

SIHANOUKVILLE AUTONOMOUS PORT

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

SIHANOUKVILLE AUTONOMOUS PORT

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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PORT AUTONOME DE SIHANOUKVILLE

KINGDOM OF CAMBODIA

NATION RELIGION KING

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors (the Directors) is pleased to submit their report together with the audited financial statements of Sihanoukville Autonomous Port (PAS) for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activities of PAS are involved in providing sea port and other port-related services, and developing Special Economic Zones for leasing.

FINANCIAL PERFORMANCE

The financial performance for the year ended 31 December 2016 is set out in the statement of profit or loss and other comprehensive income on page 7.

ASSETS

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

CONTINGENT AND OTHER LIABILITIES

At the date of this report there does not exist:

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

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

CHANGE OF CIRCUMSTANCE

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

ITEMS OF AN UNUSUAL NATURE

The financial performance of PAS for the year ended 31 December 2016 was not, in the opinion of the Directors, materially affected by any items, transactions or events of a material and unusual nature.

BOARD OF DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for ensuring that the financial statements are properly drawn up so as to present fairly, in all material respects, the financial position of PAS as at 31 December 2016 and its financial performance and cash flows for the year then ended. In preparing these financial statements, the Directors are required to:

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

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

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

Name	Representative	Position	Remarks
H.E. Lou Kim Chhun	General Director of PAS	Chairman	-
H.E. Tekreth Samrach	Ministry of Council of Ministers	Member	-
H.E. Phan Phalla	Ministry of Economy and Finance	Member	Appointed on 10 June 2016
H.E. Yun Min	Sihanoukville Municipality	Member	Appointed on 10 June 2016
H.E. Suy San	Ministry of Public Works and Transport	Member	Appointed on 10 June 2016
H.E. Sok Sopheak	Ministry of Commerce	Member	Appointed on 10 June 2016
Mr. Lou Likheng	Employee of PAS	Member	Appointed on 10 June 2016
H.E. Seng Sytha	Ministry of Public Works and Transport	Member	Resigned on 10 June 2016
H.E. Vongsey Visoth	Ministry of Economy and Finance	Member	Resigned on 10 June 2016
H.E. Sborng Sarath	Sihanoukville Municipality	Member	Resigned on 10 June 2016
H.E. Chorm Borith	Ministry of Commerce	Member	Resigned on 10 June 2016
Mr. Nhim Vuth	Employee of PAS	Member	Resigned on 10 June 2016

APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying financial statements, together with the notes thereto, which present fairly, in all material respects, the financial position of Sihanoukville Autonomous Port as at 31 December 2016 and the financial performance and cash flows for the year then ended in accordance with the Cambodian International Financial Reporting Standards were approved by the Board of Directors.



On behalf of the Board of Directors,

H.E. Lou Kim Chhun
General Director and Chairman of the Board of Directors

Path Seth
Director of Accounting and Finance

Sihanoukville, Kingdom of Cambodia

Date: 26 MAY 2017



Independent auditor's report

To the shareholders of Sihanoukville Autonomous Port

Our opinion

In our opinion, the financial statements of Sihanoukville Autonomous Port (PAS) present fairly, in all material respects, the financial position of PAS as at 31 December 2016 and its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards (CIFRS).

What we have audited

The financial statements of PAS comprise:

- the statement of financial position as at 31 December 2016;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

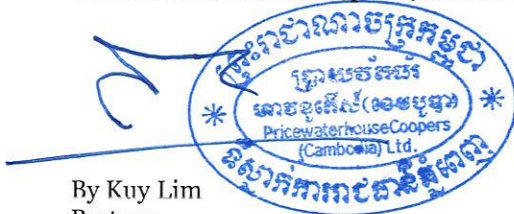
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PAS's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on PAS's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause PAS to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

For PricewaterhouseCoopers (Cambodia) Ltd.



By Kuy Lim
Partner

Phnom Penh, Kingdom of Cambodia
Date: 26 May 2017

SIHANOUKVILLE AUTONOMOUS PORT

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016**

	Notes	2016 KHR'000	2015 KHR'000
ASSETS			
Non-current assets			
Property and equipment	6	734,743,792	669,847,111
Investment properties	7	259,135,950	264,614,671
Intangible assets	8	9,020,592	9,283,941
		<u>1,002,900,334</u>	<u>943,745,723</u>
Current assets			
Inventories	10	6,795,911	4,154,847
Trade and other receivables	11	25,104,570	20,739,425
Short-term bank deposits	12	13,479,228	13,212,800
Cash and cash equivalents	13	34,651,604	45,229,804
		<u>80,031,313</u>	<u>83,336,876</u>
Total assets		<u><u>1,082,931,647</u></u>	<u><u>1,027,082,599</u></u>
EQUITY AND LIABILITIES			
EQUITY			
Capital	14	428,859,836	428,859,836
Other reserves	15	14,969,867	12,245,405
Retained earnings		90,783,308	69,087,298
Total equity		<u>534,613,011</u>	<u>510,192,539</u>
LIABILITIES			
Non-current liabilities			
Borrowings	16	463,235,372	440,471,451
Retirement benefit obligations	17	40,301,411	39,496,788
Deferred income	18	5,928,335	6,081,075
		<u>509,465,118</u>	<u>486,049,314</u>
Current liabilities			
Income tax liabilities		6,462,675	3,575,928
Trade and other payables	19	15,713,887	10,898,445
Borrowings	16	16,543,735	16,232,723
Deferred income	18	133,221	133,650
		<u>38,853,518</u>	<u>30,840,746</u>
Total liabilities		<u>548,318,636</u>	<u>516,890,060</u>
Total equity and liabilities		<u><u>1,082,931,647</u></u>	<u><u>1,027,082,599</u></u>

The accompanying notes on pages 10 to 43 form an integral part of these financial statements.

SIHANOUKVILLE AUTONOMOUS PORT

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Notes	2016 KHR'000	2015 KHR'000
REVENUE	20	208,981,249	198,839,015
OPERATING EXPENSES			
Consumable supplies	21	(48,602,081)	(48,133,114)
Salaries, wages and related expenses	22	(55,377,444)	(56,803,950)
Depreciation and amortisation	23	(22,179,508)	(20,416,241)
Repairs and maintenances		(5,946,723)	(5,806,023)
Other expenses	24	(20,621,799)	(15,580,623)
Other (losses)/gains – net	25	(1,639,023)	446,870
		<u>(154,366,578)</u>	<u>(146,293,081)</u>
Operating profit		54,614,671	52,545,934
Finance income		293,648	3,823,553
Finance cost		<u>(19,062,144)</u>	<u>(12,475,127)</u>
Net finance costs	26	(18,768,496)	(8,651,574)
PROFIT BEFORE INCOME TAX		<u>35,846,175</u>	<u>43,894,360</u>
Income tax expense	27	<u>(9,125,703)</u>	<u>(5,586,897)</u>
PROFIT FOR THE YEAR		<u>26,720,472</u>	<u>38,307,463</u>
Other comprehensive income		-	-
Total comprehensive income for the year		<u>26,720,472</u>	<u>38,307,463</u>
Profit attributable to shareholders		<u>26,720,472</u>	<u>38,307,463</u>
Total comprehensive income attributable to shareholders		<u>26,720,472</u>	<u>38,307,463</u>

The accompanying notes on pages 10 to 43 form an integral part of these financial statements.

