

ROYAL RAILWAY PLC.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025
AND
REPORT OF THE INDEPENDENT AUDITORS

Corporate information

Company	Royal Railway Plc.	
Registration No.	00018504	
Registered office	Central Railway Station, Russian Federation Boulevard Sangkat Sras Chork, Khan Daun Penh, Phnom Penh Kingdom of Cambodia	
Shareholders	Inter Logistics (Cambodia) Co., Ltd. Neak Oknha Kith Meng	
Board of Directors	Neak Oknha Kith Meng Mr. Raymond Thornton Yager Mr. William Mark Hanna Mr. Paul Clements Mr. Lun Yeng	Chairman Director Director Director Independent Director
Management team	Mr. John Guiry Ms. Tauch Sothyda Mr. Dy Chetra	Chief Executive Officer Commercial Director Chief Financial Officer
Audit and Risk Committee	Mr. Lun Yeng Mr. Paul Clements Mr. William Mark Hanna	Chairman Director Director
Nomination and Remuneration Committee	Mr. William Mark Hanna Mr. Paul Clements Mr. Raymond Thornton Yager	Chairman Director Director
Principal banker	Wing Bank (Cambodia) Plc	
Auditors	Fi&Associates Co., Ltd.	

Royal Railway Plc.

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Report of the Board of Directors

The Board of Directors ("Directors") of Royal Railway Plc. ("the Company") hereby submit their report together with the audited financial statements for the year ended 31 December 2025.

Principal activities

The Company is principally engaged in operating railway services including, inter alia, railway freight and passenger services, the provision of substitute transportation by other modes in the event transport by rail is impractical, and the maintenance of railway infrastructure and equipment.

Financial results

The financial results of the Company for the year ended 31 December 2025 were as follows:

	2025		2024	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Loss before income tax	(6,906,105)	(27,700,386)	(8,156,271)	(33,204,180)
Income tax expense	-	-	-	-
Net loss for the year	<u>(6,906,105)</u>	<u>(27,700,386)</u>	<u>(8,156,271)</u>	<u>(33,204,180)</u>

Dividends

No dividend was declared nor paid during the year and the Directors do not recommend any dividends to be paid as at the reporting date.

Share capital

The total number of authorised shares of the Company as at 31 December 2025 was 2,003,220 ordinary shares (2024: 2,003,220 shares) with par value of US\$6.5 per share (2024: US\$6.5 per share).

Reserves and provisions

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

Royal Railway Plc.

Expected credit loss on trade and other receivables

Before the financial statements of the Company were drawn up, the Directors took reasonable steps to ascertain that action had been taken and satisfied themselves that all known bad trade and other receivables had been written off and that adequate provision for expected credit losses on trade and other receivables had been made.

At the date of this report, the Directors are not aware of any circumstances which would render the amount written off for bad trade and other receivables or the amount of allowance for impairment losses of trade and other receivables in the financial statements of the Company inadequate to any material extent.

Assets

Before the financial statements of the Company were prepared, the Directors took reasonable steps to ensure that any assets, other than debts, which were unlikely to be realised in the ordinary course of business at their value as shown in the accounting records of the Company had been written down to an amount which they are expected to be realised.

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

Valuation methods

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

Contingent and other liabilities

At the date of this report, there is:

- No change on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and
- Except as disclosed in Note 33 to the financial statements, no other contingent liability in respect of the Company that has arisen since the end of the financial year other than those in the ordinary course of business.

No contingent or other liability of the Company has become enforceable, or is likely to become enforceable within the period after the end of the reporting period which, in the opinion of the Directors, will or may have a material effect on the ability of the Company to meet its obligations as and when they become due.

Change of circumstances

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

Royal Railway Plc.

Change of circumstances (continued)

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

Nothing has arisen during in the interval between the end of the reporting periods 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 the Company for the current reporting periods in which this report is made.

Event during and since the reporting period

Since 30 June 2024 to the present, the Company has not been able to comply with four covenants including the Debt Service Coverage Ratio, Operating Ratio, Debt to EBITDA Ratio and Total Debt to Total Asset Ratio under the bond guarantee agreement. Refer to Note 16.

The Company communicated the non-compliance status to GuarantCo Ltd ("the Guarantor") on 3 October 2025 and updated its financial forecast model in accordance with the requirements of the Guarantor. On 13 January 2026, the Guarantor waived the non-compliance with the covenants as at 30 June 2025, pursuant to the Company's waiver request dated 4 July 2025. Furthermore, the Company is in the process of submitting another waiver request letter to the Guarantor for the breached financial covenants as at 31 December 2025 and have not yet finalised as of the date of these financial statements.

Items of unusual nature

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

Board of Directors

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

Neak Oknha Kith Meng	Chairman
Mr. Raymond Thornton Yager	Director
Mr. William Mark Hanna	Director
Mr. Paul Clements	Director
Mr. Lun Yeng	Independent Director

Directors' interests

Except for Neak Oknha Kith Meng, the Chairman, who directly and indirectly holds the Company through Inter Logistics (Cambodia) Co., Ltd., none of the other Directors held or dealt directly in the shares of the Company during the financial year.

Royal Railway Plc.

Directors' benefit

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

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

Directors' responsibility in respect of the financial statements

The Directors are responsible for ascertaining that the financial statements as set out on pages 11 to 63 present fairly, in all material respects, the financial position of the Company as at 31 December 2025, and its financial performance and its cash flows for the year then ended. In preparing the financial statements, the Directors are required to:

- (i) adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- (ii) comply with Cambodian International Financial Reporting Standards ("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;
- (iii) oversee the Company's financial reporting process and maintain adequate accounting records and an effective system of internal controls;
- (iv) assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so; and
- (v) set overall policies for the Company, ratify all decisions and actions by management that have a material effect on the operations and performance of the Company, and ensure they have been properly reflected in the financial statements.

Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Company and to ensure that the accounting records comply with the registered accounting system. It is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Royal Railway Plc.

Approval of the financial statements

The Board of Directors hereby approve the accompanying financial statements which, in our opinion, present fairly, in all material respects, the financial position of Royal Railway Plc. as at 31 December 2025, and its financial performance and its cash flows for the year then ended, in accordance with Cambodian International Financial Reporting Standards ("CIFRSs").

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



Neak Oknha Kith Meng
Chairman

Phnom Penh, Kingdom of Cambodia

30 March 2026

Report of the Independent Auditors To the shareholders of Royal Railway Plc.

Opinion

We have audited the financial statements of Royal Railway Plc. (“the Company”), which comprise the statement of financial position as at 31 December 2025, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising material accounting policies and other explanatory information as set out on pages 11 to 64.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2025, and its financial performance and its cash flows for the 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 are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Cambodia, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2(c) to the financial statements, which describes that the financial statements have been prepared on a going concern basis.

Those conditions indicate a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Report of the Independent Auditors (continued)
To the shareholders of
Royal Railway Plc.

Key Audit Matters (continued)

Revenue Recognition

The key audit matter	How the matter was addressed in our audit
Total revenue for the financial year amounted to US\$13,814,708 (2024: US\$11,286,614). The Company's revenue is primarily derived from rail freight services. The risk of material misstatement pertaining to revenue recognition was determined to be a key audit matter due to the intricate nature of the accounting requirements concerning the timing of revenue recognition, and the risk of management override of control to distort revenue, in order to achieve financial targets by recording fictitious transactions.	Our audit procedures in this area included among others: - performed walkthroughs to gain an understanding of the processes and internal controls, including management reviews, with respect to revenue recognition. - Assessed the design and implementation, and tested the operating effectiveness of the Company's controls over the recognition of revenue. - Tested journal entries posted to the revenue accounts in the general ledger that appeared irregular or unusual in nature. - Assessed whether the revenue recognition criteria under CIFRS 15 'Revenue from Contracts with Customers' have been met, including examining the timing of revenue recognition, and whether revenue recognition is in accordance with the standard. - On a sample basis, reconciled revenue to supporting documents, such as sales contract, sales orders, price lists, invoices, official receipts, and bank cheques, to gain evidence about their existence and accuracy. - On a sample basis, traced new customer contracts and existence to their official website, and checked to their business registered information online. - Performed cut-off procedures to obtain evidence that revenue has been recognised in the correct accounting period. - Evaluated whether the disclosure requirements have been met in the financial statements.



Report of the Independent Auditors (continued)
To the shareholders of
Royal Railway Plc.

Emphasis of Matter

We draw attention to Note 33.1 to the financial statements which describes that there are provisions in the existing Concession Agreement specifying concession fees to be paid by the Company to the Government of the Kingdom of Cambodia ("GKC") for the use of the conceded assets from the effective date of the Concession Agreement. The Company's management has performed an assessment of its obligations under the existing Concession Agreement and believed that the obligation to pay the concession fee under the agreement has not yet become effective. The Company's management is continuing its negotiation with the GKC on the new amended Concession Agreement. The Company's management believes the amounts and timing of any economic benefit outflows could not be estimated reliably due to the effective date of the agreement has not been determined as of the reporting date. The ultimate outcome of this matter is uncertain and, accordingly, no provision for any liability has been made in the financial statements. Our opinion is not modified in respect of this matter.

Other Matter

The financial statements of the Company for the year ended 31 December 2024 were audited by another auditors who expressed an unmodified opinion on those financial statements on 21 March 2025.

Other Information

Management is responsible for the other information. The other information comprises the Report of the Board of Directors on pages 1 to 5, but does not include the financial statements and our auditors' report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with CIFRSs, 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Report of the Independent Auditors (continued)

To the shareholders of

Royal Railway Plc.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 skepticism throughout the audit. We also:

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

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

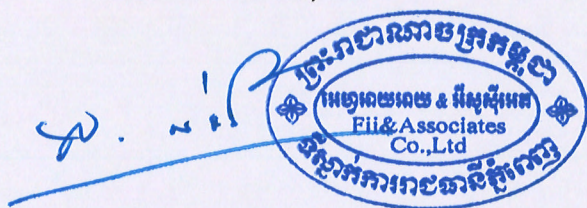
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, actions taken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

Report of the Independent Auditors (continued)
To the shareholders of
Royal Railway Plc.

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

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

For Fii&Associates Co., Ltd.

A blue circular stamp with Khmer text around the perimeter and 'Fii&Associates Co.,Ltd' in the center. To the left of the stamp is a handwritten signature in blue ink.

Seng Chanthan
Audit Partner

Phnom Penh, Kingdom of Cambodia
30 March 2026

Royal Railway Plc.

