

PHNOM PENH WATER SUPPLY AUTHORITY

**CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014**

PHNOM PENH WATER SUPPLY AUTHORITY

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Report on review of condensed interim financial information

To the Shareholders of Phnom Penh Water Supply Authority

Introduction

We have reviewed the accompanying interim statement of financial position of Phnom Penh Water Supply Authority as at 31 March 2014, the related interim statement of profit or loss and other comprehensive income for the three-month period ended 31 March 2014, and the related interim statements of changes in equity and cash flows for the three-month period then ended. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with Cambodian International Accounting Standard 34, 'Interim financial reporting'. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.



Scope of review

We conducted our review in accordance with the Cambodian International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity'. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Cambodian International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with Cambodian International Accounting Standard 34, 'Interim financial reporting'.

For PricewaterhouseCoopers (Cambodia) Ltd.

By Kuy Lim
Partner

Phnom Penh, Kingdom of Cambodia
Date: 21 May 2014

PHNOM PENH WATER SUPPLY AUTHORITY

INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2014

		31 March 2014 KHR'000	31 December 2013 KHR'000
	Note	(Reviewed but unaudited)	(Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	7	833,333,875	835,552,690
Intangible assets		3,094,640	3,292,331
Loans to Pursat Water Supply	21	558,278	578,324
Loans to employees	21	7,270,064	7,015,013
		<u>844,256,857</u>	<u>846,438,358</u>
Current assets			
Inventories		33,963,689	35,083,363
Trade and other receivables		30,053,830	29,771,083
Loans to Pursat Water Supply	21	85,329	81,475
Income tax receivable	8	4,058,574	2,755,704
Short-term investments	9	191,166,311	174,278,018
Cash and cash equivalents		6,961,540	10,568,715
		<u>266,289,273</u>	<u>252,538,358</u>
Total assets		<u>1,110,546,130</u>	<u>1,098,976,716</u>
EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO SHAREHOLDERS			
Share capital		541,227,282	541,227,282
Reserves		149,193,437	115,866,320
Retained earnings		5,348,836	38,088,028
Total equity		<u>695,769,555</u>	<u>695,181,630</u>
LIABILITIES			
Non-current liabilities			
Retirement benefit obligations	10	28,769,054	28,362,224
Deferred income tax liabilities		27,267,254	24,472,827
Borrowings	11	238,697,192	228,262,247
Refundable water deposits		32,293,449	31,215,173
Deferred government and other grants	12	34,340,897	34,930,890
		<u>361,367,846</u>	<u>347,243,361</u>
Current liabilities			
Borrowings	11	29,292,911	26,691,817
Dividend payables	18	4,760,913	-
Trade and other payables	13	19,354,905	29,859,908
		<u>53,408,729</u>	<u>56,551,725</u>
Total liabilities		<u>414,776,575</u>	<u>403,795,086</u>
Total equity and liabilities		<u>1,110,546,130</u>	<u>1,098,976,716</u>

The accompanying notes on pages 6 to 17 are an integral part of this condensed interim financial information.

