818	-
Reversal of impairment loss	(114,887)	-
At 31 December	343,931	-

(f) Impairment for other receivables are recognised based on the general approach within CIFRS 9 using the forward looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

9. CASH AND BANK BALANCES

	2018 US$	2018 KHR'000	2017 US$	2017 KHR'000
Cash on hand	6,332	25,442	3,815	15,401
Cash at banks	3,426,195	13,766,452	3,019,161	12,188,353
Fixed deposits	20,562,883	82,621,663	8,694,968	35,101,586
As stated in statement of financial position	23,995,410	96,413,557	11,717,944	47,305,340
Less:				
Fixed deposits (maturity more than three months)	(15,000,000)	(60,270,000)	(3,160,624)	(12,759,439)
As stated in statement of cash flows	8,995,410	36,143,557	8,557,320	34,545,901

(a) Cash and bank balances are classified as financial assets measured at amortised cost.

(b) Fixed deposits with a licensed bank of PPAP have maturity period ranging from 1 to 240 months (2017: 1 to 6 months).

(c) The currency exposure profile of cash and bank balances is as follows:

	2018 US$	2017 US$
United States Dollar	23,765,625	11,673,200
Khmer Riel	229,785	44,744
	23,995,410	11,717,944

(d) Weighted average effective interest rate of deposits with a licensed bank of PPAP as at the end of each reporting period are as follows:

	2018 %	2017 %
Fixed rates	7.75	4.50

10. SHARE CAPITAL

	2018 Number	2018 US$	2017 Number	2017 US$
Voting shares of US$1 each:				
Class A	4,136,873	4,136,873	4,136,873	4,136,873
Class B	16,547,492	16,547,492	16,547,492	16,547,492
	20,684,365	20,684,365	20,684,365	20,684,365
Non-voting shares of US$1 each:				
Class C	93,769,120	93,769,120	93,769,120	93,769,120
	114,453,485	114,453,485	114,453,485	114,453,485
(KHR'000 equivalent)	-	*457,813,940*	-	*457,813,940*

10. SHARE CAPITAL (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:

(a) 4,136,873 Class A (Voting) shares (3.61%) with a total value of US$4,136,873 (equivalent to KHR16,547,492,000)

(b) 16,547,492 Class B (Voting) shares (14.46%) with a total value of US$16,547,492 (equivalent to KHR66,189,968,000)

(c) 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).

Class A shareholders will enjoy the minimum guaranteed dividend yield of 5% per year based on the Initial Public Offering ("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 five years.

Class C shareholders are not entitled to dividend but have first priority in case of PPAP's liquidation.

The owners of shares in Class A and Class B are entitled to receive dividends as and when declared by PPAP and are entitled to one vote per ordinary share at meetings of PPAP. All ordinary shares rank pari passu with regard to PPAP's residual assets.

11. SHARE PREMIUM

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 was from the IPO with a par value of KHR4,000 per share. After the listing, MoEF holds 80% of the total number of shares. PPAP received the proceeds from the IPO amounting to US$5,193,915 and incurred IPO costs of US$901,540.

The share premium mainly represents the excess amount received by PPAP over the par value of its shares pursuant to the issuance of shares, net of transaction costs directly distributable to the issuance.

12. RESERVES

	Legal reserve US$	**General reserve US$**	**Development fund US$**	**Total US$**
As at 1 January 2018	795,311	795,311	12,355,661	13,946,283
Transfer from retained earnings	268,092	268,092	4,192,675	4,728,859
As at 31 December 2018	**1,063,403**	**1,063,403**	**16,548,336**	**18,675,142**
(KHR'000 equivalent)	*4,272,753*	*4,272,753*	*66,491,215*	*75,036,721*
As at 1 January 2017	590,941	590,941	10,126,768	11,308,650
Transfer from retained earnings	204,370	204,370	2,228,893	2,637,633
As at 31 December 2017	795,311	795,311	12,355,661	13,946,283
(KHR'000 equivalent)	*3,210,671*	*3,210,671*	*49,879,803*	*56,301,145*

12. RESERVES (continued)

On 26 February 2018, the Board of Directors approved the transfer of retained earnings to reserves amounting US$4,728,859.