Statement of financial position as at 31 December 2025

	Note	31 December 2025		31 December 2024	
		US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
ASSETS					
Current assets					
Cash and bank balances	6	1,458,250	5,851,956	4,726,176	19,022,858
Trade and other receivables	7	1,097,746	4,405,255	2,427,248	9,769,673
Inventories	8	139,101	558,212	94,926	382,077
		<u>2,695,097</u>	<u>10,815,423</u>	<u>7,248,350</u>	<u>29,174,608</u>
Non-current assets					
Bank balances	6	3,785,587	15,191,561	4,153,643	16,718,413
Other receivables	9	1,957,595	7,855,829	1,583,398	6,373,177
Property and equipment	10	19,429,249	77,969,576	17,234,796	69,370,054
Intangible assets	11	223,746	897,893	239,741	964,958
Investment property	12	89,103	357,570	81,629	328,557
Right-of-use assets	13	643,421	2,582,048	723,848	2,913,488
		<u>26,128,701</u>	<u>104,854,477</u>	<u>24,017,055</u>	<u>96,668,647</u>
TOTAL ASSETS		<u>28,823,798</u>	<u>115,669,900</u>	<u>31,265,405</u>	<u>125,843,255</u>
LIABILITIES AND EQUITY					
Current liabilities					
Trade and other payables	14	4,659,089	18,696,924	3,447,482	13,876,115
Borrowings	15	13,983,392	56,115,352	6,800,576	27,372,318
Debt securities	16	21,333,701	85,612,142	24,987,523	100,574,780
Employee benefit liabilities	17	143,846	577,254	115,213	463,732
Minimum tax liability	26(b)	13,616	54,641	12,021	48,385
Lease liabilities	18	46,628	187,118	37,589	151,296
		<u>40,180,272</u>	<u>161,243,431</u>	<u>35,400,404</u>	<u>142,486,626</u>
Non-current liabilities					
Debt securities	16	9,809,327	39,364,829	9,809,327	39,482,541
Borrowings	15	607,454	2,437,713	858,218	3,454,327
Provision on onerous contract		9,687	38,874	8,427	33,919
Employee benefit liabilities	17	30,614	122,854	42,191	169,819
Lease liabilities	18	690,493	2,770,948	737,122	2,966,916
Other payables	19	220,713	885,721	228,373	919,201
		<u>11,368,288</u>	<u>45,620,939</u>	<u>11,683,658</u>	<u>47,026,723</u>
TOTAL LIABILITIES		<u>51,548,560</u>	<u>206,864,370</u>	<u>47,084,062</u>	<u>189,513,349</u>

Royal Railway Plc.

Statement of financial position (continued) as at 31 December 2025

	Note	31 December 2025		31 December 2024	
		US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Equity					
Share capital	20	13,020,930	52,083,720	13,020,930	52,083,720
Accumulated losses		(35,745,692)	(145,286,133)	(28,839,587)	(117,585,747)
Currency translation reserves		-	2,007,943	-	1,831,933
		<u>(22,724,762)</u>	<u>(91,194,470)</u>	<u>(15,818,657)</u>	<u>(63,670,094)</u>
TOTAL LIABILITIES AND EQUITY		<u>28,823,798</u>	<u>115,669,900</u>	<u>31,265,405</u>	<u>125,843,255</u>

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

Royal Railway Plc.

Statement of profit or loss and other comprehensive income for the year ended 31 December 2025

	Note	2025		2024	
		US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Revenue	21	13,814,708	55,410,794	11,286,614	45,947,806
Cost of services	22	<u>(17,355,115)</u>	<u>(69,611,366)</u>	<u>(13,605,458)</u>	<u>(55,387,820)</u>
Gross loss		(3,540,407)	(14,200,572)	(2,318,844)	(9,440,014)
Other operating income	23	1,081,639	4,338,454	1,165,691	4,745,528
Operating and administrative expenses	24	<u>(1,116,676)</u>	<u>(4,478,987)</u>	<u>(2,653,745)</u>	<u>(10,803,396)</u>
(Provision for)/ Reversal of onerous contract expense		(1,260)	(5,054)	43,881	178,640
Reversal of impairment losses	6,7	14,173	56,848	67,609	275,236
Minimum tax expense	26(c)	<u>(149,123)</u>	<u>(598,132)</u>	<u>(124,802)</u>	<u>(508,069)</u>
Operating loss		(3,711,654)	(14,887,443)	(3,820,210)	(15,552,075)
Finance costs – net	27	<u>(3,194,451)</u>	<u>(12,812,943)</u>	<u>(4,336,061)</u>	<u>(17,652,105)</u>
Loss before income tax		(6,906,105)	(27,700,386)	(8,156,271)	(33,204,180)
Income tax expense	26(c)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net loss for the year		(6,906,105)	(27,700,386)	(8,156,271)	(33,204,180)
<i>Other comprehensive loss</i>					
Items that will not be reclassified to profit or loss					
Currency translation differences		<u>-</u>	<u>176,010</u>	<u>-</u>	<u>834,933</u>
Total comprehensive loss for the year		<u>(6,906,105)</u>	<u>(27,524,376)</u>	<u>(8,156,271)</u>	<u>(32,369,247)</u>

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

Royal Railway Plc.

Statement of changes in equity for the year ended 31 December 2025

	Share capital		Accumulated losses		Currency translation reserves		Total	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
At 1 January 2025	13,020,930	52,083,720	(28,839,587)	(117,585,747)	-	1,831,933	(15,818,657)	(63,670,094)
Total comprehensive (loss)/income								
Net loss for the year	-	-	(6,906,105)	(27,700,386)	-	-	(6,906,105)	(27,700,386)
Currency translation differences	-	-	-	-	-	176,010	-	176,010
	-	-	(6,906,105)	(27,700,386)	-	176,010	(6,906,105)	(27,524,376)
At 31 December 2025	13,020,930	52,083,720	(35,745,692)	(145,286,133)	-	2,007,943	(22,724,762)	(91,194,470)
At 1 January 2024	13,020,930	52,083,720	(20,683,316)	(84,381,567)	-	997,000	(7,662,386)	(31,300,847)
Total comprehensive (loss)/income								
Net loss for the year	-	-	(8,156,271)	(33,204,180)	-	-	(8,156,271)	(33,204,180)
Currency translation differences	-	-	-	-	-	834,933	-	834,933
	-	-	(8,156,271)	(33,204,180)	-	834,933	(8,156,271)	(32,369,247)
At 31 December 2024	13,020,930	52,083,720	(28,839,587)	(117,585,747)	-	1,831,933	(15,818,657)	(63,670,094)

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

Royal Railway Plc.

Statement of cash flows for the year ended 31 December 2025

	2025		2024	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Cash flows from operating activities				
Net loss for the year	(6,906,105)	(27,700,386)	(8,156,271)	(33,204,180)
<i>Adjustments for:</i>				
Depreciation and amortisation	3,366,021	13,501,110	2,326,339	9,470,526
Finance costs	3,300,639	13,238,863	4,663,827	18,986,440
Employee benefit	253,929	1,018,509	210,332	856,262
Property and equipment written off	4,967	19,923	418	1,702
Minimum tax expense	149,123	598,132	124,802	508,069
Finance incomes	(106,188)	(425,920)	(327,766)	(1,334,335)
Provision for/(Reversal of) onerous contract expense	1,260	5,054	(43,881)	(178,640)
Reversal of impairment losses	(14,173)	(56,848)	(67,609)	(275,236)
	49,473	198,437	(1,269,809)	(5,169,392)
<i>Changes in:</i>				
Trade and other receivables	1,315,472	5,276,358	458,070	1,864,803
Inventories	(44,175)	(177,186)	59,676	242,941
Trade and other payables	1,211,607	4,859,756	744,975	3,032,793
Other receivables	(374,197)	(1,500,904)	(1,583,398)	(6,446,013)
Other payables	(7,660)	(30,724)	228,373	929,706
Cash generated from/(used in) operations	2,150,520	8,625,737	(1,362,113)	(5,545,162)
Interest paid	(2,815,587)	(11,293,319)	(3,586,054)	(14,598,826)
Payment of employee benefits	(236,873)	(950,098)	(199,817)	(813,455)
Minimum tax paid	(147,528)	(591,735)	(121,944)	(496,434)
Net cash used in operating activities	(1,049,468)	(4,209,415)	(5,269,928)	(21,453,877)
Cash flows from investing activities				
Interest received	474,244	1,902,193	132,973	541,333
Acquisition of property and equipment	(5,455,452)	(21,881,818)	(10,628,551)	(43,268,831)
Acquisition of intangible asset	-	-	(5,648)	(22,993)
Acquisition of investment property	(21,041)	(84,395)	(8,604)	(35,027)
Net cash used in investing activities	(5,002,249)	(20,064,020)	(10,509,830)	(42,785,518)
Cash flows from financing activities				
Proceed of borrowings	7,109,896	28,517,793	3,233,054	13,161,763
Repayment of borrowings	(229,098)	(918,912)	(208,989)	(850,794)
Repayments of debt securities	(4,020,209)	(16,125,058)	-	-
Payment of lease liabilities	(105,001)	(421,159)	(100,000)	(407,100)
Net cash generated from financing activities	2,755,588	11,052,664	2,924,065	11,903,869

Royal Railway Plc.

Statement of cash flows (continued) for the year ended 31 December 2025

	2025		2024	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Net decrease in cash and cash equivalents	(3,296,129)	(13,220,771)	(12,855,693)	(52,335,526)
Cash and cash equivalents at 1 January	4,794,130	19,296,373	17,649,823	72,099,527
Currency translation differences	-	(64,125)	-	(467,628)
Cash and cash equivalents at 31 December (Note 6)	<u>1,498,001</u>	<u>6,011,477</u>	<u>4,794,130</u>	<u>19,296,373</u>

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

Royal Railway Plc.

Notes to the financial statements for the year ended 31 December 2025

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. Background information

Royal Railway Plc. ("the Company") is a public limited liability company incorporated in the Kingdom of Cambodia. The Company was originally established under the Registration No. Co. 2874/06E dated 6 April 2006 issued by the Ministry of Commerce ("MOC"). Subsequently, the Company has received the approval from the Council for the Development of Cambodia ("CDC") to be a Qualified Investment Project ("QIP") with a new Registration No. Inv. 0643KH/2014 dated 6 October 2015. On 25 August 2016, the Company obtained a new registration No. 00018504 from the MOC.

The Company operates in railway services under a Railway Concession Agreement ("the Concession Agreement") signed with the Government of the Kingdom of Cambodia ("GKC"), represented by the Ministry of Public Works and Transport ("MPWT") in the Kingdom of Cambodia for a period of 30 years over the specific concession assets as stipulated in the Concession Agreement. However, the effective date of the Concession Agreement has yet to be officially determined due to the condition precedent to the effective date has yet to be fully met. As of the date of these condensed interim financial statements, the Company is still working with the GKC for a new amended Railway Concession Agreement.

The Company's shares of 98.9999% are owned by Inter Logistics (Cambodia) Co., Ltd, and the remaining 1.0001% owned by Neak Oknha Kith Meng.

The address of its registered office is at Central Railway Station, Russian Federation Boulevard, Sangkat Sras Chork, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia.

As at 31 December 2025, the Company had 1,054 employees (31 December 2024: 964 employees).

2. Basis of preparation

(a) Statement of compliance

The financial statements of the Company have been prepared in accordance with the Cambodian International Financial Reporting Standards ("CIFRSs").

The accounting policies have been applied consistently to all periods presented in these financial statements unless otherwise stated. Details of the Company's material accounting policies are included in Note 31.

The financial statements of the Company were authorised for issue by the Board of Directors on 30 March 2026.

Royal Railway Plc.

Notes to the financial statements (continued) for the year ended 31 December 2025

2. Basis of preparation (continued)

(b) Basis of measurement

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

(c) Going concern assumption

During the year ended 31 December 2025, the Company generated a net loss of US\$6,906,105 (31 December 2024: US\$8,156,271) and generated net negative cash flows from operating activities for the year ended 31 December 2025 amounting to US\$1,049,468 (31 December 2024: US\$5,269,928) and as at 31 December 2025, the Company had net current liabilities of US\$37,485,175 (31 December 2024: net current liabilities of US\$28,152,054) and accumulated losses amounting to US\$35,745,692 (31 December 2024: US\$28,839,587). Additionally, the Company breached the financial covenants as required under the 2nd corporate bond (Note 16).