SIHANOUKVILLE AUTONOMOUS PORT

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Attributable to shareholders			Total KHR'000
	Capital KHR'000	Reserves KHR'000	Retained earnings KHR'000	
Balance at 1 January 2015	<u>428,859,836</u>	<u>9,767,559</u>	<u>35,257,681</u>	<u>473,885,076</u>
Profit for the year	-	-	<u>38,307,463</u>	<u>38,307,463</u>
Total comprehensive income	-	-	<u>38,307,463</u>	<u>38,307,463</u>
Transfer to reserves (Note 15)	-	<u>2,477,846</u>	<u>(2,477,846)</u>	-
Dividend paid (Note 28)	-	-	<u>(2,000,000)</u>	<u>(2,000,000)</u>
Balance as at 31 December 2015	<u>428,859,836</u>	<u>12,245,405</u>	<u>69,087,298</u>	<u>510,192,539</u>
Balance at 1 January 2016	<u>428,859,836</u>	<u>12,245,405</u>	<u>69,087,298</u>	<u>510,192,539</u>
Profit for the year	-	-	<u>26,720,472</u>	<u>26,720,472</u>
Total comprehensive income	-	-	<u>26,720,472</u>	<u>26,720,472</u>
Transfer to reserves (Note 15)	-	<u>2,724,462</u>	<u>(2,724,462)</u>	-
Dividend paid (Note 28)	-	-	<u>(2,300,000)</u>	<u>(2,300,000)</u>
Balance as at 31 December 2016	<u>428,859,836</u>	<u>14,969,867</u>	<u>90,783,308</u>	<u>534,613,011</u>

The accompanying notes on pages 10 to 43 form an integral part of these financial statements.

SIHANOUKVILLE AUTONOMOUS PORT

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016 KHR'000	2015 KHR'000
Cash flows from operating activities			
Cash generated from operations	29	78,515,243	72,424,173
Income tax paid		(6,238,956)	(3,359,470)
Retirement benefit obligations paid	17	<u>(3,260,377)</u>	<u>(4,312,859)</u>
Cash generated from operating activities		<u>69,015,910</u>	<u>64,751,844</u>
Cash flows from investing activities			
Purchases of property and equipment	6	(80,023,569)	(105,587,733)
Purchases of investment property	7	(581,162)	(3,681,120)
Purchases of intangible assets	8	(729,388)	(298,481)
(Placements of)/cash from short-term bank deposits		(266,428)	3,717,524
Interest received		<u>293,648</u>	<u>327,142</u>
Cash used in investing activities		<u>(81,306,899)</u>	<u>(105,522,668)</u>
Cash flows from financing activities			
Dividends paid		(2,300,000)	(2,000,000)
Proceeds from borrowings		30,091,194	76,917,379
Repayments of borrowings		(14,183,979)	(13,730,540)
Finance cost paid		<u>(11,894,426)</u>	<u>(11,764,015)</u>
Cash generated from financing activities		<u>1,712,789</u>	<u>49,422,824</u>
Net (decrease)/increase in cash and cash equivalents		(10,578,200)	8,652,000
Cash and cash equivalents at beginning of the year		<u>45,229,804</u>	<u>36,577,804</u>
Cash and cash equivalents at end of the year	13	<u>34,651,604</u>	<u>45,229,804</u>

The accompanying notes on pages 10 to 43 form an integral part of these financial statements.

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. BACKGROUND INFORMATION

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

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

PAS is registered with the Ministry of Commerce under the registration number Co. 4784 Et/2017, dated 21 February 2017. In accordance with its Memorandum of Article and Association, the duration of PAS is 99 years beginning from the date of registration with the Ministry of Commerce in the Kingdom of Cambodia.

PAS is currently the sole international and commercial deep sea port in the Kingdom of Cambodia. According to the establishing sub-decree, the mission of PAS is involved in providing the sea port services and sea port related services which include

- bringing vessels in and out and provide them with supplies;
- conducting cargo handling, offloading, loading and transport;
- maintaining and safeguarding stocks, warehouses and yards;
- developing, rehabilitating and expanding the PAS's existing infrastructures;
- taking responsibility on health care, security and order in its management areas;
- adhering to the basic principle and working procedures in the same functions as the customers;
- committing to manage and organize the operational activities to be effective and progressive;
- rental of its Special Economic Zones

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

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

The financial statements were approved for issue by the Board of Directors on 26 May 2017.

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 *Basis of preparation*

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

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

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

The preparation of financial statements in conformity with CIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

2.2 *New and amended accounting standards and interpretations*

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

PAS has adopted the following amendments for the accounting period beginning on 1 January 2016:

CIFRS (Amendments)	Annual Improvements to CIFRS 2010-2012 Cycle
CIFRS (Amendments)	Annual Improvements to CIFRS 2011-2013 Cycle
CIAS 19 (Amendment)	Employee Benefits – Defined Benefit Plans: Employee Contributions

The adoption of these amendments has no significant impact on the results and financial position of PAS.

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 *New and amended accounting standards and interpretations (continued)*

(ii) **New standards and amendments not yet adopted**

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

CIAS 7	Disclosure Initiatives – Amendment to CIAS 7 – effective for annual periods beginning on or after 1 January 2017
CIAS 12	Recognition of Deferred Tax Assets for Unrealised Losses – Amendment to CIAS 12 – effective for annual periods beginning on or after 1 January 2017
CIFRS 9	Financial Instruments – effective for annual periods beginning on or after 1 January 2018
CIFRS 15	Revenue from Contracts with Customers – effective for annual periods beginning on or after 1 January 2018
CIFRS 16	Lease – effective for annual periods beginning on or after 1 January 2019

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

2.3 **Foreign currency translation**

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 *Property and equipment*

Property and equipment are stated at historical cost less accumulated depreciation. The historical cost includes expenditure that is directly attributable to the acquisition of the items. The inter-ministry initial value when assets are transferred from the Royal Government of Cambodia is considered to be the historical cost.

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

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect of these assets.