In accordance with PPAP's Articles of Incorporation, article 66, dated 5 September 2016, PPAP's profit, after offsetting with losses carried forward (if any), can be used as follows:
- for legal reserve – 5%
- for general reserve – 5%
- the remaining balance for dividend and development fund

13. BORROWINGS

	2018		2017	
	US$	**KHR'000**	**US$**	**KHR'000**
Non-current				
Phnom Penh Port – New Container Terminal Project ("PPPNCTP") or Phnom Penh Port LM17	24,839,689	99,805,870	26,909,663	108,634,310
Current				
PPPNCTP or Phnom Penh Port LM17	2,069,974	8,317,156	2,069,974	8,356,485
	26,909,663	108,123,026	28,979,637	116,990,795

(a) 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 the Phnom Penh Port-New Container Terminal Project ("Project")

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.

(b) Borrowings are classified as financial liabilities measured at amortised cost.

(c) The borrowings are repayable twice per year, on 20 February and 20 August, commencing February 2018.

(d) Fair values of the borrowings of PPAP are categorised as Level 3 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.

Valuation techniques used and key inputs to valuation on the borrowings measured at level 3 are described below:

Financial liability	Valuation technique used	Significant unobservable input	Inter-relationship Between key unobservable inputs and fair value
Borrowings	Discounted cash flow method	8.00%	The higher the discount rate, the lower the fair value of the financial liability would be

13. BORROWINGS (continued)

(e) Borrowings that are not carried at fair values and whose carrying amounts do not approximate of fair values are as follows:

	2018 Carrying amount US$	2018 Fair value US$	2017 Carrying amount US$	2017 Fair value US$
Borrowings (fixed rates)	26,909,663	24,916,366	28,979,637	26,833,009

(f) The following table sets out the carrying amounts, the weighted average effective interest rates as at the end of each reporting period and the remaining maturities of the borrowings of PPAP that are exposed to interest rate risk:

31 December 2018	Weighted average effective interest rate per annum %	Within 1 year US$	1 - 2 years US$	2 - 5 years US$	More than 5 years US$	Total US$
Borrowings						
Fixed rates	4.00	2,069,974	2,069,974	6,209,922	16,559,793	26,909,663
31 December 2017						
Borrowings						
Fixed rates	4.00	2,069,974	2,069,974	6,209,922	18,629,767	28,979,637

(g) The table below summarises the maturity profile of the borrowings of PPAP at the end of each reporting period based on contractual undiscounted repayment obligations as follows:

31 December 2018	On demand or within one year US$	One to five years US$	Over five years US$	Total US$
Borrowings	2,069,974	8,279,896	16,559,793	26,909,663
31 December 2017				
Borrowings	2,069,974	8,279,896	18,629,767	28,979,637

(h) Borrowings are denominated in US$.

14. PROVISION FOR RETIREMENT BENEFIT OBLIGATIONS

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

	2018 US$	2018 KHR'000	2017 US$	2017 KHR'000
Defined benefits obligation				
Present value of defined benefits obligation	620,961	2,495,022	597,461	2,411,950
Fair value of plan asset	-	-	-	-
	620,961	2,495,022	597,461	2,411,950
Other benefits				
National Social Security Funds	23,683	95,158	21,818	88,079
Liability recognised in statement of financial position	644,644	2,590,180	619,279	2,500,029

The movements in the defined benefits obligations during the period are as follows:

	2018 US$	2017 US$
Balance at 1 January	597,461	514,207
Current service cost	41,288	35,536
Interest cost	36,120	33,628
Benefits paid	(17,755)	(13,214)
Re-measurement	(36,153)	27,304
Balance at 31 December	620,961	597,461
(KHR'000 equivalent)	*2,495,022*	*2,411,950*

The movements in the other benefits during the period are as follows:

	2018 US$	2017 US$
Balance at 1 January	21,818	19,752
Benefits paid	(21,818)	(19,752)
Additional expenses	23,683	21,818
Balance at 31 December	23,683	21,818
(KHR'000 equivalent)	*95,158*	*88,079*

The amounts recognised within salaries, wages and related expenses in the statement of profit or loss and other comprehensive income are as follows:

	2018 US$	2018 KHR'000	2017 US$	2017 KHR'000
Defined benefit obligation				
Current service costs	41,288	167,010	35,536	143,743
Interest costs	36,120	146,105	33,628	136,025
Other benefits				
Additional expenses	23,683	95,798	21,818	88,254
	101,091	408,913	90,982	368,022

14. PROVISION FOR RETIREMENT BENEFIT OBLIGATIONS (continued)

(a) Defined benefit obligation

The principal actuarial assumptions are as follows:

Discount rate (i)	6.00% (2017: 6.25%)
Salary growth rate	20% (2017: 21%) per annum, and gradually decreasing to 5% per annum by 2034 for both of their basic and total salary
Mortality rate (ii)	Thailand Mortality Ordinary Life Table 2017
Disability rate	10% (2017: 10%) of mortality rate
Turnover rate	1.1% (2017: 1.1%)

(i) Discount rate

As information on Cambodian corporate or government bonds are not readily available, PPAP has analysed the average long term deposit rates of major banks in Cambodia.