The validity of the going concern assumption fundamentally depends on the ultimate shareholder's continuing to provide financial assistance that is necessary to meet its liabilities as and when they fall due and to maintain the Company in existence as a going concern for the foreseeable future. In addition, the validity may also be dependent on the acceleration and successful conclusion of the concession agreement between the Government of the Kingdom of Cambodia ("GKC") represented by Ministry of Public Works and Transport ("MPWT") and the Company.

At the date of these financial statements, the ultimate shareholder has confirmed that he will continue to provide sufficient financial support to the Company. The Company will also continue to work closely with the GKC to reach a conclusion on the concession agreement in due course.

Based on these factors, management has a reasonable expectation that the Company will have adequate resources to continue in operations for the foreseeable future.

3. Functional and presentation currency

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

These financial statements are presented in US\$, which is the Company's functional currency. All amounts have been rounded to the nearest dollars, unless otherwise indicated.

Royal Railway Plc.

Notes to the financial statements (continued) for the year ended 31 December 2025

4. Use of judgments and estimates

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

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

Measurement of fair values

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

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

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

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

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

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

Information about the assumptions made in measuring fair values is included in Note 30 – financial instruments.

Royal Railway Plc.

Notes to the financial statements (continued) for the year ended 31 December 2025

5. Translation of United States Dollars into Khmer Riel

The financial statements have been presented in the United States Dollars ("US\$"). The translations of the financial statements are expressed in US\$ which is the Company's functional currency. The translations of US\$ amount into Khmer Riel ("KHR") meets the presentation requirements pursuant to Law on Accounting and Auditing and has been done in compliance with CIAS 21 - *The Effects of Changes in Foreign Exchange Rates*.

Assets and liabilities are translated at the closing rate as at the reporting date and share capital and other equity accounts are translated at the historical rate. The statements of profit or loss and other comprehensive income and cash flows are translated into KHR using the average rate for the year, which have been deemed to approximate the exchange rates at the date of transaction as exchange rates have not fluctuated significantly during the year. Exchange differences arising from the translation are recognised as "Currency Translation Reserves" in the other comprehensive income.

The Company uses the following exchange rates:

Financial year end		Closing rate	Average rate
31 December 2025	US\$1=	KHR4,013	KHR4,011
31 December 2024	US\$1=	KHR4,025	KHR4,071

These convenience translations should not be construed as representations that the US\$ amounts have been, could have been, or could in the future be, converted into KHR at this or any other rate of exchange.

6. Cash and bank balances

	2025		2024	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
<i>Current</i>				
Cash on hand	3,490	14,004	3,310	13,322
Cash at banks (*)	1,494,511	5,997,473	4,790,820	19,283,051
Total cash and bank balances	1,498,001	6,011,477	4,794,130	19,296,373
Less: Allowance for expected credit loss	(39,751)	(159,521)	(67,954)	(273,515)
	1,458,250	5,851,956	4,726,176	19,022,858
<i>Non-current</i>				
Cash at banks:				
Debt Service Reserve Account ("DSRA") (**)	3,434,392	13,782,215	3,768,312	15,167,456
Guarantee Fee Reserve Account ("GFRA") (**)	351,195	1,409,346	385,331	1,550,957
Total bank balances	3,785,587	15,191,561	4,153,643	16,718,413

Royal Railway Plc.

Notes to the financial statements (continued) for the year ended 31 December 2025

6. Cash and bank balances (continued)

(*) Included in the cash at banks balance is the Bond Proceeds Account for which the Company will be able to withdraw amounts from the Bond Proceeds Account, following submission of written requests for specific capital expenditure and to be validated by GuarantCo Ltd ("the Guarantor"). As at 31 December 2025, the remaining amount in the account is US\$715,193 (31 December 2024: US\$3,789,241).

(**) Debt Service Reserve Account and Guarantee Fee Reserve Account are reserve accounts specifically set aside to make debt payments and guarantee fee payments in the event of a disruption of cash flows (i.e., default event) for the bonds payable and is held at ACLEDA Bank Plc. which earns annual interest rate of 2.00% (31 December 2024: 5.00%) and shall be kept as minimum balance for the rest of the bonds' terms.

For purpose of preparing the statement of cash flows, cash and cash equivalents comprise the following:

	31 December 2025		31 December 2024	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Cash on hand	3,490	14,004	3,310	13,322
Cash at banks (current portion)	<u>1,494,511</u>	<u>5,997,473</u>	<u>4,790,820</u>	<u>19,283,051</u>
Cash and cash equivalents	<u>1,498,001</u>	<u>6,011,477</u>	<u>4,794,130</u>	<u>19,296,373</u>

The movement of allowance for impairment losses for bank balances during the year were as follows:

	2025		2024	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
At 1 January	(67,954)	(273,515)	(163,995)	(669,919)
Recognised in profit or loss	28,203	113,122	96,041	390,983
Currency translation differences	<u>-</u>	<u>872</u>	<u>-</u>	<u>5,421</u>
At 31 December	<u>(39,751)</u>	<u>(159,521)</u>	<u>(67,954)</u>	<u>(273,515)</u>

Royal Railway Plc.

Notes to the financial statements (continued) for the year ended 31 December 2025

7. Trade and other receivables

	2025		2024	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Trade receivables	944,964	3,792,141	798,282	3,213,085
Less: Allowance for impairment losses	(208,522)	(836,799)	(194,492)	(782,830)
	736,442	2,955,342	603,790	2,430,255
Advance to suppliers	29,286	117,525	1,740,428	7,005,223
Amounts due from related parties (Note 28)	68,824	276,191	29,094	117,103
Financial assets measured at amortised cost	834,552	3,349,058	2,373,312	9,552,581
Deposits	10,326	41,438	5,162	20,777
Prepayments	48,405	194,249	47,194	189,956
Others	204,463	820,510	1,580	6,359
	<u>1,097,746</u>	<u>4,405,255</u>	<u>2,427,248</u>	<u>9,769,673</u>

The movement of allowance for impairment losses for trade receivables during the year were as follows:

	2025		2024	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
At 1 January	(194,492)	(782,830)	(166,060)	(678,355)
Recognised in profit or loss	(14,030)	(56,274)	(28,432)	(115,747)
Currency translation differences	-	2,305	-	11,272
At 31 December	<u>(208,522)</u>	<u>(836,799)</u>	<u>(194,492)</u>	<u>(782,830)</u>

Royal Railway Plc.

Notes to the financial statements (continued) for the year ended 31 December 2025

8. Inventories

	2025		2024	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Locomotive parts	48,183	193,358	46,043	185,323
Tools	19,761	79,301	10,633	42,798
Fuel oil	8,235	33,047	13,194	53,106
Diesel	56,427	226,442	23,358	94,016
Wagon parts	6,495	26,064	1,698	6,834
	<u>139,101</u>	<u>558,212</u>	<u>94,926</u>	<u>382,077</u>

9. Other receivables

	2025		2024	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Advance to suppliers (*)	1,862,081	7,472,532	1,512,000	6,085,800
Other deposit	92,861	372,651	71,398	287,377
Prepayment	2,653	10,646	-	-
	<u>1,957,595</u>	<u>7,855,829</u>	<u>1,583,398</u>	<u>6,373,177</u>

(*) The amounts include the advance payments amounting US\$1,512,000 pertaining to the initial payment made for the purchase of 130 Flat Top Wagons to a supplier in South Africa to enhance the Company's transportation and logistics capabilities. The Company is currently engaged in negotiations with the supplier to resolve the disruption affecting the procurement process.

Royal Railway Plc.

Notes to the financial statements (continued) for the year ended 31 December 2025

10. Property and equipment

2025	Railroad and station improvements US\$	Locomotive US\$	Wagon US\$	Train track US\$	Trolley US\$	Equipment and machinery US\$	Office equipment US\$	Furniture and fittings US\$	IT hardware US\$	Signage and Boom gate US\$	Construction in progress US\$	US\$	Total KHR'000 (Note 5)
Cost													
At 1 January	1,017,739	11,439,130	9,953,014	1,078,870	50,618	1,054,627	9,134	8,181	101,289	101,316	41,894	24,855,812	100,044,643
Addition	11,125	1,722,239	3,243,407	75,987	-	82,208	951	-	4,035	5,632	309,868	5,455,452	21,881,818
Transfers	65,097	1,149	46,064	105,999	-	10,914	-	-	-	-	(229,223)	-	-
Written off	(23,183)	(22,656)	(33,807)	(150,354)	-	(18,007)	-	-	(5,911)	-	-	(253,918)	(1,018,465)
Currency translation differences	-	-	-	-	-	-	-	-	-	-	-	-	(287,867)
At 31 December	<u>1,070,778</u>	<u>13,139,862</u>	<u>13,208,678</u>	<u>1,110,502</u>	<u>50,618</u>	<u>1,129,742</u>	<u>10,085</u>	<u>8,181</u>	<u>99,413</u>	<u>106,948</u>	<u>122,539</u>	<u>30,057,346</u>	<u>120,620,129</u>
Less: Accumulated depreciation													
At 1 January	618,717	3,773,478	1,743,420	566,957	37,176	746,982	8,983	8,181	94,468	22,654	-	7,621,016	30,674,589
Depreciation for the year	120,630	1,303,829	1,495,596	183,529	3,691	123,251	230	-	6,689	18,587	-	3,256,032	13,059,944
Written off	(21,441)	(22,467)	(33,103)	(148,206)	-	(17,823)	-	-	(5,911)	-	-	(248,951)	(998,542)
Currency translation differences	-	-	-	-	-	-	-	-	-	-	-	-	(85,438)
At 31 December	<u>717,906</u>	<u>5,054,840</u>	<u>3,205,913</u>	<u>602,280</u>	<u>40,867</u>	<u>852,410</u>	<u>9,213</u>	<u>8,181</u>	<u>95,246</u>	<u>41,241</u>	<u>-</u>	<u>10,628,097</u>	<u>42,650,553</u>
Carrying amounts													
At 1 January	<u>399,022</u>	<u>7,665,652</u>	<u>8,209,594</u>	<u>511,913</u>	<u>13,442</u>	<u>307,645</u>	<u>151</u>	<u>-</u>	<u>6,821</u>	<u>78,662</u>	<u>41,894</u>	<u>17,234,796</u>	<u>69,370,054</u>
At 31 December	<u>352,872</u>	<u>8,085,022</u>	<u>10,002,765</u>	<u>508,222</u>	<u>9,751</u>	<u>277,332</u>	<u>872</u>	<u>-</u>	<u>4,167</u>	<u>65,707</u>	<u>122,539</u>	<u>19,429,249</u>	<u>77,969,576</u>

As at 31 December 2025, fully depreciated property and equipment with historical costs of US\$2,995,570 (31 December 2024: US\$2,355,205) were still in use.

Royal Railway Plc.