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 *Intangible assets*

Intangible assets consist of accounting software and port operation system and are stated at historical cost less accumulated amortisation and impairment, if any. They are capitalised based on the costs incurred to acquire and bring into use the specific software. The estimated useful life of computer software has been changed during the year to reflect their current economic life. The impact of the change applies prospectively where the remaining useful life has been used in the calculation of amortisation. The details of the change in useful lives are as follows:

	<u>Current year's useful life</u>	<u>Prior year's useful life</u>
Accounting software	10	10
Port operation system	15 (remaining useful life of 10)	30

2.6 *Investment properties*

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

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

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

Land is not depreciated, other investment properties are depreciated using the straight-line method over its estimated useful life, as follows:

	Years
Buildings	50
Land improvement	50
Facilities	50
Road	50
Water system	50
Other equipment	5

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 *Impairment of non-financial assets*

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

2.8 *Financial assets*

2.8.1 Classification

PAS classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets are acquired. PAS determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. PAS's loans and receivables comprise 'trade and other receivables', 'short-term bank deposits' and 'cash and cash equivalents' in the statement of financial position.

2.8.2 Recognition and measurement

Loans and receivables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. At each statement of financial position date, PAS assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired.

2.9 *Impairment of financial assets*

(a) *Assets carried at amortised cost*

PAS assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 *Impairment of financial assets* (continued)

(a) *Assets carried at amortised cost (continued)*

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of profit or loss.

2.10 *Offsetting financial instruments*

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

2.11 *Inventories*

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

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

2.12 *Trade receivables*

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

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

2.13 *Cash and cash equivalents*

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

2.14 *Capital*

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

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 *Trade payables*

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

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

2.16 *Borrowings*

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

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

2.17 *Borrowing costs*

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

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

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

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 *Current and deferred income tax*

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of profit or loss, except to the extent that it relates to items recognised directly in equity.

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

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

Deferred income tax assets are recognised to the extent that it is probable that there will be future taxable profit against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred income tax is calculated using a tax rate of 20%.

2.19 *Employee benefits*

Employee benefit obligations

PAS operates defined benefit plan whereby:

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

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

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

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Employee benefits (continued)

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

One-off payment:

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

Monthly payment until end of life:

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

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

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

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

- (c) Early retirement benefits

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

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

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 *Employee benefits* (continued)

(d) Death benefits

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

<u>Years of service</u>	<u>Work-related death</u>	<u>Non-work related death</u>
Less than 10 years	125%	115%
From 10 to 20 years	145%	135%
From 21 to 30 years	155%	145%
From 31 to 40 years	165%	155%

(e) Disability benefits:

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

<u>Years of services</u>	<u>Work related disability</u>	<u>Non-work related disability</u>
Less than 10 years	125%	115%
From 10 to 24 years	125% plus 3% for each year of service over 10 years	115% plus 3% for each year of service over 10 years

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

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

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

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 *Provision and contingent liability*

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

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

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

2.21 *Revenue recognition*

Revenue comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of PAS's activities. Revenue is shown net of value-added tax and discounts is recognised as follows:

Port revenue

Port revenue mainly includes fees charged for services provided, including cargo handling, piloting and berthing. Revenue from the provision of these services is recognised when services are rendered.

Rental revenue – Company is the lessor

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

Other revenue

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

2.22 *Interest income*

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

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 *Operating Leases – Company is the lessor*

Properties leased out under operating leases are included in investment properties in the statement of financial position (Note 7). See Note 2.21 for the recognition of rental income.

2.24 *Dividend distribution*

Dividend distribution to PAS's shareholders is recognised as a liability in PAS's financial statements in the period in which the dividends are approved by PAS's Board of Director where appropriate.

2.25 *Segment reporting*

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

3. FINANCIAL RISK MANAGEMENT

3.1 **Financial risk factors**

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

a. *Market risk*

a.1 *Interest rate risk*

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

PAS has interest rate risk arising from long-term borrowings. Borrowings obtained at variable rates expose PAS to cash-flow interest rate risk. Borrowings obtained at fixed rates expose PAS to fair value interest rate risk.

PAS's primary exposure to fair value interest rate risk relates to borrowings from Japan International Cooperation Agency (JICA) and Japan Bank for International Cooperation (JBIC) obtained through the MoEF.

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

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

a. *Market risk (continued)*

a.2 *Foreign exchange risk*

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

PAS's sensitivity to foreign exchange rates on its Japanese yen and US dollar financial instruments is analysed below. PAS's financial instruments are mainly denominated in these two currencies. PAS has analysed the movement in these currencies over the last three years and considered that a 5% and 1% movement in the Japanese yen and US dollar rates, respectively, is a reasonable benchmark.

If the Japanese yen had weakened or strengthened by 5% (average fluctuation for the last three years) against the Riel, post-tax profit for the year would have been KHR 13,730 million higher or lower mainly due to foreign exchange gains/losses on the translation of borrowings denominated in Japanese yen.

If the US dollar had weakened or strengthened by 1% (average fluctuation for the last three years) against the Riel, the post-tax profit for the year would have been KHR 1,067 million higher or lower mainly due to foreign exchange gains/losses on the translation of borrowings denominated in US dollars.

b. *Credit risk*

PAS is exposed to credit risk primarily with respect to trade receivables and cash at banks.

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

To minimise the credit risk on cash at bank, PAS has diversified deposits with a number of large and well-known banks operating in Cambodia.

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

c. *Liquidity risk*

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

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

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

	Less than 1 year KHR'000	Between 1 and 2 years KHR'000	Between 2 and 5 years KHR'000	Over 5 years KHR'000	Total KHR'000
At 31 December 2016					
Borrowings	16,543,735	20,294,879	76,070,328	366,870,165	479,779,107
Trade and other payables	13,401,866	-	-	-	13,401,866
	<u>29,945,601</u>	<u>20,294,879</u>	<u>76,070,328</u>	<u>366,870,165</u>	<u>493,180,973</u>
At 31 December 2015					
Borrowings	16,232,723	14,152,304	66,620,981	359,698,166	456,704,174
Trade and other payables	8,284,558	-	-	-	8,284,558
	<u>24,517,281</u>	<u>14,152,304</u>	<u>66,620,981</u>	<u>359,698,166</u>	<u>464,988,732</u>

3.2 Capital risk management

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

PAS does not have a specific policy on gearing ratios.

3.3 Fair value estimation

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

- (a) *Cash and cash equivalents and short-term investments* – The carrying values of these amounts approximate their fair values due to their short-term nature.
- (b) *Accounts receivable and other payables* – The carrying amounts less impairment provisions approximate the fair value because these are subject to normal credit terms and are short-term in nature.
- (c) *Borrowings* – The fair value of borrowings is estimated by discounting the future contractual cash flows using a prevailing borrowing rate at year-end.