(ii) Mortality rate

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 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

<u>Sensitivity analysis</u>

- 0.25% decrease in discount rate results in a 2.27% increase in defined benefit plan obligation. 0.25% increase in discount rate results in a 2.19% decrease in defined benefit plan obligation.

- 0.50% decrease in salary increase rate results in a 4.06% decrease in defined benefit obligation. 0.50% increase in salary increase rate results in a 4.33% 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 NSSFC.

15. CONTRACT LIABILITIES

	2018 US$	2018 KHR'000
Non-current		
Deferred income	14,625,000	58,763,250
Current		
Deferred income	225,000	904,050

(a) Contract liabilities are in respect of deferred income arising from lease of land to Chean Chhoeng Thai Group. The total consideration is amortised on a straight-line basis over the term of 50 years.

(b) Income expected to be recognised in the future relating to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period is US$300,000 annually.

16. TRADE AND OTHER PAYABLES

	2018 US$	2018 KHR'000	2017 US$	2017 KHR'000
Trade payables				
Third parties	494,259	1,985,933	406,795	1,642,232
Other payables				
Interest payable	397,665	1,597,818	441,422	1,782,021
Deposits from customers	350,579	1,408,626	248,114	1,001,636
Dividend payable	-	-	52,467	211,809
Guaranteed dividends payable	263,574	1,059,040	262,949	1,061,525
Other tax payables	118,807	477,367	153,355	619,094
Other payables	1,067,066	4,287,471	945,783	3,818,126
	2,197,691	8,830,322	2,104,090	8,494,211
	2,691,950	10,816,255	2,510,885	10,136,443

(a) Trade and other payables are classified as financial liabilities measured at amortised cost.

(b) Trade payables are non-interest bearing and the normal trade credit terms granted to the PPAP range from one to two months (2017: one to two months).

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

(d) The currency exposure profile of trade and other payables is as follows:

	2018 US$	2017 US$
United States Dollar	1,373,296	1,192,823
Khmer Riel	1,318,654	1,318,062
	2,691,950	2,510,885

16. TRADE AND OTHER PAYABLES (continued)

(e) Maturity profile of trade and other payables of PPAP at the end of the reporting period based on contractual undiscounted repayment obligations is repayable on demand or within one year.

17. COMMITMENTS

(a) Operating lease commitments

PPAP as lessee

PPAP had entered into non-cancellable lease agreements for land, resulting in future rental commitments which can, subject to certain terms in the agreements, be revised annually based on prevailing market rates. At year-end, PPAP has outstanding commitments under non-cancellable operating leases that fall due, as follows:

	2018		2017	
	US$	**KHR'000**	**US$**	**KHR'000**
Not later than one year	2,324	9,338	55,767	225,131
Later than one year and not later than five years	-	-	2,633	10,629
	2,324	9,338	58,400	235,760

PPAP as lessor

PPAP has entered into non-cancellable lease arrangements on certain investment properties for a term of 50 years. The leases do not include a clause to enable upward revision of the rental charge on an annual basis depending on prevailing market conditions.

	2018		2017	
	US$	**KHR'000**	**US$**	**KHR'000**
Not later than one year	300,000	1,205,400	-	-
Later than one year and not later than five years	1,500,000	6,027,000	-	-
More than five years	13,050,000	52,434,900	-	-
	14,850,000	59,667,300	-	-

(b) Capital commitments

	2018		2017	
	US$	**KHR'000**	**US$**	**KHR'000**
Capital expenditure in respect of purchase of property, plant and equipment:				
Contracted but not provided	478,824	1,923,915	267,750	1,080,907

18. REVENUE

	2018		2017	
	US$	**KHR'000**	**US$**	**KHR'000**
Stevedoring	8,746,104	35,377,991	7,737,469	31,298,062
Lift On Lift Off ("LOLO")	7,350,987	29,734,742	6,598,109	26,689,351
Port dues and charges	3,413,797	13,808,809	3,165,619	12,804,929
Gate fees	787,397	3,185,021	670,329	2,711,481
Storage fees	369,893	1,496,217	426,073	1,723,465
Weighting fee	6,735	27,243	28,129	113,782
Stuffing/Unstuffing	14,300	57,844	-	-
Sand dredging management fee	31,346	126,795	38,475	155,631
Survey	-	-	191,146	773,186
Trucking fee	2,143	8,668	728	2,945
Repair and maintenance services	226	914	219	885
	20,722,928	83,824,244	18,856,296	76,273,717

Revenue from services rendered is recognised over time as the performance obligations are being satisfied which coincides with the delivery of services and acceptance by customers.