Notes to the financial statements (continued) for the year ended 31 December 2025

10. Property and equipment (continued)

2024	Railroad and station improvements US\$	Locomotive US\$	Wagon US\$	Train track US\$	Trolley US\$	Equipment and machinery US\$	Office equipment US\$	Furniture and fittings US\$	IT hardware US\$	Signage and Boom gate US\$	Construction in progress US\$	US\$	Total KHR'000 (Note 5)
Cost													
At 1 January	816,335	8,489,132	3,080,282	860,557	48,393	791,833	9,134	8,794	102,548	41,739	133,813	14,382,560	58,752,758
Addition	97,339	967,492	3,775,057	69,269	2,225	273,026	-	-	1,450	9,839	5,432,854	10,628,551	43,268,831
Transfers	104,065	1,989,306	3,183,712	149,044	-	1,480	-	-	-	49,738	(5,477,345)	-	-
Transfers to Intangible asset (*)	-	-	-	-	-	-	-	-	-	-	(6,500)	(6,500)	(26,462)
Transfers to investment property (*)	-	-	-	-	-	-	-	-	-	-	(40,928)	(40,928)	(166,618)
Written off	-	(6,800)	(86,037)	-	-	(11,712)	-	(613)	(2,709)	-	-	(107,871)	(439,143)
Currency translation differences	-	-	-	-	-	-	-	-	-	-	-	-	(1,344,723)
At 31 December	<u>1,017,739</u>	<u>11,439,130</u>	<u>9,953,014</u>	<u>1,078,870</u>	<u>50,618</u>	<u>1,054,627</u>	<u>9,134</u>	<u>8,181</u>	<u>101,289</u>	<u>101,316</u>	<u>41,894</u>	<u>24,855,812</u>	<u>100,044,643</u>
Less: Accumulated depreciation													
At 1 January	519,570	2,810,878	952,702	397,232	33,559	679,691	8,802	8,794	85,312	13,202	-	5,509,742	22,507,296
Depreciation for the year	99,147	969,400	876,754	169,725	3,617	78,586	181	-	11,865	9,452	-	2,218,727	9,032,438
Written off	-	(6,800)	(86,036)	-	-	(11,295)	-	(613)	(2,709)	-	-	(107,453)	(437,441)
Currency translation differences	-	-	-	-	-	-	-	-	-	-	-	-	(427,704)
At 31 December	<u>618,717</u>	<u>3,773,478</u>	<u>1,743,420</u>	<u>566,957</u>	<u>37,176</u>	<u>746,982</u>	<u>8,983</u>	<u>8,181</u>	<u>94,468</u>	<u>22,654</u>	<u>-</u>	<u>7,621,016</u>	<u>30,674,589</u>
Carrying amounts													
At 1 January	<u>296,765</u>	<u>5,678,254</u>	<u>2,127,580</u>	<u>463,325</u>	<u>14,834</u>	<u>112,142</u>	<u>332</u>	<u>-</u>	<u>17,236</u>	<u>28,537</u>	<u>133,813</u>	<u>8,872,818</u>	<u>36,245,462</u>
At 31 December	<u>399,022</u>	<u>7,665,652</u>	<u>8,209,594</u>	<u>511,913</u>	<u>13,442</u>	<u>307,645</u>	<u>151</u>	<u>-</u>	<u>6,821</u>	<u>78,662</u>	<u>41,894</u>	<u>17,234,796</u>	<u>69,370,054</u>

(*) During the year ended 31 December 2024, software and investment property previously recorded as construction in progress in property and equipment, amounting to US\$6,500 and US\$40,928 respectively, were transferred to intangible asset (Note 11) and investment property (Note 12).

Royal Railway Plc.

Notes to the financial statements (continued) for the year ended 31 December 2025

11. Intangible assets

2025	Computer software US\$	Sign-on fee US\$	Construction in progress US\$	Total US\$	KHR'000 (Note 5)
Cost					
At 1 January	20,290	450,000	12,148	482,438	1,941,813
Currency translation differences	-	-	-	-	(5,789)
At 31 December	20,290	450,000	12,148	482,438	1,936,024
Less: Accumulated amortisation					
At 1 January	19,632	223,065	-	242,697	976,855
Amortisation for the year	523	15,472	-	15,995	64,156
Currency translation differences	-	-	-	-	(2,880)
At 31 December	20,155	238,537	-	258,692	1,038,131
Carrying amounts					
At 1 January	658	226,935	12,148	239,741	964,958
At 31 December	135	211,463	12,148	223,746	897,893

Fully amortised computer software as at 31 December 2025 with historical costs of US\$19,090 (31 December 2024: US\$18,591) were still in use.

2024	Computer software US\$	Sign-on fee US\$	Construction in progress US\$	Total US\$	KHR'000 (Note 5)
Cost					
At 1 January	20,290	450,000	-	470,290	1,921,135
Additions	-	-	5,648	5,648	22,993
Transfers from property, plant and equipment	-	-	6,500	6,500	26,462
Currency translation differences	-	-	-	-	(28,777)
At 31 December	20,290	450,000	12,148	482,438	1,941,813
Less: Accumulated amortisation					
At 1 January	18,935	207,592	-	226,527	925,363
Amortisation for the year	697	15,473	-	16,170	65,828
Currency translation differences	-	-	-	-	(14,336)
At 31 December	19,632	223,065	-	242,697	976,855
Carrying amounts					
At 1 January	1,355	242,408	-	243,763	995,772
At 31 December	658	226,935	12,148	239,741	964,958

Royal Railway Plc.

Notes to the financial statements (continued) for the year ended 31 December 2025

12. Investment property

	2025				2024			
	Investment property US\$	Construction in progress US\$	Total US\$	KHR'000 (Note 5)	Investment property US\$	Construction in progress US\$	Total US\$	KHR'000 (Note 5)
Cost								
At 1 January	65,638	32,197	97,835	393,786	48,303	-	48,303	197,318
Additions	-	21,041	21,041	84,395	6,972	1,632	8,604	35,027
Transfers	26,355	(26,355)	-	-	10,363	(10,363)	-	-
Transfers from property and equipment	-	-	-	-	-	40,928	40,928	166,618
Currency translation differences	-	-	-	(1,132)	-	-	-	(5,177)
At 31 December	91,993	26,883	118,876	477,049	65,638	32,197	97,835	393,786
Less: Accumulated depreciation								
At 1 January	16,206	-	16,206	65,229	5,192	-	5,192	21,210
Depreciation for the period	13,567	-	13,567	54,417	11,014	-	11,014	44,838
Currency translation differences	-	-	-	(167)	-	-	-	(819)
At 31 December	29,773	-	29,773	119,479	16,206	-	16,206	65,229
Carrying amounts								
At 1 January	49,432	32,197	81,629	328,557	43,111	-	43,111	176,108
At 31 December	62,220	26,883	89,103	357,570	49,432	32,197	81,629	328,557

Investment property pertains to a warehouse located on conceded land in Battambang province that is leased to a third party. The estimated fair value of the warehouse as determined by the Management is approximate to its carrying amounts as at 31 December 2025.

Royal Railway Plc.

Notes to the financial statements (continued) for the year ended 31 December 2025

13. Right-of-use assets

	2025		2024	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Cost				
At 1 January	804,276	3,237,210	-	-
Addition	-	-	804,276	3,274,208
Currency translation differences	-	(9,650)	-	(36,998)
At 31 December	804,276	3,227,560	804,276	3,237,210
Less: Accumulated amortisation				
At 1 January	80,428	323,722	-	-
Depreciation for the period	80,427	322,593	80,428	327,422
Currency translation differences	-	(803)	-	(3,700)
At 31 December	160,855	645,512	80,428	323,722
Carrying amounts				
At 1 January	723,848	2,913,488	-	-
At 31 December	643,421	2,582,048	723,848	2,913,488

Right-of-use assets pertains to land located at Khan Dongkao, Phnom Penh that is leased from Sihanoukville Autonomous Port (PAS). See Note 18 for more details.

14. Trade and other payables

	2025		2024	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Trade payables:				
Trade payables	3,111,958	12,488,287	2,187,393	8,804,257
Amounts due to related parties (Note 28)	340,462	1,366,274	85,780	345,265
Tax payables:				
Value added tax	97,918	392,945	81,520	328,118
Salary and fringe benefit tax	23,695	95,088	18,857	75,899
Withholding tax	32,220	129,299	28,204	113,521
Payroll payables	734,264	2,946,601	788,501	3,173,717
Accruals	114,573	459,781	220,727	888,426
Security deposits	48,008	192,656	21,315	85,793
Others	155,991	625,993	15,185	61,119
	4,659,089	18,696,924	3,447,482	13,876,115

Royal Railway Plc.

Notes to the financial statements (continued) for the year ended 31 December 2025

15. Borrowings

	2025		2024	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
At 1 January	7,658,794	30,826,645	4,520,101	18,464,613
Additional borrowing	7,109,896	28,517,793	3,233,054	13,161,763
Accrued interest payable	51,254	205,580	114,628	466,651
Repayments during the period	(229,098)	(918,912)	(208,989)	(850,794)
Currency translation differences	-	(78,041)	-	(415,588)
At 31 December	<u>14,590,846</u>	<u>58,553,065</u>	<u>7,658,794</u>	<u>30,826,645</u>

Borrowings were classified into current and non-current portions as follows:

		2025		2024	
		US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Current portion					
Neak Oknha Kith Meng	(i)	11,550,650	46,352,758	4,440,754	17,874,034
SKTM Investment Co., Ltd	(i)	2,000,000	8,026,000	2,000,000	8,050,000
Cambodian Public Bank Plc.	(ii)	149,280	599,061	136,309	548,644
Wing Bank (Cambodia) Plc	(iii)	101,494	407,295	92,790	373,480
		<u>13,801,424</u>	<u>55,385,114</u>	<u>6,669,853</u>	<u>26,846,158</u>
Accrued interest payable		<u>181,968</u>	<u>730,238</u>	<u>130,723</u>	<u>526,160</u>
		<u>13,983,392</u>	<u>56,115,352</u>	<u>6,800,576</u>	<u>27,372,318</u>
Non-current portion					
Cambodian Public Bank Plc.	(ii)	406,412	1,630,931	555,681	2,236,616
Wing Bank (Cambodia) Plc	(iii)	201,042	806,782	302,537	1,217,711
		<u>607,454</u>	<u>2,437,713</u>	<u>858,218</u>	<u>3,454,327</u>
		<u>14,590,846</u>	<u>58,553,065</u>	<u>7,658,794</u>	<u>30,826,645</u>

- (i) Borrowing from a shareholder, Neak Oknha Kith Meng is unsecured, interest free and repayable on demand (Note 28).

On 8 December 2023, the Company entered into 12 months fixed loan amounting to US\$2,000,000 with SKTM Investment Co., Ltd represented by Neak Oknha Kith Meng. The borrowing is unsecured, bears interest rate at 7% per annum for tenor with monthly interest payment of US\$11,890 starting from 8 January 2024 to 8 December 2024. On 1 January 2025, the Company renewed the borrowing with the Company with revised the loan to interest free and repayable on demand (Note 28).

Royal Railway Plc.