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

4. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

(a) Taxes

Taxes are calculated based on the current interpretation of the tax regulations. However, these regulations are subject to varying interpretations and the ultimate determination of tax expenses is made following an inspection by the General Department of Taxation.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax on profit and deferred tax provisions in the period in which such determination is made.

(b) Property and equipment, and investment properties

Accounting for property and equipment and investment properties involves the use of estimates to determine the expected useful lives and residual values of these assets. The determination of the useful lives and residual values of the assets is based on management's judgement. In making this judgement, PAS evaluates, among other factors, the expected usage of the asset; expected physical wear and tear, which depends on operational and environmental factors; and technical or commercial obsolescence arising from changes or improvements in technology.

(c) Retirement benefit obligations

The present value of the retirement benefit obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used to determine the net cost of pensions include the discount rate, salary growth rates, mortality rates and withdrawal rates. Any changes in these assumptions will impact the carrying amount of the obligations. Additional information is disclosed in Note 17.

In the absence of a bond market and government bonds in Cambodia, PAS uses the average deposit rate, for its funds reserved for retirement benefit payments deposited at banks, as a discount rate to determine the present value of the estimated future cash outflows expected to be required to settle the retirement benefit obligation.

If the discount rate, salary increase rate and mortality rate used is different from management's estimate by 0.5%, 2.5% and 10% respectively, the approximate effect on the carrying amount of the retirement benefit obligation would be as shown below:

	Base	Sensitivity impact					
	case						
Discount rate	7.0%	6.5%	7.5%	7.0%	7.0%	7.0%	7.0%
Salary increase rate	5.0%	5.0%	5.0%	2.5%	7.5%	5.0%	5.0%
Mortality rate	100.0%	100.0%	100.0%	100.0%	100.0%	90.0%	110.0%
Defined benefit obligation (million KHR)	40,301	44,259	36,713	39,341	41,261	43,122	37,664
Impact (%)		10%	-9%	-2%	2%	7%	-7%

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

5. SEGMENT INFORMATION

PAS has a reportable segment, namely, port service. The chief operating decision-maker (the management team) reviews the internal management report, which reports the performance of the port service segment as a whole, to assess performance and allocate resources. The chief operating decision-maker assesses the performance of the reportable segment by measuring gross revenue, profit before tax and net profit compared to prior periods. In addition, PAS also has a newly-established Special Economic Zone (SEZ) operating at early stage, please refer to Note 7.

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

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

6. PROPERTY AND EQUIPMENT

	Land KHR'000	Land improvement KHR'000	Buildings KHR'000	Port facilities KHR'000	Technical equipment KHR'000	Other equipment KHR'000	Furniture and fittings KHR'000	Computer and office equipment KHR'000	Motor vehicles KHR'000	Sea port equipment KHR'000	Construc- tion in progress KHR'000	Palettes KHR'000	Total KHR'000
At 1 January 2015													
Cost	252,045,640	46,919,106	228,794,912	114,290,576	22,376,103	1,201,254	1,528,697	2,775,262	19,862,204	210,581,998	21,795,596	752,417	922,923,765
Accumulated depreciation	-	(21,809,832)	(65,388,813)	(113,198,328)	(12,972,000)	(710,383)	(1,214,229)	(1,888,895)	(15,587,141)	(110,838,501)	-	(706,917)	(344,315,039)
Net book value	<u>252,045,640</u>	<u>25,109,274</u>	<u>163,406,099</u>	<u>1,092,248</u>	<u>9,404,103</u>	<u>490,871</u>	<u>314,468</u>	<u>886,367</u>	<u>4,275,063</u>	<u>99,743,497</u>	<u>21,795,596</u>	<u>45,500</u>	<u>578,608,726</u>
Year ended 31 December 2015													
Opening net book amount	252,045,640	25,109,274	163,406,099	1,092,248	9,404,103	490,871	314,468	886,367	4,275,063	99,743,497	21,795,596	45,500	578,608,726
Additions	-	-	1,139,684	-	16,069	-	292,465	2,275,543	1,231,141	-	100,301,272	331,559	105,587,733
Transfers	-	-	-	-	-	-	-	-	-	25,908,923	(25,908,923)	-	-
Depreciation charges	-	(958,832)	(4,674,319)	(95,246)	(1,345,265)	(55,647)	(150,843)	(407,414)	(575,443)	(5,928,820)	-	(157,519)	(14,349,348)
Closing net book amount	<u>252,045,640</u>	<u>24,150,442</u>	<u>159,871,464</u>	<u>997,002</u>	<u>8,074,907</u>	<u>435,224</u>	<u>456,090</u>	<u>2,754,496</u>	<u>4,930,761</u>	<u>119,723,600</u>	<u>96,187,945</u>	<u>219,540</u>	<u>669,847,111</u>
At 31 December 2015													
Cost	252,045,640	46,919,106	229,934,596	114,290,576	22,392,172	1,201,254	1,821,162	5,050,805	21,093,345	236,490,921	96,187,945	1,083,976	1,028,511,498
Accumulated depreciation	-	(22,768,664)	(70,063,132)	(113,293,574)	(14,317,265)	(766,030)	(1,365,072)	(2,296,309)	(16,162,584)	(116,767,321)	-	(864,436)	(358,664,387)
Net book value	<u>252,045,640</u>	<u>24,150,442</u>	<u>159,871,464</u>	<u>997,002</u>	<u>8,074,907</u>	<u>435,224</u>	<u>456,090</u>	<u>2,754,496</u>	<u>4,930,761</u>	<u>119,723,600</u>	<u>96,187,945</u>	<u>219,540</u>	<u>669,847,111</u>
Year ended 31 December 2016													
Opening net book amount	252,045,640	24,150,442	159,871,464	997,002	8,074,907	435,224	456,090	2,754,496	4,930,761	119,723,600	96,187,945	219,540	669,847,111
Additions	-	1,988,534	1,549,580	-	58,069	-	240,200	1,440,703	4,487,653	-	69,994,581	264,249	80,023,569
Depreciation charges	-	(986,216)	(4,716,990)	(97,055)	(1,350,637)	(58,215)	(269,352)	(855,235)	(766,295)	(5,896,269)	-	(130,624)	(15,126,888)
Closing net book amount	<u>252,045,640</u>	<u>25,152,760</u>	<u>156,704,054</u>	<u>899,947</u>	<u>6,782,339</u>	<u>377,009</u>	<u>426,938</u>	<u>3,339,964</u>	<u>8,652,119</u>	<u>113,827,331</u>	<u>166,182,526</u>	<u>353,165</u>	<u>734,743,792</u>
At 31 December 2016													
Cost	252,045,640	48,907,640	231,484,176	114,290,576	22,450,241	1,201,254	2,061,362	6,491,508	25,580,998	236,490,921	166,182,526	1,348,225	1,108,535,067
Accumulated depreciation	-	(23,754,880)	(74,780,122)	(113,390,629)	(15,667,902)	(824,245)	(1,634,424)	(3,151,544)	(16,928,879)	(122,663,590)	-	(995,060)	(373,791,275)
Net book value	<u>252,045,640</u>	<u>25,152,760</u>	<u>156,704,054</u>	<u>899,947</u>	<u>6,782,339</u>	<u>377,009</u>	<u>426,938</u>	<u>3,339,964</u>	<u>8,652,119</u>	<u>113,827,331</u>	<u>166,182,526</u>	<u>353,165</u>	<u>734,743,792</u>

The interest cost that was capitalised on qualifying assets under construction in progress for the year ended 2016 was KHR 1,647 million (2015: KHR 372 million).