There is no significant financing component in the revenue arising from services rendered as the services are provided on the normal credit terms not exceeding twelve months.

19. COST OF SERVICES

	2018		2017	
	US$	**KHR'000**	**US$**	**KHR'000**
Crane charges	1,735,800	7,021,311	1,515,938	6,131,969
Depreciation	2,619,677	10,596,593	2,508,858	10,148,331
Fuel and gasoline	838,790	3,392,906	608,478	2,461,294
Salaries and wages	1,361,010	5,505,285	1,198,001	4,845,914
Maintenance costs	510,556	2,065,197	384,294	1,554,469
Sand dredging management cost	6,608	26,731	38,507	155,761
Survey costs	-	-	7,472	30,224
Repair and maintenance container fee	177	716	187	756
Others	162,164	655,954	199,059	805,194
	7,234,782	29,264,693	6,460,794	26,133,912

20. OTHER INCOME

	2018		2017	
	US$	**KHR'000**	**US$**	**KHR'000**
Rental income	657,553	2,659,802	317,708	1,285,129
Interest income	615,501	2,489,702	226,051	914,376
Reversal of impairment loss on receivables	114,887	464,718	-	-
Others	69,717	282,005	60,209	243,546
	1,457,658	5,896,227	603,968	2,443,051

20. OTHER INCOME (continued)

(a) Rental income

Rental income is recognised on a straight-line basis over the lease term of an ongoing lease.

(b) Interest income

Interest income is recognised as it accrues, using the effective interest method.

21. GENERAL AND ADMINISTRATIVE EXPENSES

	2018		2017	
	US$	KHR'000	US$	KHR'000
Salaries and other benefits	3,503,802	14,172,879	3,146,171	12,726,262
Utilities and fuel	440,079	1,780,120	440,500	1,781,823
Depreciation	343,578	1,389,773	385,317	1,558,607
Board of Directors' fee	209,197	846,202	209,220	846,295
Donation	492,168	1,990,820	386,613	1,563,850
Office supplies	91,348	369,503	102,571	414,900
Business entertainment	216,254	874,747	192,023	776,733
Repair and maintenance	146,744	593,579	137,181	554,897
Communication expenses	59,578	240,993	53,846	217,807
Professional fees	39,057	157,986	51,218	207,177
Travelling expenses	56,604	228,963	109,725	443,838
Other expenses	366,180	1,481,197	316,124	1,278,720
Property, plant and equipment written off	8,768	35,467	-	-
Loss on disposals of property, plant and equipment	52,246	211,335	-	-
Other tax expenses	67,669	273,721	30,710	124,222
	6,093,272	24,647,285	5,561,219	22,495,131

22. FINANCE COSTS

	2018		2017	
	US$	KHR'000	US$	KHR'000
Interest expense on borrowings	1,094,729	4,428,179	1,159,185	4,688,903
Unwinding effect of guaranteed dividend	75,498	305,389	95,582	386,630
	1,170,227	4,733,568	1,254,767	5,075,533

23. TAXATION

	2018 US$	2018 KHR'000	2017 US$	2017 KHR'000
Income tax expense:				
Current year	2,181,020	8,822,226	583,791	2,361,435
(Over)/Under provision in prior year	(59,157)	(239,290)	7,265	29,386
	2,121,863	8,582,936	591,056	2,390,821
Deferred tax (Note 7):				
Origination and reversal of temporary differences	(2,674,222)	(10,817,228)	230,595	932,757
Under provision in prior year	133,926	541,731	-	-
	(2,540,296)	(10,275,497)	230,595	932,757
	(418,433)	(1,692,561)	821,651	3,323,578

Under the Cambodian Law on Taxation, PPAP has an obligation to pay tax on profit at 20% (2017: 20%) of the taxable profit or a minimum tax at 1% (2017: 1%) of total revenue, whichever is higher. Having successfully listed on the CSX, PPAP is entitled to tax incentives as follows:

- A reduction on 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 three years in accordance with the Sub-decree no. 1អនក្រ.បក of the Royal Government of Cambodia dated 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 incentives starting from 2016.

  On 12 December 2016, PPAP submitted a letter to SECC requesting for their assistance in facilitating with the GDT for the written approval on the 50% reduction on 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 three years starting from 2016.