Notes to the financial statements (continued) for the year ended 31 December 2025

15. Borrowings (continued)

- (ii) On 6 April 2022, the Company entered into a fixed loan amounting to US\$1,000,000 with Cambodian Public Bank Plc. The borrowing is secured with a land from the shareholder, bears interest rate at 9% per annum and is repayable in 84 monthly installments of US\$16,153 each from 13 April 2022 to 13 April 2029.
- (iii) On 1 September 2022, the Company entered into a fixed loan amounting to US\$500,000 with Wing Bank (Cambodia) Plc. The loan is unsecured bears interest rate at 7% per annum for tenor of 12 months with monthly interest payment of US\$2,877 starting from 1 September 2022 to 1 September 2023 and principal repayment by the end of the loan term.

On 31 August 2023, the Company renewed the fixed loan with the Bank with revised interest rate of 9% per annum and is repayable in 60 monthly installments of US\$10,383 starting from 1 October 2023 to 1 September 2028 (Note 28).

16. Debt securities

In 2022, the Company requested to the Securities and Exchange Regulator of Cambodia ("SERC") and Cambodia Securities Exchange ("CSX") to list its corporate bonds.

First Corporate Bond:

The Company's 1st Corporate bond is a plain bond issued to qualified investors with the principal amount of KHR 41 billion (US\$9,958,708), a tenor of 10 years with a coupon rate of 7% p.a. (per annum). The bond was approved by SERC and CSX on 19 September 2022 and 24 October 2022 respectively and was issued officially on 31 October 2022.

Second Corporate Bonds:

The Company's 2nd Corporate bond is guaranteed by GuarantCo Ltd as a private placement bond to the qualified investors with two series of bonds;

- Bond 1 with the principal amount of KHR49.2 billion (US\$11,964,981), a tenor of 5 years with a coupon rate of Term Secured Overnight Financing Rate ("SOFR") plus 3.5% or 5% p.a., whichever is higher; and
- Bond 2 with the principal amount of KHR49.2 billion (US\$11,964,981), a tenor of 10 years with a coupon rate of Term SOFR plus 3.5% or 5% p.a., whichever is higher for Year 1 to Year 5 and Term SOFR plus 3.75% or 5% p.a., whichever is higher for Year 6 to Year 10.

The Bonds were approved by SERC and CSX on 19 December 2022 and 26 December 2022 respectively and were issued officially on 29 December 2022.

Royal Railway Plc.

Notes to the financial statements (continued) for the year ended 31 December 2025

16. Debt securities (continued)

Debt securities were classified into current and non-current portions as follows:

	2025		2024	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Current				
Guaranteed bond	21,147,929	84,866,639	24,809,546	99,858,423
Plain bond	185,772	745,503	177,977	716,357
	<u>21,333,701</u>	<u>85,612,142</u>	<u>24,987,523</u>	<u>100,574,780</u>
Non-current				
Plain bond	9,809,327	39,364,829	9,809,327	39,482,541
Guaranteed bond	-	-	-	-
	<u>9,809,327</u>	<u>39,364,829</u>	<u>9,809,327</u>	<u>39,482,541</u>
	<u>31,143,028</u>	<u>124,976,971</u>	<u>34,796,850</u>	<u>140,057,321</u>

During the year, the Company incurred interest expense on the issued bonds amounting to US\$3,123,538 equivalent to KHR 12.5 billion (31 December 2024: US\$4,328,758 equivalent to KHR 17.6 billion) (Note 27).

The Company is subject to financial covenant testing every 6 months and as at 31 December 2025, the Company was unable to comply with 4 covenants required for the 2nd Corporate bond as follows:

Ratio Name	Formula	Financial requirement ratio	The Company's ratio	
			31 December 2025	
Debt Service Coverage Ratio	= Cash Flow Available for Debt Service/Total debt service	≥1.2	0.30x	Not met
Operating ratio	= Net operating income/Total operating revenue	≤100%	124%	Not met
Debt to EBITDA	= Total debt/EBITDA	≤4.5	-215.78x	Not met
Total debt to total assets	= Total debt/Total assets	≤100%	1.58x	Not met

* EBITDA=Earnings before interest, taxes, depreciation and amortisation

The Company communicated the non-compliance status to GuarantCo Ltd ("the Guarantor") on 3 October 2025 and updated its financial forecast model in accordance with the requirements of the Guarantor. On 13 January 2026, the Guarantor waived the non-compliance with the covenants as at 30 June 2025, pursuant to the Company's waiver request dated 4 July 2025. Furthermore, the Company is in the process of submitting another waiver request letter to the Guarantor for the breached financial covenants as at 31 December 2025 and have not yet finalised as of the date of these financial statements.

Royal Railway Plc.

Notes to the financial statements (continued) for the year ended 31 December 2025

16. Debt securities (continued)

Accordingly, the carrying amount of US\$19,221,707 of the guaranteed bond was reclassified to current liabilities (31 December 2024: US\$23,929,961).

17. Employee benefit liabilities

	2025		2024	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Seniority indemnity				
Current	143,846	577,254	115,213	463,732
Non-current	30,614	122,854	42,191	169,819
	<u>174,460</u>	<u>700,108</u>	<u>157,404</u>	<u>633,551</u>

The movements employee benefit obligations during the year were as follows:

	2025		2024	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
At 1 January	157,404	633,551	146,889	600,042
Recognised in profit or loss	253,929	1,018,509	210,332	856,262
Paid during the year	(236,873)	(950,098)	(199,817)	(813,455)
Currency translation differences	-	(1,854)	-	(9,298)
At 31 December	<u>174,460</u>	<u>700,108</u>	<u>157,404</u>	<u>633,551</u>

This represents liabilities for seniority indemnity payments required by Prakas No. 443 issued by the Ministry of Labour and Vocational Training ("MoLVT") on 21 September 2018 and subsequently amended by the Instruction No. 042/19 dated 22 March 2019. It requires all employers to settle the seniority indemnity to their employee as follows:

- Current pay: starting from 2019 onwards at the amounts equal to 15 days of wages and other benefits per year.
- Retrospective (back-pay): starting from end of 2021 onwards at the amounts equal to 6 days of net wages per year. The provision of back-pay seniority indemnity is calculated at a maximum amount of 6 months net wages (depends on the length of the service employee served) to the employee who has seniority before 2019.

Payments will be made twice a year, in June and December respectively. Employees are not entitled to the remaining seniority indemnity back-pay, which is not yet due, if he/she resigns from the Company.

Royal Railway Plc.

Notes to the financial statements (continued) for the year ended 31 December 2025

18. Lease liabilities

In 2024, the Company entered into a 10 years land lease with Sihanoukville Autonomous Port.

	2025		2024	
	US\$	KHR'000	US\$ (Note 5)	KHR'000 (Note 5)
Maturity analysis – contractual undiscounted cash flow				
Less than one year	110,250	442,433	105,000	422,625
One to five years	639,662	2,566,964	609,202	2,452,038
More than five years	302,879	1,215,453	443,589	1,785,446
Total undiscounted lease liability	<u>1,052,791</u>	<u>4,224,850</u>	<u>1,157,791</u>	<u>4,660,109</u>
Present value of lease liabilities				
Current	46,628	187,118	37,589	151,296
Non-current	<u>690,493</u>	<u>2,770,948</u>	<u>737,122</u>	<u>2,966,916</u>
Total present value of lease liability	<u>737,121</u>	<u>2,958,066</u>	<u>774,711</u>	<u>3,118,212</u>

19. Other payables

	2025		2024	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Rental deposit	141,630	568,361	149,290	600,892
Accrual for G&A expenses	<u>79,083</u>	<u>317,360</u>	<u>79,083</u>	<u>318,309</u>
	<u>220,713</u>	<u>885,721</u>	<u>228,373</u>	<u>919,201</u>

20. Share capital

	2025		2024	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
<i>Registered, issued and fully paid:</i>				
2,003,220 ordinary shares of US\$6.50 each	<u>13,020,930</u>	<u>52,083,720</u>	<u>13,020,930</u>	<u>52,083,720</u>

The details of the shareholding structure were as follows:

	31 December 2025/31 December 2024			
	Number of shares	Par value per share US\$	Amount US\$	% ownership
Inter Logistics (Cambodia) Co., Ltd	1,983,187	6.50	12,890,715	98.9999%
Neak Oknha Kith Meng	<u>20,033</u>	<u>6.50</u>	<u>130,215</u>	<u>1.0001%</u>
	<u>2,003,220</u>		<u>13,020,930</u>	<u>100%</u>

Royal Railway Plc.

Notes to the financial statements (continued) for the year ended 31 December 2025

21. Revenue

	2025		2024	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Southern line:				
Rail freight	8,279,169	33,207,747	6,303,535	25,661,691
Train related value-added services	920,114	3,690,577	850,336	3,461,718
Passengers' fare	394,012	1,580,382	478,045	1,946,121
Transportation	96,143	385,630	98,600	401,401
Other revenue	-	-	16,705	68,006
	<u>9,689,438</u>	<u>38,864,336</u>	<u>7,747,221</u>	<u>31,538,937</u>
Northern line:				
Rail freight	3,769,396	15,119,047	3,294,640	13,412,479
Passengers' fare	325,048	1,303,768	149,122	607,076
Train related value-added services	15,148	60,759	20,137	81,978
Other revenue	15,678	62,884	75,494	307,336
	<u>4,125,270</u>	<u>16,546,458</u>	<u>3,539,393</u>	<u>14,408,869</u>
	<u>13,814,708</u>	<u>55,410,794</u>	<u>11,286,614</u>	<u>45,947,806</u>

The majority of the Company's freight business is affected by seasonality as a result of natural disasters or adverse weather conditions with rainy season being the low months for fuel transport services via train.

22. Cost of services

	2025		2024	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Staff costs and wages	4,279,839	17,166,434	3,704,194	15,079,773
Cost of diesel	6,063,726	24,321,605	5,279,179	21,491,538
Depreciation and amortisation (Note 25)	3,224,053	12,931,676	2,201,710	8,963,161
Repairs and maintenance	837,925	3,360,917	593,315	2,415,385
Transportation	790,683	3,171,430	507,107	2,064,433
Equipment rental	504,024	2,021,640	337,245	1,372,924
Container access charge	377,375	1,513,651	311,170	1,266,773
Insurance	308,690	1,238,156	-	-
Employee benefit obligations	227,064	910,754	176,390	718,084
Others	741,736	2,975,103	495,148	2,015,749
	<u>17,355,115</u>	<u>69,611,366</u>	<u>13,605,458</u>	<u>55,387,820</u>

Royal Railway Plc.

Notes to the financial statements (continued) for the year ended 31 December 2025

23. Other operating income

	2025		2024	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Warehouse rental	1,064,587	4,270,058	918,368	3,738,676
Others	17,052	68,396	247,323	1,006,852
	<u>1,081,639</u>	<u>4,338,454</u>	<u>1,165,691</u>	<u>4,745,528</u>

24. Operating and administrative expenses

	2025		2024	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Salaries and wages	533,772	2,140,959	666,572	2,713,615
Directors' fee (*)	(284,875)	(1,142,634)	360,000	1,465,560
Other tax expenses	253,343	1,016,159	297,618	1,211,603
Bonus	29,550	118,525	10,618	43,226
Depreciation and amortisation (Note 25)	141,968	569,434	124,629	507,365
Professional fees	48,274	193,627	98,017	399,027
Fuel and utilities	39,561	158,679	123,858	504,226
Provision for employee benefits	26,865	107,756	33,942	138,178
Equipment rental	26,370	105,770	110,350	449,235
Travelling and accommodation	22,545	90,428	57,231	232,987
Small value of assets	6,396	25,654	45,996	187,250
Repairs and maintenance	12,588	50,490	70,520	287,087
Training and development	5,675	22,762	2,713	11,044
Licensing, registration and permit fee	7,304	29,296	14,487	58,977
Communication	3,100	12,434	73,775	300,338
Staff uniform	-	-	18,202	74,100
Insurance	-	-	287,947	1,172,232
Other expenses	244,240	979,648	257,270	1,047,346
	<u>1,116,676</u>	<u>4,478,987</u>	<u>2,653,745</u>	<u>10,803,396</u>

(*) On 1 May 2025, the Company obtained resolution from the shareholders for waiving the Directors' fee amounting to US\$410,875.