SIHANOUKVILLE AUTONOMOUS PORT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

6. PROPERTY AND EQUIPMENT (continued)

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

	2016	2015
	KHR'000	KHR'000
Land with legal title deeds	735,000	735,000
Land with no title deeds	250,194,910	250,194,910
Land with legal title deeds but occupied by households	<u>1,115,730</u>	<u>1,115,730</u>
	<u>252,045,640</u>	<u>252,045,640</u>

PAS is in the process of requesting to the Royal Government of Cambodia, through the MoEF, issue legal title deeds for the land that has no title deeds.

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

7. INVESTMENT PROPERTIES

	Land (*) KHR'000	Building KHR'000	Land improvement KHR'000	Road KHR'000	Water systems KHR'000	Other equipment KHR'000	Total KHR'000
At 1 January 2015							
Cost	99,371,082	70,583,315	15,858,698	12,399,516	46,502,562	28,091,881	272,807,054
Accumulated depreciation	-	(5,843,569)	(26,431)	(20,666)	(77,504)	(234,099)	(6,202,269)
Net book value	<u>99,371,082</u>	<u>64,739,746</u>	<u>15,832,267</u>	<u>12,378,850</u>	<u>46,425,058</u>	<u>27,857,782</u>	<u>266,604,785</u>
Year ended 31 December 2015							
Opening net book amount	99,371,082	64,739,746	15,832,267	12,378,850	46,425,058	27,857,782	266,604,785
Additions	3,061,772	619,348	-	-	-	-	3,681,120
Depreciation charges	-	(1,366,831)	(317,174)	(247,990)	(930,051)	(2,809,188)	(5,671,234)
Closing net book amount	<u>102,432,854</u>	<u>63,992,263</u>	<u>15,515,093</u>	<u>12,130,860</u>	<u>45,495,007</u>	<u>25,048,594</u>	<u>264,614,671</u>
At 31 December 2015							
Cost	102,432,854	71,202,663	15,858,698	12,399,516	46,502,562	28,091,881	276,488,174
Accumulated depreciation	-	(7,210,400)	(343,605)	(268,656)	(1,007,555)	(3,043,287)	(11,873,503)
Net book value	<u>102,432,854</u>	<u>63,992,263</u>	<u>15,515,093</u>	<u>12,130,860</u>	<u>45,495,007</u>	<u>25,048,594</u>	<u>264,614,671</u>
Year ended 31 December 2016							
Opening net book amount	102,432,854	63,992,263	15,515,093	12,130,860	45,495,007	25,048,594	264,614,671
Additions	581,162	-	-	-	-	-	581,162
Depreciation charges	-	(1,405,039)	(323,231)	(252,726)	(947,813)	(3,131,074)	(6,059,883)
Closing net book amount	<u>103,014,016</u>	<u>62,587,224</u>	<u>15,191,862</u>	<u>11,878,134</u>	<u>44,547,194</u>	<u>21,917,520</u>	<u>259,135,950</u>
At 31 December 2016							
Cost	103,014,016	71,202,663	15,858,698	12,399,516	46,502,562	28,091,881	277,069,336
Accumulated depreciation	-	(8,615,439)	(666,836)	(521,382)	(1,955,368)	(6,174,361)	(17,933,386)
Net book value	<u>103,014,016</u>	<u>62,587,224</u>	<u>15,191,862</u>	<u>11,878,134</u>	<u>44,547,194</u>	<u>21,917,520</u>	<u>259,135,950</u>

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

7. INVESTMENT PROPERTIES (continued)

The management used the external valuation reports in 2016 from an accredited valuation company as a basis to determine the fair value of the investment properties for disclosure purpose.

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

The level 2 fair value of investment properties has been derived using sales comparison approach to the valuation. Investment properties valued using the sales comparison approach take into account comparable items. These values are adjusted for differences in key attributes such as size and location, condition and other relevant factors.

The management believed that the range of the fair value of investment properties are as below. The external valuation report also indicated the fair value in respect of land at the end of 2015 still valid until the end of 2016. Only land has its fair value while other categories could not be reliably measured at fair value because comparable market transactions are infrequent and alternative reliable estimates (discounted cash flow projection) of fair value are not available.

	2016	2015
	KHR'000	KHR'000
Investment properties at fair value for land	<u>1,702,183,224</u>	<u>1,702,183,224</u>

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

	2016	2015
	KHR'000	KHR'000
Land with legal title deeds – Special Economic Zone (*)	85,793,534	85,212,372
Land with legal title deeds – Others	12,563,952	12,563,952
Land with no legal title deeds	<u>4,656,530</u>	<u>4,656,530</u>
	<u>103,014,016</u>	<u>102,432,854</u>

PAS is in the process of requesting that the Royal Government of Cambodia, through the MoEF, to issue legal title deeds for the land that has no title deeds.

(*) This represents the land value of 41 hectares. In addition to 41 hectares of land which was formally handed over to PAS through the inter-ministry committee in 2002, PAS settled surrounding areas and obtained legal land title of additional 27 hectares in 2012. The value of it and amount of capital contribution will be determined by the inter-ministry committee and will be formally recorded as part of the Government's additional capital contribution when the formal hand over process is completed. Management expects the process to be completed in 2017.