- A temporary postponement on the prepayment of profit tax for the period of three years in accordance with Prakas number 855 **សហវ.ប្រក** 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.

23. TAXATION (continued)

The numerical reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rate of PPAP is as follows:

	2018 US$	2018 KHR'000	2017 US$	2017 KHR'000
Profit before tax	7,682,305	31,074,924	6,183,484	25,012,192
Tax at Cambodian statutory tax rate of 20% (2017: 20%)	1,536,461	6,214,985	1,236,697	5,002,438
Tax effects in respect of:				
Non-allowable expenses	151,357	612,239	287,528	1,163,051
Tax incentives and allowances	(2,181,020)	(8,822,226)	(709,839)	(2,871,297)
(Over)/Under provision in prior year:				
Income tax	(59,157)	(239,290)	7,265	29,386
Deferred tax	133,926	541,731	-	-
Total taxation	(418,433)	(1,692,561)	821,651	3,323,578

24. EARNINGS PER SHARE

	2018 US$	2018 KHR'000	2017 US$	2017 KHR'000
Profit attributable to ordinary equity holders	8,136,891	32,913,725	5,334,529	21,578,169
Weighted average number of ordinary shares in issue	20,684,365	20,684,365	20,684,365	20,684,365
Basic earnings per share	0.39	1.59	0.26	1.05
Diluted earnings per share	0.39	1.59	0.26	1.05

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

PPAP had no dilutive potential ordinary shares as at the period end. As such, the diluted earnings per share were equivalent to the basic earnings per share.

25. DIVIDENDS

On 26 February 2018, the Board of Directors of PPAP resolved to distribute the dividends in respect to the financial year ended 31 December 2017 to shareholders of each class of shares as follows:

- Shareholders in Class A is entitled to total guaranteed dividend of US$262,949 (equivalent to KHR1,051,796,000) and this dividend was paid on 16 March 2018. The additional dividend to Class A shareholders of US$52,467 was also paid on the same date. These dividends were approved by the Board of Directors on 27 October 2017.

- Shareholders in Class B is entitled to total dividend of US$553,203 (equivalent to KHR2,242,708,000) and this dividend was paid on 11 July 2018.

26. RELATED PARTY DISCLOSURES

(a) Parties are considered related to PPAP if PPAP has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where PPAP and the party are subject to common control or common significant influence. Related parties can be individuals or other parties.

Key management personnel comprises persons (including the Directors of PPAP) having the authority and responsibility for planning, directing and controlling the activities of PPAP directly and indirectly.

(b) PPAP had the following transactions with related parties during the financial year.

	2018		2017	
	US$	**KHR'000**	**US$**	**KHR'000**
<u>Related parties</u>				
MEF				
Interest expense	1,094,729	4,428,179	1,159,185	4,688,903
MEF and MPWT				
Donation and charities	41,813	169,134	74,276	300,445

The related party transactions described above were carried out on negotiated commercial terms.

(c) Compensation of key management personnel

Key management compensation during the financial period is as follows:

	2018		2017	
	US$	**KHR'000**	**US$**	**KHR'000**
Salaries and other expenses	209,197	846,202	209,220	846,295

27. CAPITAL AND FINANCIAL RISK MANAGEMENT

(a) Capital management

The primary objective of PPAP's capital management is to ensure that PPAP would be able to continue as a going concern whilst maximising the return to shareholders through the optimisation of the debt and equity ratios. The overall strategy of PPAP remains unchanged from that in the previous financial year.

PPAP manages its capital structure and makes adjustments to it, in response to changes in economic conditions. In order to maintain or adjust the capital structure, PPAP may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2018 and 31 December 2017.

PPAP monitors and maintains a prudent level of total debts and to ensure compliance with any externally imposed capital requirements.

27. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

(b) Financial risk management

The financial risk management objective of PPAP is to optimise value creation for its shareholders whilst minimising the potential adverse impact arising from volatility of the financial markets.

The Directors are responsible for setting the objectives and underlying principles of financial risk management for PPAP. The management then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement and exposure limits in accordance with the objectives and underlying principles approved by the Directors.

PPAP is exposed mainly to interest rate risk, credit risk and liquidity and cash flow risk. Information on the management of the related exposures is detailed below:

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments of PPAP would fluctuate because of changes in market interest rates.

The exposure of PPAP to interest rate risk arises primarily from fixed deposits and borrowings. PPAP manages its interest rate exposure by closely monitoring the market interest rate. PPAP does not use derivative financial instruments to hedge any debt obligations.