Royal Railway Plc.

Notes to the financial statements (continued) for the year ended 31 December 2025

25. Depreciation and amortisation

Depreciation and amortisation charges were allocated as follows:

	2025		2024	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Depreciation of property and equipment and investment property (Notes 10 and 12)	3,269,599	13,114,361	2,229,741	9,077,276
Amortisation of intangible assets and right-of-use asset (Note 11 and 13)	<u>96,422</u>	<u>386,749</u>	<u>96,598</u>	<u>393,250</u>
	<u>3,366,021</u>	<u>13,501,110</u>	<u>2,326,339</u>	<u>9,470,526</u>
Allocated to:				
Cost of services (Note 22)	3,224,053	12,931,676	2,201,710	8,963,161
Operating and administrative expenses (Note 24)	<u>141,968</u>	<u>569,434</u>	<u>124,629</u>	<u>507,365</u>
	<u>3,366,021</u>	<u>13,501,110</u>	<u>2,326,339</u>	<u>9,470,526</u>

26. Income tax

(a) Applicable tax rates

In accordance with Cambodian Law on Taxation, the Company has an obligation to pay corporate income tax of either the profit tax at the rate of 20% of taxable profits or the minimum tax at 1% of annual turnover, whichever is higher.

Pursuant to Sub-Decree No. 42 dated 24 February 2022 on Tax Incentives in the Securities Sector issued by the Royal Government of Cambodia, the Company is entitled to reduce half amount of its tax on revenue within the duration of tax incentive period. In order to get the incentives, the Company needs to submit the request to the General Department of Taxation ("GDT") through the Securities and Exchange Regulator of Cambodia ("SERC").

On 16 December 2022, the Company submitted a letter to SERC for 50% reduction of Tax on Income for the year 2023 onwards. On 8 February 2023, the Company received a notification from SERC that the request was submitted to the GDT. There has been no response from the GDT as at the date of the financial statements yet.

Royal Railway Plc.

Notes to the financial statements (continued) for the year ended 31 December 2025

26. Income tax (continued)

(b) Minimum tax liability

	2025		2024	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
At 1 January	12,021	48,385	9,163	37,431
Minimum tax expense	149,123	598,132	124,802	508,069
Minimum tax paid	(147,528)	(591,735)	(121,944)	(496,434)
Currency translation differences	-	(141)	-	(681)
At 31 December	<u>13,616</u>	<u>54,641</u>	<u>12,021</u>	<u>48,385</u>

(c) Minimum tax expense/Income tax expense

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

	2025		2024	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Loss before income tax	<u>(6,906,105)</u>	<u>(27,700,386)</u>	<u>(8,156,271)</u>	<u>(33,204,180)</u>
Income tax using statutory income tax rate	(1,381,221)	(5,540,077)	(1,631,254)	(6,640,836)
Non-deductible expenses	33,158	132,997	59,524	242,322
Tax loss not recognised as deferred tax assets	692,648	2,778,211	535,550	2,180,224
Deductible temporary difference not recognised as deferred tax assets	<u>655,415</u>	<u>2,628,869</u>	<u>1,036,180</u>	<u>4,218,290</u>
Income tax expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Minimum tax at 1% of turnover	<u>149,123</u>	<u>598,132</u>	<u>124,802</u>	<u>508,069</u>

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

Royal Railway Plc.

Notes to the financial statements (continued) for the year ended 31 December 2025

26. Income tax (continued)

(d) Unrecognised deferred tax

Tax losses incurred in any tax year can be carried forward to offset against profit realised in the following five tax years subject to the following conditions:

- The loss must be recorded in the Annual Tax on Income return and submitted to the General Department of Taxation on time;
- The business objective of the Company must not have changed; and
- The Company must not have received an unilateral tax re-assessment.

Deferred tax assets in respect of the tax losses are not recognised in the financial statements because it is not probable that future taxable profits will be available against which the Company can use the benefits therefrom.

(e) Tax contingencies

The Company assesses its tax obligations based on applicable tax laws and regulations as of the reporting date. Given the evolving nature of tax legislation, certain tax treatments may necessitate judgment and interpretation. Management exercises judgment in establishing the Company's tax positions and continually monitors regulatory developments. While the Company strives to comply with current tax requirements, interpretations of tax regulations may vary. Any adjustments resulting from regulatory reviews, once conducted and finalised, will be reflected into the financial statements as appropriate.

27. Finance costs – net

	2025		2024	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Interest income from cash at bank	106,188	425,920	327,766	1,334,335
Interest expense on:				
Debt securities	(3,092,638)	(12,404,571)	(4,328,758)	(17,622,374)
Borrowing	(140,590)	(563,906)	(264,634)	(1,077,325)
Lease liabilities	(67,411)	(270,386)	(70,435)	(286,741)
	<u>(3,300,639)</u>	<u>(13,238,863)</u>	<u>(4,663,827)</u>	<u>(18,986,440)</u>
	<u>(3,194,451)</u>	<u>(12,812,943)</u>	<u>(4,336,061)</u>	<u>(17,652,105)</u>

Royal Railway Plc.

Notes to the financial statements (continued) for the year ended 31 December 2025

28. Related party transactions and balances

(a) Identity of related party

For the purposes of these financial statements, parties are considered to be related to the Company if the Company 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 the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Company have related party relationships with its substantial shareholders and key management personnel.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly.

The key management personnel include all the Directors of the Company, and certain senior management members of the Company.

Key management have relationships with the Company which are entered into in the normal course of business and on substantially the same terms, including warehouse rental, purchase of goods and services, insurance, telephone expense and other expense, as for comparable transactions with other persons of a similar standing or, where applicable, with other employees. These transactions did not involve more than the normal risk of repayment or present other unfavourable features.

(b) Transactions with related parties

	2025		2024	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
<i>Property rental</i>				
GSS Global Security Solutions Co., Ltd.	39,296	157,616	36,310	147,818
CAMGSM PLC	507,100	2,033,978	345,400	1,406,123
J Trust Royal Bank Plc.	430,038	1,724,882	428,417	1,744,086
Wing Bank (Cambodia) Plc.	12,600	50,539	-	-
Wing Inter Logistics Technologies Co., Ltd.	11,000	44,121	-	-
<i>Utilities</i>				
GSS Global Security Solutions Co. Ltd.	-	-	3,989	16,239
CamGSM Co., Ltd.	4,815	19,313	4,521	18,405
J Trust Royal Bank Plc.	1,503	6,029	1,598	6,505
<i>Deposit</i>				
CAMGSM PLC	11,000	44,121	72,000	293,112

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Notes to the financial statements (continued) for the year ended 31 December 2025

28. Related party transactions and balances (continued)

(b) Transactions with related parties (continued)

	US\$	2025 KHR'000 (Note 5)	US\$	2024 KHR'000 (Note 5)
<i>Insurance</i>				
Infinity General Insurance Plc.	<u>274,610</u>	<u>1,101,461</u>	<u>176,084</u>	<u>716,838</u>
<i>Telephone expense</i>				
CAMGSM PLC	<u>29,381</u>	<u>117,847</u>	<u>27,567</u>	<u>112,225</u>
<i>Security fee</i>				
GSS Global Security Solutions Co., Ltd.	<u>37,950</u>	<u>152,217</u>	<u>47,966</u>	<u>195,270</u>
<i>Cleaning service</i>				
GSS Global Security Solutions Co., Ltd.	<u>3,843</u>	<u>15,414</u>	<u>2,123</u>	<u>8,643</u>
<i>Face Recognition</i>				
GSS Global Security Solutions Co., Ltd.	<u>-</u>	<u>-</u>	<u>3,674</u>	<u>14,957</u>
<i>Internet service fee</i>				
EZECOM Co., Ltd	<u>48,633</u>	<u>195,067</u>	<u>58,512</u>	<u>238,202</u>
CAMGSM PLC	<u>461</u>	<u>1,849</u>	<u>-</u>	<u>-</u>
<i>Microsoft Office 365</i>				
EZECOM Co., Ltd	<u>64</u>	<u>257</u>	<u>4,646</u>	<u>18,914</u>
<i>Power BI Pro</i>				
EZECOM Co., Ltd	<u>198</u>	<u>794</u>	<u>132</u>	<u>537</u>
<i>Interest expense</i>				
Wing Bank (Cambodia) Plc.	<u>31,807</u>	<u>127,578</u>	<u>39,878</u>	<u>162,343</u>
SKTM Investment Co., Ltd	<u>-</u>	<u>-</u>	<u>140,000</u>	<u>569,940</u>
<i>Special Train food service</i>				
Cambodiana Investment (Phnom Penh) Pte. Ltd	<u>1,300</u>	<u>5,214</u>	<u>-</u>	<u>-</u>
<i>Passenger Train Ticket</i>				
CAMGSM PLC	<u>-</u>	<u>-</u>	<u>630</u>	<u>2,526</u>
<i>Sign Tax</i>				
GSS Global Security Solutions Co., Ltd.	<u>63</u>	<u>253</u>	<u>-</u>	<u>-</u>
<i>Credit rating fee</i>				
Rating Agency of (Cambodia) Plc.	<u>9,350</u>	<u>37,503</u>	<u>-</u>	<u>-</u>

Royal Railway Plc.

Notes to the financial statements (continued) for the year ended 31 December 2025

28. Related party transactions and balances (continued)

(b) Transactions with related parties (continued)

	US\$	2025 KHR'000 (Note 5)	US\$	2024 KHR'000 (Note 5)
<i>Borrowing</i>				
Royal Coffee	-	-	2,000	8,142
Neak Oknha Kith Meng	<u>7,109,896</u>	<u>28,517,793</u>	<u>3,233,054</u>	<u>13,161,763</u>

The total remuneration of key managements for the year ended 31 December 2025 including salaries and benefits was US\$722,366 (2024: US\$670,591).