SIHANOUKVILLE AUTONOMOUS PORT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

7. INVESTMENT PROPERTIES (continued)

The following amounts have been recognised in the statement of profit or loss:

	2016 KHR'000	2015 KHR'000
Rental revenue	2,301,551	2,848,741
Direct operating expenses arising from investment properties that generate rental revenue	(2,718,513)	(2,909,314)

8. INTANGIBLE ASSETS

	Software KHR'000	Construction in progress KHR'000	Total KHR'000
Year ended 31 December 2015			
Opening net book amount	9,264,988	116,131	9,381,119
Additions	258,993	39,488	298,481
Amortisation charges	(395,659)	-	(395,659)
Closing net book amount	<u>9,128,322</u>	<u>155,619</u>	<u>9,283,941</u>
As at 31 December 2015			
Cost	11,987,916	155,619	12,143,535
Accumulated amortisation	(2,859,594)	-	(2,859,594)
Net book amount	<u>9,128,322</u>	<u>155,619</u>	<u>9,283,941</u>
Year ended 31 December 2016			
Opening net book amount	9,128,322	155,619	9,283,941
Additions	710,864	18,524	729,388
Transfer	174,143	(174,143)	-
Amortisation charges	(992,737)	-	(992,737)
Closing net book amount	<u>9,020,592</u>	<u>-</u>	<u>9,020,592</u>
As at 31 December 2016			
Cost	12,872,923	-	12,872,923
Accumulated amortisation	(3,852,331)	-	(3,852,331)
Net book amount	<u>9,020,592</u>	<u>-</u>	<u>9,020,592</u>

During the year, PAS changed its estimated useful lives of intangible assets as stated in Note 2.5 which effective from 1 January 2016. The impact of the change applied prospectively. Should the useful lives of intangible assets have not been changed, the amortisation charge for the year ended 31 December 2016 should have been decreased by KHR 532 million.

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

9. FINANCIAL INSTRUMENTS

(a) Financial instruments by category

	2016	2015
	KHR'000	KHR'000
Assets as per statement of financial position		
Financial assets		
Trade and other receivables	24,167,787	19,889,967
Short-term bank deposits	13,479,228	13,212,800
Cash and cash equivalents	34,651,604	45,229,804
	<u>72,298,619</u>	<u>78,332,571</u>
Liabilities as per statement of financial position		
Other financial liabilities at amortised cost		
Borrowings	479,779,107	456,704,174
Trade and other payables	13,401,866	8,284,558
	<u>493,180,973</u>	<u>464,988,732</u>

(b) Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by referencing to historical information about counterparty default rates.

There were no ratings assigned to the financial assets of PAS by any agency.

10. INVENTORIES

	2016	2015
	KHR'000	KHR'000
Consumable supplies	6,541,873	3,997,440
Combustible materials	328,594	400,842
Motor oil and lubricant	668,438	499,559
	<u>(742,994)</u>	<u>(742,994)</u>
	<u>6,795,911</u>	<u>4,154,847</u>

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

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

11. TRADE AND OTHER RECEIVABLES

	2016	2015
	KHR'000	KHR'000
Trade receivables	<u>17,487,112</u>	<u>19,351,601</u>
<i>Other receivables:</i>		
Advance to MoPWT *	5,000,000	-
Other advances	1,518,886	635,737
Withholding tax credit	888,376	800,908
Prepayments	48,407	48,550
Others	<u>222,813</u>	<u>197,178</u>
	7,678,482	1,682,373
Less: Allowance for uncollectable other advances	<u>(61,024)</u>	<u>(294,549)</u>
	<u>7,617,458</u>	<u>1,387,824</u>
	<u>25,104,570</u>	<u>20,739,425</u>

* MoEF issued a letter dated 14 December 2016 requesting PAS to make cash advances of KHR13,100 million to Ministry of Public Works and Transport ("MoPWT") in order to renovate and widen certain parts of National Road No.4 in Sihanoukville province. PAS made cash advance of KHR5,000 million to MoPWT in December 2016 and the remaining amount to be made in 2017. In a letter to MoEF dated 27 March 2017, PAS requested to recover the cash advances through two options (1) deduction of capital from MoPWT or (2) deduction of dividend distribution to MoPWT in the future.

PAS's customers are local and international shipping lines and shipping agents. An allowance for impairment is provided in full for amounts that are overdue for more than one year.

Because of the short-term nature of these receivables, their fair values approximate the carrying value less allowance.

The maximum exposure to credit risk at the reporting date is the carrying value of each receivable mentioned above less allowance for uncollectable advance.

- (a) All trade receivables are neither past due nor impaired.
- (b) Other receivables are neither past due nor impaired except for certain advances. Their age is more than one year and allowance for uncollectible advances was provided in full amount.

12. SHORT-TERM BANK DEPOSITS

This represents fixed deposits placed with financial institutions for a period of between four to twelve months, earning interest at rates ranging from 3.50% to 6.00% (2015: 3.50% to 6.00%) per annum.

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

13. CASH AND CASH EQUIVALENTS

	2016	2015
	KHR'000	KHR'000
Cash on hand	1,986,286	1,401,037
Cash at banks	<u>32,665,318</u>	<u>43,828,767</u>
	<u>34,651,604</u>	<u>45,229,804</u>

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

Trade Union for PAS's employees opened bank accounts under the name of PAS. The purpose of the Trade Union is for raising funds from individual employees to support any employees in case of other financial needs. PAS does not record this amount in its book as the fund does not belong to PAS but just held as trustee. As at the 31 December 2016, the amount held under PAS as trustee for Trade Union is KHR 301 million.

14. CAPITAL

	2016	2015
	KHR'000	KHR'000
Capital	<u>428,859,836</u>	<u>428,859,836</u>

Article 5 of the sub-decree on the establishment of PAS states: "The initial capital of Sihanoukville Autonomous Port shall be determined by the initial balance sheet which will be approved by the MoEF and the MoPWT". Article 19 of PAS statute dated 22 June 2001, states that capital contributions may be in the form of:

- contributions from the State
- contributions earned from PAS operations
- proceeds from the sale or rental of PAS assets,

15. OTHER RESERVES

Article 13 of PAS constitution dated 22 June 2001 stipulates that PAS's profit, after offsetting losses carried forward (if any), is allocated to general and legal reserves. These allocations shall be approved by the Board of Directors.

SIHANOUKVILLE AUTONOMOUS PORT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

16. BORROWINGS

	2016	2015
	KHR'000	KHR'000
Borrowings from:		
MoEF – (JICA) – Loan No. CP-P3	89,055,558	92,672,848
MoEF – (JBIC) – Loan No. CP-P4	134,520,298	142,480,790
MoEF – (JBIC) – Loan No. CP-P6	8,709,121	9,708,326
MoEF – (JBIC) – Loan No. CP-P8	122,963,860	118,396,095
MoEF – (JBIC) – Loan No. CP-P10	124,530,270	93,446,115
	<u>479,779,107</u>	<u>456,704,174</u>

The maturity dates of these borrowings are as follows:

	2016	2015
	KHR'000	KHR'000
Current		
Due within one year	<u>16,543,735</u>	<u>16,232,723</u>
Non-current		
Due in one to two years	20,294,879	14,152,304
Due in two to five years	76,070,328	66,620,981
Due after five years	<u>366,870,165</u>	<u>359,698,166</u>
	<u>463,235,372</u>	<u>440,471,451</u>
	<u>479,779,107</u>	<u>456,704,174</u>

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

	2016	2015
	KHR'000	KHR'000
Carrying value	479,779,107	456,704,174
Fair value	470,977,450	448,047,772

The fair values of the borrowings are based on discounted cash flows using a prevailing borrowing rate. They are classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs.