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity analysis of PPAP if interest rates at the end of reporting period changed by 10 basis points with all other variables held constant:

	2018		**2017**	
	US$	**KHR'000**	**US$**	**KHR'000**
Profit net of tax				
- Increased by 0.1% (2017: 0.1%)	(9,528)	(38,540)	(20,655)	(83,550)
- Decreased by 0.1% (2017: 0.1%)	9,528	38,540	20,655	83,550

(ii) Credit risk

Credit risk is the risk of financial loss to PPAP if a counter party to a financial instrument fails to perform as contracted. PPAP is mainly exposed to credit risk from credit sales. It is PPAP's policy to monitor the financial standing of these counter parties on an ongoing basis to ensure that PPAP is exposed to minimal credit risk.

PPAP's primary exposure to credit risk arises through its trade receivables from its customers. PPAP controls the credit risk on service rendered by ensuring that its customers have sound financial position and credit history. PPAP also seeks to invest cash assets safely and profitably with approved financial institutions.

PPAP determines a financial asset to be in default when contractual payments are past due and when internal or external information indicates that financial asset is not recoverable. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

27. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

(b) Financial risk management (continued)

(ii) Credit risk (continued)

Exposure to credit risk and credit risk concentration profile

The maximum exposure to credit risk for PPAP is represented by the carrying amounts of each financial asset.

At the end of the reporting period, approximately 91% (2017: 70%) of PPAP's trade receivables were due from four (2017: four) major customers.

PPAP does not anticipate the carrying amounts recorded at the end of each reporting period to be significantly different from the values that would eventually be received.

(iii) Liquidity and cash flow risk

Liquidity and cash flow risk arises from PPAP's management of working capital. It is the risk that PPAP will encounter difficulty in meeting its financial obligations when due.

PPAP actively manages its operating cash flows and the availability of funding so as to ensure that all operating, investing and financing needs are met. In liquidity risk management strategy, PPAP maintains a level of cash and cash equivalents deemed adequate to finance PPAP's activities.

28. SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the PPAP'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. PPAP operates in one operating segment being port related business.

29. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 29 June 2018, PPAP (Lessor) entered into a 50 years lease agreement with Chean Chhoeng Thai Group for the lease of land situated from Chroy Chongva Bridge to Night Market (along Sisowath Quay) measuring 92,538 metre square.

30. TAXATION CONTINGENCIES

Law on taxation in Cambodia including Sub Decree, Prakas, Circular and Notification is frequently changing based on the amendment of tax authorities and subject to interpretation. Often, differing interpretations on law of taxation exist among relevant parties and this could result in higher tax risks. 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. Management believes that it has adequately provided tax liabilities based on its interpretation of tax legislation.

31. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation.

	As restated		As previously stated	
	US$	KHR'000	US$	KHR'000
Statement of financial position				
Equity				
Reserves	13,946,283	56,301,145	-	-
Legal reserve	-	-	795,311	3,210,671
General reserve	-	-	795,311	3,210,671
Development fund	-	-	12,355,661	49,879,803
Statement of cash flows				
Net cash from operating activities	9,982,485	40,361,150	8,823,299	35,690,243
Net cash used in financing activities	(2,138,421)	(8,648,684)	(825,661)	(3,339,799)

32. ADOPTION OF NEW CIFRSs

32.1 New CIFRSs adopted during the current financial year

PPAP adopted the following amendments, accounting standards and interpretations during the financial year.

	Effective Date
Amendments to CIFRS 1 *Annual Improvements to CIFRS Standards 2014 - 2016 Cycle*	1 January 2018
CIFRS 15 *Revenue from Contracts with Customers*	1 January 2018
Clarification to CIFRS 15	1 January 2018
CIFRS 9 *Financial Instruments (issued by IASB in July 2014)*	1 January 2018
Amendments to CIFRS 2 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to CIAS 28 *Annual Improvements to CIFRS Standards 2014 - 2016 Cycle*	1 January 2018
IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
Amendments to CIAS 40 *Transfers of Investment Property*	1 January 2018
Amendments to CIFRS 4 *Applying CIFRS 9 Financial Instruments with CIFRS 4 Insurance Contracts*	See CIFRS 4 Paragraphs 46 and 48

32. ADOPTION OF NEW CIFRSs (continued)

32.1 New CIFRSs adopted during the current financial year

Adoption of the above amendments, accounting standards and interpretations did not have any material effect on the financial performance or position of PPAP except for the adoption of CIFRS 15 and CIFRS 9 described in the following sections.