(c) Balances with related parties

	US\$	2025 KHR'000 (Note 5)	US\$	2024 KHR'000 (Note 5)
Amounts due from related parties (Note 7)				
<i>Trade related:</i>				
CAMGSM PLC	58,300	233,958	-	-
Wing Bank (Cambodia) Plc.	2,200	8,829	-	-
<i>Non-trade related:</i>				
Royal Coffee	<u>8,324</u>	<u>33,404</u>	<u>29,094</u>	<u>117,103</u>
	<u>68,824</u>	<u>276,191</u>	<u>29,094</u>	<u>117,103</u>

Amounts due to related parties (Note 14)

<i>Trade related:</i>				
Infinity General Insurance Plc.	329,682	1,323,014	80,498	324,004
CAMGSM PLC	814	3,267	2,814	11,327
EZECOM Co., Ltd	64	257	-	-
GSS Global Security Solution Co., Ltd.	4,901	19,668	2,468	9,934
Cambodian Broadcasting Service Co., Ltd	<u>5,001</u>	<u>20,068</u>	<u>-</u>	<u>-</u>
	<u>340,462</u>	<u>1,366,274</u>	<u>85,780</u>	<u>345,265</u>

Borrowings (Note 15)

<i>Shareholder:</i>				
Neak Oknha Kith Meng	<u>11,550,650</u>	<u>46,352,758</u>	<u>4,440,754</u>	<u>17,874,034</u>
<i>Related party:</i>				
SKTM Investment Co., Ltd	2,000,000	8,026,000	2,000,000	8,050,000
Wing Bank (Cambodia) Plc.	<u>302,536</u>	<u>1,214,077</u>	<u>395,327</u>	<u>1,591,191</u>

Amounts due from/to related parties and borrowings are unsecured, interest free and repayable on demand.

Royal Railway Plc.

Notes to the financial statements (continued) for the year ended 31 December 2025

29. Lease commitments

The future minimum lease payments related to low-value items leases are as follows:

	2025		2024	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Within one year	129,190	518,439	80,250	323,006
Between two to five years	13,460	54,015	26,000	104,650
	<u>142,650</u>	<u>572,454</u>	<u>106,250</u>	<u>427,656</u>
Capital commitment				
<i>In respect of property and equipment</i>				
Contracted but not yet provided	<u>1,033,699</u>	<u>4,148,234</u>	<u>1,127,563</u>	<u>4,538,441</u>

30. Financial instruments – fair values and risk management

(a) Accounting classifications and fair values

All the financial assets and financial liabilities of the Company are categorised as Level 3 under the fair value hierarchy.

	2025		2024	
	Carrying amounts US\$	Fair value US\$	Carrying amounts US\$	Fair value US\$
Financial assets				
Cash at banks	5,240,347	5,240,347	8,876,509	8,876,509
Trade and other receivables				
Trade receivables - net	736,442	736,442	603,790	603,790
Amounts due from related parties	68,824	68,824	29,094	29,094
Deposits	10,326	10,326	76,560	76,560
Other receivables	204,463	204,463	1,580	1,580
	<u>6,260,402</u>	<u>6,260,402</u>	<u>9,587,533</u>	<u>9,587,533</u>
KHR'000 equivalent (Note 5)	<u>25,122,994</u>	<u>25,122,994</u>	<u>38,589,820</u>	<u>38,589,820</u>
Financial liabilities				
Trade payables	3,111,958	3,111,958	2,187,393	2,187,393
Amounts due to related parties	340,462	340,462	85,780	85,780
Accruals	114,573	114,573	299,810	299,810
Debt securities	31,143,028	31,143,028	34,796,850	34,796,850
Security deposits	48,008	48,008	170,605	170,605
Other payables	155,991	155,991	15,185	15,185
Borrowings	14,590,846	14,590,846	7,658,794	7,658,794
	<u>49,504,866</u>	<u>49,504,866</u>	<u>45,214,417</u>	<u>45,214,417</u>
KHR'000 equivalent (Note 5)	<u>198,663,027</u>	<u>198,663,027</u>	<u>181,988,028</u>	<u>181,988,028</u>

Royal Railway Plc.

Notes to the financial statements (continued) for the year ended 31 December 2025

30. Financial instruments – fair values and risk management (continued)

(b) Financial risk management

The Company has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Risk management framework

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors has established the risk management committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the board of directors on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company audit committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

There have been no changes to the Company's exposure to these financial risks or the manner in which it manages and measures the risk.

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers and financial assets. The Company's major classes of financial assets are cash and cash equivalent and trade receivables. The Company does not have any significant credit exposure to any single counterparty or any group of counterparties having similar characteristics.

Royal Railway Plc.

Notes to the financial statements (continued) for the year ended 31 December 2025

30. Financial instruments – fair values and risk management (continued)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Trade and other receivables

Credit risks mainly relate to current trade receivables from a broad base of customers, mainly corporates.

Customer concentration

A substantial portion of the Company's revenues are derived from sales made to Kampuchea Tela Co., Ltd accounted for approximately 28% (2024: Kampuchea Tela Co., Ltd. accounted for approximately 25%) of the Company's total revenue for the year ended 31 December 2025. As the management expects revenue derived from this customer continued to constitute a significant portion of the Company's revenues, any factors adversely affecting the operation of Kampuchea Tela Co., Ltd could have a material adverse effect on the Company's business, financial position and results of operations.

The Company monitors the credit and manages it actively by making any necessary credit checks and optimising the payment process.

The Company does not require collateral in respect of trade receivables.

Expected credit loss ("ECL") assessment for corporate customers

The Company uses an allowance matrix to measure ECLs of trade receivables from corporate customers which comprise a very large number of small balances.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics-geographic region, age of customer relationship and type of services purchased.

Royal Railway Plc.

Notes to the financial statements (continued) for the year ended 31 December 2025

30. Financial instruments – fair values and risk management (continued)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Expected credit loss assessment for corporate customers (continued)

The following table provides information about the exposure to credit risk and ECLs for trade receivables for corporate and individual customers:

	Weighted average loss rate %	Gross carrying amount US\$	Loss allowance US\$	Credit- impaired
31 December 2025				
Current (not past due)	3.46%	494,263	17,085	No
1 – 30 days past due	9.01%	237,562	21,414	No
31 – 60 days past due	21.18%	54,926	11,635	No
61 – 90 days past due	103.85%	5,115	5,312	No
More than 90 days	99.99%	153,098	153,076	Yes
		<u>944,964</u>	<u>208,522</u>	
31 December 2024				
Current (not past due)	4.52%	97,097	4,390	No
1 – 30 days past due	7.77%	489,115	38,007	No
31 – 60 days past due	25.12%	75,432	18,945	No
61 – 90 days past due	47.10%	6,551	3,085	No
More than 90 days	99.98%	130,087	130,065	Yes
		<u>798,282</u>	<u>194,492</u>	

Loss rates are based on actual credit loss experience over the past financial year. With limited historical data available, management has not identified any developments in the economic environment that provide observable data that loss rates derived from the reference period may not be the best reasonable and supportable information available for the purpose of estimating ECL on trade receivables outstanding as at reporting date.

Royal Railway Plc.

Notes to the financial statements (continued) for the year ended 31 December 2025

30. Financial instruments – fair values and risk management (continued)

(b) Financial risk management (continued)

(i) *Credit risk (continued)*

Cash at banks

Cash at banks are current accounts with Wing (Cambodia) Plc, J Trust Royal Bank, ACLEDA Bank Plc., and Cambodian Public Bank Plc.

The Company considers that these amounts have low credit risk based on the external credit ratings of the counterparties. Management does not foresee any significant credit risk from cash at banks and does not expect that those banks may default and cause losses to the Company.

Impairment losses on cash at banks are disclosed in Note 6.

(ii) *Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

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

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are grossed and undiscounted and include estimated interest payments and exclude the impact of netting arrangements.

Royal Railway Plc.

Notes to the financial statements (continued) for the year ended 31 December 2025

30. Financial instruments – fair values and risk management (continued)

(b) Financial risk management (continued)

(ii) *Liquidity risk (continued)*

Exposure to liquidity risk (continued)

	Carrying amounts		Undiscounted contractual cash flow	6 months or less	6 to 12 months	After 1 year
	US\$	KHR'000 (Note 5)	US\$	US\$	US\$	US\$
2025						
Trade payables	3,111,958	12,488,287	3,111,958	1,966,572	265,238	880,148
Amount due to related parties	340,462	1,366,274	340,462	22,447	248,097	69,918
Accruals	114,573	459,781	114,573	114,573	-	-
	<u>3,566,993</u>	<u>14,314,342</u>	<u>3,566,993</u>	<u>2,103,592</u>	<u>513,335</u>	<u>950,066</u>
Debt securities issued	31,143,028	124,976,971	29,868,460	19,909,752	-	9,958,708
Security deposit	48,008	192,656	48,008	48,008	-	-
Other payables	155,991	625,993	155,991	155,991	-	-
Borrowings	14,590,846	58,553,065	14,590,846	13,855,266	128,127	607,453
	<u>49,504,866</u>	<u>198,663,027</u>	<u>48,230,298</u>	<u>36,072,609</u>	<u>641,462</u>	<u>11,516,227</u>
2024						
Trade payables	2,187,393	8,804,257	2,187,393	1,502,351	226,223	458,819
Amount due to related parties	85,780	345,265	85,780	30,780	55,000	-
Accruals	299,810	1,206,736	299,810	299,810	-	-
	<u>2,572,983</u>	<u>10,356,258</u>	<u>2,572,983</u>	<u>1,832,941</u>	<u>281,223</u>	<u>458,819</u>
Debt securities issued	34,796,850	140,057,321	33,888,669	24,079,342	-	9,809,327
Security deposit	170,605	686,685	170,605	170,605	-	-
Other payables	15,185	61,119	15,185	15,185	-	-
Borrowings	7,658,794	30,826,645	7,658,794	6,683,562	117,014	858,218
	<u>45,214,417</u>	<u>181,988,028</u>	<u>44,306,236</u>	<u>32,781,635</u>	<u>398,237</u>	<u>11,126,364</u>

Royal Railway Plc.

Notes to the financial statements (continued) for the year ended 31 December 2025

30. Financial instruments – fair values and risk management (continued)

(b) Financial risk management (continued)

(iii) Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates and interest rates – that will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the returns.

Currency risk

The Company is exposed to foreign exchange risk arising from purchases and transactions that are denominated in a currency other than the Company's functional currency which is Khmer Riel.

The currency that gives rise to the foreign exchange risk to the Company is primarily United States of Dollar from borrowings and transactions with related parties and payment of operating expenses.

The Company does not hedge its foreign currency exposure. To manage its foreign currency exposure, the Company's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary.

Interest rate risk

The interest rate profile of the Company's interest-bearing financial instruments is as follows:

	2025		2024	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Fixed rate instruments				
Financial liabilities	<u>45,733,874</u>	<u>183,530,036</u>	<u>17,468,121</u>	<u>70,309,186</u>
Variable-rate instruments				
Financial liabilities	<u>21,333,701</u>	<u>85,612,142</u>	<u>24,987,523</u>	<u>100,574,780</u>

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed-rate financial assets at fair value through profit or loss, and the Company does not have derivatives at the reporting date. Therefore, a change in interest rates at the end of reporting period would not affect profit or loss.

Royal Railway Plc.

Notes to the financial statements (continued) for the year ended 31 December 2025

30. Financial instruments – fair values and risk management (continued)

(b) Financial risk management (continued)

(iii) *Market risk (continued)*

Cash flow sensitivity analysis for variable-rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	Profit or loss		Equity, net of tax	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2025				
Variable-rate instruments	<u>213,337</u>	<u>(213,337)</u>	<u>213,337</u>	<u>(213,337)</u>
31 December 2024				
Variable-rate instruments	<u>249,875</u>	<u>(249,875)</u>	<u>249,875</u>	<u>(249,875)</u>

31. Material accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these financial statements, except if mentioned otherwise.