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

	2016	2015
	KHR'000	KHR'000
JPY	345,258,809	314,223,384
US\$	<u>134,520,298</u>	<u>142,480,790</u>
	<u>479,779,107</u>	<u>456,704,174</u>

SIHANOUKVILLE AUTONOMOUS PORT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

16. BORROWINGS (continued)

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

	<u>2016</u>	<u>2015</u>
MoEF – (JICA) – Loan No. CP-P3	3.00%	3.00%
MoEF – (JBIC) – Loan No. CP-P4	3.70%	3.70%
MoEF – (JBIC) – Loan No. CP-P6	3.00%	3.00%
MoEF – (JBIC) – Loan No. CP-P8	3.00%	3.00%
MoEF – (JBIC) – Loan No. CP-P10	2.50%	2.50%

17. RETIREMENT BENEFIT OBLIGATIONS

The amounts recognised in the balance sheet are as follows:

	<u>2016 KHR'000</u>	<u>2015 KHR'000</u>
Present value of defined benefit obligations	40,301,411	39,496,788
Unfunded status	40,301,411	39,496,788
Net liability recognised in balance sheet	<u>40,301,411</u>	<u>39,496,788</u>

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

	<u>2016 KHR'000</u>	<u>2015 KHR'000</u>
As at 1 January	39,496,788	39,757,647
Current service cost	1,195,000	1,342,000
Interest cost	2,870,000	2,710,000
Benefits paid	<u>(3,260,377)</u>	<u>(4,312,859)</u>
As at 31 December	<u>40,301,411</u>	<u>39,496,788</u>

The amounts recognised in the statement of profit or loss are as follows:

	<u>2016 KHR'000</u>	<u>2015 KHR'000</u>
Current service cost	1,195,000	1,342,000
Interest cost	<u>2,870,000</u>	<u>2,710,000</u>
Total, including salaries, wages and related expenses (Note 22)	<u>4,065,000</u>	<u>4,052,000</u>

SIHANOUKVILLE AUTONOMOUS PORT

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

17. RETIREMENT BENEFIT OBLIGATIONS (continued)

The principal actuarial assumptions were as follows:

	<u>2016</u>	<u>2015</u>
Average expected future working years	20	20
Discount rate	7%	7%
Salary growth rate	5%	5%

Mortality rates

In the absence of published mortality rates in Cambodia, PAS used the 2008 Thailand mortality table modified to fit Cambodian life expectancy. The 2008 Thailand mortality table is the latest published mortality table in Thailand and has remained consistent as at 31 December 2016.

18. DEFERRED INCOME

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

	<u>2016</u> <u>KHR'000</u>	<u>2015</u> <u>KHR'000</u>
At 1 January	6,214,725	6,387,563
Credited to the statement of profit or loss	(133,837)	(133,883)
Currency translation differences	(19,332)	(38,955)
At 31 December	<u>6,061,556</u>	<u>6,214,725</u>

The maturity dates of the deferred income are as follows:

	<u>2016</u> <u>KHR'000</u>	<u>2015</u> <u>KHR'000</u>
Current		
Within one year	133,221	133,650
Non-current		
Between one and two years	133,221	133,650
Between two and five years	399,663	400,950
After five years	5,395,451	5,546,475
	<u>5,928,335</u>	<u>6,081,075</u>
	<u>6,061,556</u>	<u>6,214,725</u>

SIHANOUKVILLE AUTONOMOUS PORT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

19. TRADE AND OTHER PAYABLES

	2016	2015
	KHR'000	KHR'000
Trade payables	5,862,739	712,861
Accrual bonuses (*)	7,064,067	7,454,342
Deposits from customers (**)	1,087,257	1,269,902
Value added tax payable	939,243	862,054
Salary tax payable	285,521	481,931
Other liabilities	475,060	117,355
	<u>9,851,148</u>	<u>10,185,584</u>
	<u>15,713,887</u>	<u>10,898,445</u>

(*) This represents performance bonus for eligible employees and management, and was paid each of the following year.

(**) Deposits from customers include cash collected from vessel shipping companies as guarantees and prepayments of operation fees. Deposits are refunded when the customer ceases its business relationship with PAS.

20. REVENUE

	2016	2015
	KHR'000	KHR'000
Port revenue	205,762,013	195,103,533
Rental revenue from SEZ	2,301,551	2,848,741
Other revenue	917,685	886,741
	<u>208,981,249</u>	<u>198,839,015</u>

21. CONSUMABLE SUPPLIES

	2016	2015
	KHR'000	KHR'000
Combustible expenses	22,125,156	23,303,921
Spare parts	16,520,260	15,220,038
Warehouse supplies	4,058,018	2,896,622
Motor oil and lubricant	2,705,186	2,557,674
Office supplies	2,226,721	2,188,777
Other consumables	966,740	1,966,082
	<u>48,602,081</u>	<u>48,133,114</u>

SIHANOUKVILLE AUTONOMOUS PORT**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016****22. SALARIES, WAGES AND RELATED EXPENSES**

	2016	2015
	KHR'000	KHR'000
Employee salaries	40,514,055	39,858,781
Bonuses	7,074,697	10,944,933
Retirement benefit costs (Note 17)	4,065,000	4,052,000
Directors' remuneration	1,014,920	529,380
Wages for contractors	1,344,312	714,210
Social security expenses	329,006	-
Other employee-related expenses	1,035,454	704,646
	<u>55,377,444</u>	<u>56,803,950</u>

23. DEPRECIATION AND AMORTISATION CHARGES

	2016	2015
	KHR'000	KHR'000
Property and equipment (Note 6)	15,126,888	14,349,348
Investment properties (Note 7)	6,059,883	5,671,234
Intangible assets (Note 8)	992,737	395,659
	<u>22,179,508</u>	<u>20,416,241</u>

24. OTHER EXPENSES

	2016	2015
	KHR'000	KHR'000
Contributions and donations	5,892,382	3,682,439
Reception and hospitality	3,485,485	2,140,026
Administrative expenses	2,585,853	2,799,177
Utilities	1,531,997	1,796,454
Taxes *	1,531,460	-
Missions	1,019,121	1,822,906
Training and seminars	1,047,259	1,017,244
Publications	744,770	745,802
Professional fees	704,035	409,527
Post services	659,075	443,632
Health-care supplies	169,397	179,285
Workshops	154,080	50,652
Equipment rental	144,272	73,230
Other expenses	952,613	420,249
	<u>20,621,799</u>	<u>15,580,623</u>

(*) This represents the tax penalties paid to the General Department of Taxation during 2016 in respect of the tax reassessment for the fiscal years of 2012 to 2014.