(a) CIFRS 9 *Financial Instruments*

CIFRS 9 replaces CIAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, encompassing all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

PPAP applied CIFRS 9 prospectively, with an initial application date of 1 January 2018. PPAP has not restated the comparative information, which continues to be reported under CIAS 39. Differences arising from the adoption of CIFRS 9 have been recognised directly in retained earnings and other components of equity.

(i) Classification of financial assets and financial liabilities

PPAP classifies their financial assets into the following measurement categories depending on the business model of PPAP for managing the financial assets and the terms of contractual cash flows of the financial assets:

- Those to be measured at amortised cost; and

- Those to be measured subsequently at fair value either through other comprehensive income or through profit or loss.

The following summarises the key changes:

- The Available-For-Sale (“AFS”), Held-To-Maturity (“HTM”) and Loans and Receivables (“L&R”) financial asset categories were removed.

- A new financial asset category measured at Amortised Cost (“AC”) was introduced. This applies to financial assets with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by collecting contractual cash flows.

- A new financial asset category measured at Fair Value Through Other Comprehensive Income (“FVTOCI”) was introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

- A new financial asset category for non-traded equity investments measured at FVTOCI was introduced.

CIFRS 9 largely retains the existing requirements in CIAS 39 for the classification of financial liabilities.

However, under CIAS 39 all fair value changes of liabilities designated as FVTPL are recognised in profit or loss, whereas under CIFRS 9 these fair value changes are generally presented as follows:

- Amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in Other Comprehensive Income; and

- The remaining amount of change in the fair value is presented in profit or loss.

32. ADOPTION OF NEW CIFRSs (continued)

32.1 New CIFRSs adopted during the current financial year (continued)

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

(ii) Impairment of financial assets

The adoption of CIFRS 9 has fundamentally changed the accounting for impairment losses for financial assets of PPAP by replacing the incurred loss approach of CIAS 39 with a forward-looking expected credit loss approach. CIFRS 9 requires PPAP to record an allowance for expected credit losses for all debt financial assets not held at fair value through profit or loss.

Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that PPAP expects to receive. The estimate of expected cash shortfall shall reflect the cash flows expected from collateral and other credit enhancements that are part of the contractual terms. The shortfall is then discounted at an approximation to the asset's original effective interest rate of the asset.

Impairment for trade receivables and contract assets that do not contain a significant financing component are recognised based on the simplified approach within CIFRS 9 using the lifetime expected credit losses.

During this process, the probability of non-payment by the trade receivables is adjusted by forward looking information and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within administrative expenses in the statement of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

Impairment for other receivables are recognised based on the general approach within CIFRS 9 using the forward looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

(iii) Classification and measurement

The following table summarises the reclassification and measurement of the financial assets and financial liabilities of PPAP as at 1 January 2018:

	Classification		**Carrying amount**	
	Existing under CIAS 39	**New under CIFRS 9**	**Existing under CIAS 39**	**New under CIFRS 9**
	US$	**US$**	**US$**	**US$**
Financial assets				
Trade and other receivables	L&R	AC	3,009,308	2,550,490
Cash and bank balances	L&R	AC	11,717,944	11,717,944
Financial liabilities				
Trade and other payables	OFL	AC	2,510,885	2,510,885
Borrowings	OFL	AC	28,979,637	28,979,637

32. ADOPTION OF NEW CIFRSs (continued)

32.1 New CIFRSs adopted during the current financial year (continued)

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

(iii) Classification and measurement (continued)

The following tables are reconciliations of the carrying amount of the statement of financial position of PPAP from CIAS 39 to CIFRS 9 as at 1 January 2018:

	Existing under CIAS 39 Carrying amount as at 31 December 2017 US$	**Reclassification US$**	**Remeasurement US$**	**New under CIFRS 9 Carrying amount as at 1 January 2018 US$**
Trade and other receivables:				
Opening balance	3,009,308	-	-	3,009,308
Increase in impairment loss	-	-	(458,818)	(458,818)
Total trade and other receivables	3,009,308	-	(458,818)	2,550,490

	Existing under CIAS 39 Carrying amount as at 31 December 2017 US$	**Reclassification US$**	**Remeasurement US$**	**New under CIFRS 9 Carrying amount as at 1 January 2018 US$**
Retained earnings:				
Opening balance	5,282,062	-	-	5,282,062
Increase in impairment loss for trade receivables	-	-	(458,818)	(458,818)
Total retained earnings	5,282,062	-	(458,818)	4,823,244

32. ADOPTION OF NEW CIFRSs (continued)

32.1 New CIFRSs adopted during the current financial year (continued)

(b) CIFRS 15 *Revenue from Contracts with Customers*

The following summarises the impact of adopting CIFRS 15 on the statement of financial position of PPAP as at 31 December 2018 for each of the line items affected.