(a) Foreign currency transactions

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

Monetary assets and liabilities denominated in currencies other than US\$ at the reporting date are translated into US\$ at the rates of exchange ruling at that date. Non-monetary items that are measured in terms of historical cost in other currency are translated using the exchange rates as at the respective dates of the initial transactions. Foreign currency differences are generally recognised in profit or loss.

(b) Financial instruments

(i) *Recognition and initial measurement*

The Company initially recognises trade and receivables on the date that they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

Royal Railway Plc.

Notes to the financial statements (continued) for the year ended 31 December 2025

31. Material accounting policies (continued)

(b) Financial instruments (continued)

(i) *Recognition and initial measurement (continued)*

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) *Classification and subsequent measurement*

Non-derivative financial assets – Classification

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVOCI"); debt investment or fair value through profit or loss ("FVTPL").

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual term give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company classify other receivables, term deposits and cash and cash equivalents as "financial assets measured at amortised cost".

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

Royal Railway Plc.

Notes to the financial statements (continued) for the year ended 31 December 2025

31. Material accounting policies (continued)

(b) Financial instruments (continued)

(ii) *Classification and subsequent measurement (continued)*

Non-derivative financial assets – Classification (continued)

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI, as at FVTPL, if doing so, eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Non-derivative financial assets – Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected.; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Non-derivative financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Royal Railway Plc.

Notes to the financial statements (continued) for the year ended 31 December 2025

31. Material accounting policies (continued)

(b) Financial instruments (continued)

(ii) *Classification and subsequent measurement (continued)*

Non-derivative financial assets – Assessment whether contractual cash flows are solely payments of principal and interest (continued)

In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual rate, including variable-rate features;
- prepayment and extension features;
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Non-derivative financial assets – Subsequent measurement and gains and losses

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Royal Railway Plc.

Notes to the financial statements (continued) for the year ended 31 December 2025

31. Material accounting policies (continued)

(b) Financial instruments (continued)

(iii) *Derecognition*

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset.

The Company enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) *Offsetting*

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

(v) *Share capital – ordinary shares*

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

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances and deposits with banks with original maturities of three months or less and other highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Royal Railway Plc.

Notes to the financial statements (continued) for the year ended 31 December 2025

31. Material accounting policies (continued)

(d) Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. The cost is calculated using the first-in first-out method, and includes the original purchase cost, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

(e) Property and equipment

(i) *Recognition and measurement*

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

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

Gains or losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised net within other income in profit or loss.

(ii) *Subsequent costs*

The costs of replacing a part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii) *Depreciation*

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is charged to profit or loss on a straight-line basis over their estimated useful lives as follows:

Railroad and station improvements	3 to 5 years
Locomotive	5 to 25 years
Wagon	5 to 20 years
Train track	5 years
Trolley	5 years
Equipment and machinery	3 to 5 years
Office equipment	5 years
Furniture and fittings	5 years
IT hardware	3 years
Signage and Boom gate	5 years

Royal Railway Plc.

Notes to the financial statements (continued) for the year ended 31 December 2025

31. Material accounting policies (continued)

(e) Property and equipment (continued)

(iii) *Depreciation (continued)*

Construction in progress is not depreciated until such time as the relevant assets are completed and put into operational use.

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

(f) Intangible assets

Intangible assets comprise computer software and the sign-on fees under the Railway Concession Agreement which are stated at cost less accumulated amortisation and any accumulated impairment losses. The computer software is amortised over its estimated life of 3 years and the sign-on fees is amortised over 29 years using the straight-line method. If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new expectations.

(i) *Recognition and measurement*

Investment property is measured at cost less accumulated depreciation and any accumulated impairment losses. The initial cost of investment property comprises construction expenditure and any directly attributable costs of bringing the asset to its working condition for its intended use. Construction expenditure consists of contracted construction price, non-refundable taxes and any directly attributable costs. Expenditure incurred after investment property has been put into operation, such as repairs and maintenance, is recognised in the period in which the expenditure is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in future economic benefits in excess of the originally assessed standard of performance of the existing investment property, the expenditure is capitalised as an additional cost of investment property.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(ii) *Depreciation*

Depreciation is computed on a straight-line basis over the estimated useful lives of investment property. The estimated useful lives of the land improvement is 5 years.

Royal Railway Plc.

Notes to the financial statements (continued) for the year ended 31 December 2025

31. Material accounting policies (continued)

(h) Impairment

(i) *Financial assets*

The Company recognises loss allowances for expected credit loss ("ECLs") on financial assets measured at amortised cost.

Cash and cash equivalents for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which is measured at 12-month ECLs. For trade and other receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date (i.e., a loss allowance for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default). The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a significant increase in credit risk to have occurred when contractual payments are more than 30 days past due and considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Royal Railway Plc.

Notes to the financial statements (continued) for the year ended 31 December 2025

31. Material accounting policies (continued)

(h) Impairment (continued)

(i) *Financial assets (continued)*

Credit-impaired financial assets (continued)

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower;
- a breach of contract such as default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise; or
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subjected to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(ii) *Non-financial assets*

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

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

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

Royal Railway Plc.

Notes to the financial statements (continued) for the year ended 31 December 2025

31. Material accounting policies (continued)

(h) Impairment (continued)

(ii) *Non-financial assets (continued)*

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

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

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation and amortisation, if no impairment loss had been recognised.

(i) Borrowings

Borrowings are recognised initially at the transaction price (that is, the present value of cash payable to the lenders, including transaction costs). Borrowings are subsequently stated at amortised cost. All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(j) Provisions

Provisions are recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

(k) Employee benefits

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

The Company's net obligation in respect of other long-term employee benefits is the amount of future benefit that employees have earned in return for their services in the current and prior periods. That benefit is discounted to determine its present value. Measurements are recognised in profit or loss in the period in which they arise.

Royal Railway Plc.

Notes to the financial statements (continued) for the year ended 31 December 2025

31. Material accounting policies (continued)

(i) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(ii) As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received.

The right-of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use asset are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise lease payment in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

Royal Railway Plc.

Notes to the financial statements (continued) for the year ended 31 December 2025

31. Material accounting policies (continued)

(I) Leases (continued)

(i) *As a lessee (continued)*

The lease liability is measured at amortised cost using the effective interest method. It is measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in substance fixed loan payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right of use assets and lease liabilities for leases of low value assets and short-term leases, including rental equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) *As a lessor*

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Company applies CIFRS 15 to allocate the consideration in the contract.

Royal Railway Plc.

Notes to the financial statements (continued) for the year ended 31 December 2025

31. Material accounting policies (continued)

(l) Leases (continued)

(iii) *As a lessor (continued)*

The Company applies the derecognition and impairment requirements in CIFRS 9 to the net investment in the lease (see Note 31(h)(i)). The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'Other operating income'.

(m) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes.

(i) *Service revenue*

Revenue from rail freight, train-related value-added services and passenger's fare are recognised when the services are provided to the customers. Revenue is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes.

(ii) *Warehouse income*

Warehouse rental income is recognised on a straight-line basis over the term of the relevant rental contracts.

(n) Finance costs

Finance costs comprise interest expense on borrowings and debt securities.

Interest expense is recognised using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the amortised cost of the financial liability.

(o) Income tax

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

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under CIAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Royal Railway Plc.

Notes to the financial statements (continued) for the year ended 31 December 2025

31. Material accounting policies (continued)

(o) Income tax (continued)

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

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

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Temporary differences in relation to a right-of-use asset and a lease liability for a specific lease are regarded as a net package (the lease) for the purpose of recognising deferred tax.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered based on the business plan of the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

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

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

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Royal Railway Plc.

Notes to the financial statements (continued) for the year ended 31 December 2025

31. Material accounting policies (continued)

(p) New Accounting Standards and Interpretations not yet mandatory or early adopted

Accounting Standards that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Bank for the annual reporting period ended 31 December 2025. The Company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Company, are set out below:

CIFRS 18 Presentation and Disclosure in Financial Statements

This standard is applicable to annual reporting periods beginning on or after 1 January 2027 and early adoption is permitted. The standard replaces CIAS 1 'Presentation of Financial Statements', with many of the original disclosure requirements retained and there will be no impact on the recognition and measurement of items in the financial statements. But the standard will affect presentation and disclosure in the financial statements, including introducing five categories in the statement of profit or loss and other comprehensive income: operating, investing, financing, income taxes and discontinued operations. The standard introduces two mandatory sub-totals in the statement: 'Operating profit' and 'Profit before financing and income taxes'. The standard provides enhanced guidance on grouping of information (aggregation and disaggregation), including whether to present this information in the primary financial statements or in the notes. The Company will adopt this standard from 1 January 2027 and it is expected that there will be a significant change to the layout of the statement of profit or loss and other comprehensive income.

32. Operating segment information

Management has determined operating segments with reference to the reports reviewed by the Chief Executive Officer of the Company that are used to assess the performance and allocate resources. The CEO of the Company assesses the performance and allocates the resources of the Company as a whole, as all of the Company's activities are considered to be primarily dependent on the provision of rail freight services to external customers and its related services representing 86% and 87% of total revenue. Therefore, the Company's management considers that there is only one operating segment. In this regard, no segment information is presented for the year.

No geographic information is shown as the Company's operating results are entirely derived from its business activities in Cambodia only.

Royal Railway Plc.

Notes to the financial statements (continued) for the year ended 31 December 2025

33. Contingent liabilities

33.1. Concession agreement with the GKC

On 12 June 2009, Royal Railway Cambodia., Ltd. (formally known as Toll (Cambodia) Co., Ltd.) entered into the Concession Agreement (Known as Existing Concession Agreement) with the GKC. There are provisions in the Existing Concession Agreement specifying concession fees to be paid by the Company to the GKC for the use of the conceded assets from the effective date of the Concession Agreement. The Company's management has performed an assessment of its obligation under the existing Concession Agreement with the advice by its legal counsel and concluded that the conditions precedent specified in the concession agreement have not been fully satisfied and both the GKC and the Company have not concluded on the agreed date for the effective date, and therefore, the obligation to pay the concession fee has not yet become effective.

On 13 February 2025, the Company and GKC entered into a framework agreement on railway project to jointly advance the development of Cambodia's railway infrastructure. This partnership aims to enhance the railway system's efficiency, sustainability, resilience, and convenience and is considered a step forward to the negotiation of the concession agreement. According to Article 3 of the framework agreement, the Parties agreed to actively commit to achieving overall timeline and each specific deadlines within 24 months of the effective date from 13 February 2025.

The estimated concession fees payable is contingent on the ultimate outcome of the matters described above and accordingly no provision for any liability has been made in these financial statements.

33.2. Sub-lease agreement with J TRUST ROYAL BANK PLC and CAMGSM PLC

On 9 June 2022, the Company sub-leased the available space approximating 3,200 sqm to J TRUST ROYAL BANK PLC for the duration of 4 years.

On 29 February 2024, the Company sub-leased the available space approximating 2,705sqm to CAMGSM PLC. for the duration of 20 years.

Based on this sub-lease agreement, in the event the Company terminates the sub-lease agreement, the Company shall refund to J TRUST ROYAL BANK PLC and CAMGSM PLC. the deposit and other compensation for any loss occurred due to this premature termination of the agreement.

The continuity of this sub-lease agreement is contingent to the favourable outcome of the negotiation on the new amended Railway Concession Agreement as described in Note 33.1 above.