SIHANOUKVILLE AUTONOMOUS PORT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

25. OTHER (LOSSES)/GAINS – NET

	2016	2015
	KHR'000	KHR'000
Foreign exchange gains	1,321,825	1,006,036
Foreign exchange losses	<u>(2,960,848)</u>	<u>(559,166)</u>
Foreign exchange (losses)/gains – net	<u>(1,639,023)</u>	<u>446,870</u>

26. FINANCE COSTS – NET

	2016	2015
	KHR'000	KHR'000
Financial income:		
Foreign exchange gains on borrowings (a)	-	3,496,414
Interest income on bank deposits (b)	293,648	327,139
	<u>293,648</u>	<u>3,823,553</u>
Financial costs:		
Interest expenses on borrowings (c)	(12,055,546)	(12,475,127)
Foreign exchange losses on borrowings (a)	(7,006,598)	-
	<u>(19,062,144)</u>	<u>(12,475,127)</u>
Finance costs – net	<u>(18,768,496)</u>	<u>(8,651,574)</u>

(a) PAS has the borrowings (Note 16) which are denominated in Japanese yen (JPY) and US dollar (USD). Given the depreciation in KHR against JPY, this resulted in significant exchange losses on its borrowings denominated in JPY. The exchange rates are published by the National Bank of Cambodia at the end of reporting period as below.

	2016	2015	2014
JPY/KHR	34.85	33.79	34.29
USD/KHR	4,037	4,050	4,075

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

(c) Interest expenses represent the interest charges on borrowings (Note 16) obtained from the MoEF, which are funded through loans obtained from JICA and JBIC.

SIHANOUKVILLE AUTONOMOUS PORT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

27. INCOME TAX EXPENSE

(a) Income tax expense

	2016	2015
	KHR'000	KHR'000
Current income tax	9,125,703	5,586,897
Deferred tax	-	-
Income tax expense	<u>9,125,703</u>	<u>5,586,897</u>

(b) Reconciliation of income tax and accounting profit

	2016	2015
	KHR'000	KHR'000
Accounting profit before income tax	35,846,175	43,894,360
Tax effect in respect of non-deductible expenses	17,401,468	11,729,294
Tax effect in respect of temporary differences	(18,521,316)	(38,168,451)
Taxable loss carry forward for SEZ (*)	<u>10,902,186</u>	<u>10,410,874</u>
Taxable profit	45,628,513	27,866,077
Income tax at 20%	<u>9,125,703</u>	<u>5,573,215</u>
Minimum tax at 1%	<u>2,082,952</u>	<u>1,988,390</u>
Current income tax	<u><u>9,125,703</u></u>	<u><u>5,573,215</u></u>

* In an approval letter no.2481/09 dated 18 November 2009, the Council for the Development of Cambodia/Cambodia Investment Board granted the registration certificate to the SEZ as a Qualified Investment Project (QIP). Under the QIP status, SEZ got the exemption period of tax on profit effective from 18 November 2009 as determined by a trigger period (the first three years or the first profitable generation, whichever is shorter) plus three years and plus one priority period. During the exemption period of the profit tax, SEZ is not obligated to pay a monthly prepayment of profit tax and minimum tax. SEZ is required to have a separate annual profit tax and its taxable losses can only be carried forward to offset against the taxable profits of subsequent years, for a maximum period of five years.

Under the Law on Taxation, PAS must pay tax on profit of 20% of its taxable profit or minimum tax of 1% of its total turnover, whichever is higher.

Tax on profit is calculated based on the current interpretation of the tax regulations. However, these regulations are subject to periodic variation and the ultimate determination of tax on profit will be made following an inspection by the General Department of Taxation.

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27. INCOME TAX EXPENSE (continued)

(c) Deferred income tax

	2016	2015
	KHR'000	KHR'000
Deferred income tax assets	42,210,877	52,394,683
Deferred income tax liabilities	<u>(42,210,877)</u>	<u>(52,394,683)</u>
Deferred income tax – net	<u>-</u>	<u>-</u>

PAS incurred temporary differences resulting from the retirement benefit obligation, provision for inventory obsolescence, provision of uncollectible advances, accrued staff bonus, and deferred income. PAS has recognised a deferred tax asset to the extent of its deferred tax liability and the remaining (net) deferred tax asset as at 31 December 2016 was not recognised for these temporary differences due to an absence of tax planning opportunities available to PAS that will create taxable profit in future periods.

As at 31 December 2016, the net amount of those temporary differences that no deferred tax asset was recognised is as follows:

	2016	2015
	KHR'000	KHR'000
Retirement benefit	-	35,357,696
Provisions and accrued expenses	5,958,619	1,032,268
Deferred income	6,061,556	6,214,725
Taxable loss carry forward from SEZ	<u>21,313,060</u>	<u>10,410,874</u>
	<u>33,333,235</u>	<u>53,015,563</u>

28. DIVIDEND PAID

Dividends were paid to the Ministry of Economy and Finance for KHR 2,300 million in 2016 (2015: KHR 2,000 million)

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29. CASH GENERATED FROM OPERATIONS

	2016	2015
	KHR'000	KHR'000
Profit before taxation	35,846,175	43,894,360
<i>Adjustments for:</i>		
Depreciation and amortisation charges (Note 23)	22,179,508	20,416,241
Net finance costs	18,768,496	7,867,454
Retirement benefit obligation expenses	4,065,000	4,052,000
<i>Changes in working capital:</i>		
Inventories	(2,641,064)	(57,976)
Trade and other receivables	(4,365,145)	(3,638,651)
Trade and other payables	4,815,442	63,583
Deferred income	(153,169)	(172,838)
Cash generated from operations	<u>78,515,243</u>	<u>72,424,173</u>

30. RELATED-PARTY TRANSACTIONS

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

Significant related-party balances with MoPWT in respect of advances and with the MoEF with respect to borrowings are disclosed in Note 11 and Note 16 respectively.

- ii) Compensation

	2016	2015
	KHR'000	KHR'000
<i>Board of Directors</i>		
Salaries, fees and related expenses	821,880	619,200
<i>Key management personnel</i>		
Salaries and other expenses	1,165,594	991,631
Retirement benefits (*)	99,564	79,090

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

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

31. COMMITMENTS

As at 31 December 2016, PAS had outstanding capital commitment of KHR 103,857 million (2015: KHR 146,205 million) for its purchase of property and equipment to be paid in various stages until 2018.