	Amounts without adoption of CIFRS 15 US$	Adjustments US$	As reported US$
Liabilities			
Deferred income	14,850,000	(14,850,000)	-
Contract liabilities	-	14,850,000	14,850,000

32.2 New CIFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2019

The following are accounting standards, amendments and interpretations that have been issued but have not been early adopted by PPAP.

	Effective Date
CIFRS 16 *Leases*	1 January 2019
IC Interpretation 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to CIAS 28 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Amendments to CIFRS 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to CIFRS 3 *Annual Improvements to CIFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to CIFRS 11 *Annual Improvements to CIFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to CIAS 12 *Annual Improvements to CIFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to CIAS 23 *Annual Improvements to CIFRS Standards 2015 – 2017 Cycle*	1 January 2019
Amendments to CIAS 19 *Plan Amendment, Curtailment or Settlement*	1 January 2019
Amendments to *References to the Conceptual Framework in CIFRS Standards*	1 January 2020
CIFRS 17 *Insurance Contracts*	1 January 2021
Amendments to CIFRS 10 and CIAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred

PPAP is in the process of making an assessment of the potential impact from the adoption of these accounting standards, amendments and interpretations hence the Directors are not yet in a position to conclude on the potential impact on the results and the financial position of PPAP.

32. ADOPTION OF NEW CIFRSs (continued)

32.2 New CIFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2019 (continued)

The possible effects from the adoption of the above accounting standards, amendments and interpretations are as follows:

CIFRS 16 *Leases*

CIFRS 16, which upon the effective date will supersede CIAS 17 *Leases* and related interpretations introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under CIFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, CIAS 17.

In respect of the lessor accounting, CIFRS 16 substantially carries forward the lessor accounting requirements in CIAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IC Interpretation 23 *Uncertainty over Income Tax Treatments*

The Interpretation supports the requirements of CIAS 12 *Income Taxes* by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the “most likely amount” or the “expected value” approach, whichever better predicts the resolution of the uncertainty.

Amendments to CIAS 28 *Long-term Interests in Associates and Joint Ventures*

The amendments clarify that the companies account for long-term interests in an associate or joint venture, to which equity method is not applied, using CIFRS 9.

32. ADOPTION OF NEW CIFRSs (continued)

32.2 New CIFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2019 (continued)

Amendments to CIFRS 9 *Prepayment Features with Negative Compensation*

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

Amendments to CIFRS 3 *Annual Improvements to CIFRS Standards 2015 - 2017 Cycle*

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to CIFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

Amendments to CIFRS 11 *Annual Improvements to CIFRS Standards 2015 - 2017 Cycle*

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to CIFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

Amendments to CIAS 12 *Annual Improvements to CIFRS Standards 2015 - 2017 Cycle*

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to CIAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Amendments to CIAS 23 *Annual Improvements to CIFRS Standards 2015 – 2017 Cycle*

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to CIAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

Amendments to CIAS 19 *Plan Amendment, Curtailment or Settlement*

The amendments clarify that:

- on amendment, curtailment or settlement of a defined benefit plan, a company should use updated actuarial assumptions to determine its current service cost and net interest for the period; and
- the effect of the asset ceiling cost is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

32. ADOPTION OF NEW CIFRSs (continued)

32.2 New CIFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2019 (continued)

Amendments to *References to the Conceptual Framework in CIFRS Standards*

Together with the revised *Conceptual Framework,* the IASB issued *Amendments to References to the Conceptual Framework in CIFRS Standards*, which contains amendments to CIFRS 2, CIFRS 6, CIFRS 14, CIAS 1, CIAS 8, CIAS 34, CIAS 37, CIAS 38, IC Interpretations 12, 19, 20 and 22 as well Standard Interpretations Committee-32.

CIFRS 17 *Insurance Contracts*

CIFRS 17 replaces CIFRS 4 and requires a current measurement model where estimates are re-measured each reporting period.

Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows
- an explicit risk adjustment, and
- a contractual service margin (''CSM'') representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the income statement or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under CIFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the "variable fee approach" for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach the entity's share of the fair value changes of the underlying items is included in the contractual service margin. The results of insurers using this model are therefore likely to be less volatile than under the general model.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

Amendments to CIFRS 10 and CIAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.