PHNOM PENH WATER SUPPLY AUTHORITY

INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2014

	Note	Three-month period ended	
		31 March 2014 KHR'000 (Reviewed but unaudited)	31 March 2013 KHR'000 (Reviewed but unaudited)
REVENUES			
Sales		32,771,934	32,895,650
Construction service fee		64,032	5,109,249
Other income		1,421,767	1,894,942
		<u>34,257,733</u>	<u>39,899,841</u>
EXPENSES			
Depreciation and amortisation charges		(7,954,781)	(5,523,756)
Electricity costs		(6,693,790)	(7,194,302)
Salaries, wages and related expenses		(5,445,369)	(4,905,889)
Raw materials for water production		(1,150,621)	(832,302)
Raw materials for household water connections		(1,631,262)	(1,333,619)
Repairs and maintenance		(882,177)	(1,194,028)
Construction service expenses		(113,260)	(4,592,906)
Other operating expenses		(1,498,898)	(1,154,278)
Foreign exchange gain/(loss) – net		748,777	(10,935)
		<u>(24,621,381)</u>	<u>(26,742,015)</u>
Operating profit		9,636,352	13,157,826
Finance income		2,290,684	5,047,433
Finance costs		(3,462,977)	(752,041)
Finance (costs)/income-net		<u>(1,172,293)</u>	<u>4,295,392</u>
Profit before income tax		8,464,059	17,453,218
Income tax expense	14	<u>(3,115,221)</u>	<u>(3,282,955)</u>
Profit for the period		5,348,838	14,170,263
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Actuarial loss on retirement benefit obligation		-	97,358
Total comprehensive income for the period		<u>5,348,838</u>	<u>14,267,621</u>
Profit attributable to shareholders		<u>5,348,838</u>	<u>14,170,263</u>
Total comprehensive income attributable to shareholders		<u>5,348,838</u>	<u>14,267,621</u>

Earnings per share (expressed in KHR) attributable to shareholders of the PPWSA during the period are as follows:

Basic earnings per share	15	61.50	164.05
Diluted earnings per share	15	61.50	164.05

The accompanying notes on pages 6 to 17 are an integral part of this condensed interim financial information.

PHNOM PENH WATER SUPPLY AUTHORITY

INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2014

	Attributable to shareholders			Total KHR'000
	Capital KHR'000	Reserves KHR'000	Retained earnings KHR'000	
<i>Period ended 31 March 2014 (reviewed but unaudited)</i>				
Balance at 1 January 2014	<u>541,227,282</u>	<u>115,866,320</u>	<u>38,088,028</u>	<u>695,181,630</u>
Profit for the period	-	-	5,348,838	5,348,838
Total comprehensive income for the period	-	-	5,348,838	5,348,838
Transfer to reserves (note 17)	-	33,327,117	(33,327,117)	-
Dividend payables (note 18)	-	-	(4,760,913)	(4,760,913)
Balance at 31 March 2014 (reviewed but unaudited)	<u>541,227,282</u>	<u>149,193,437</u>	<u>5,348,836</u>	<u>695,769,555</u>
<i>Period ended 31 March 2013 (reviewed but unaudited)</i>				
Balance at 1 January 2013	<u>541,227,282</u>	<u>83,854,514</u>	<u>34,420,961</u>	<u>659,502,757</u>
Profit for the period	-	-	14,170,263	14,170,263
Other comprehensive income	-	-	97,358	97,358
Total comprehensive income for the period	-	-	14,267,621	14,267,621
Transfer to reserves	-	32,011,805	(32,011,805)	-
Dividend payables	-	-	(2,409,157)	(2,409,157)
Balance at 31 March 2013 (reviewed but unaudited)	<u>541,227,282</u>	<u>115,866,319</u>	<u>14,267,620</u>	<u>671,361,221</u>

The accompanying notes on pages 6 to 17 are an integral part of this condensed interim financial information.

PHNOM PENH WATER SUPPLY AUTHORITY

INTERIM STATEMENT OF CASH FLOWS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2014

	Note	Three-month period ended	
		31 March 2014 KHR'000 (Reviewed but unaudited)	31 March 2013 KHR'000 (Reviewed but unaudited)
Cash flows from operating activities			
Cash generated from operations	18	21,587,207	21,399,938
Income tax paid	8	(1,623,664)	(5,281,644)
Retirement benefit obligations paid		(216,661)	(174,264)
Net cash generated from operating activities		19,746,882	15,944,030
Cash flows from investing activities			
Purchases of property, plant and equipment	7	(18,345,552)	(38,859,630)
Interest capitalisation on qualifying assets	7	(32,816)	(1,452,489)
Loan repayments from Pursat Water Supply		19,496	-
Short-term investments		(16,888,293)	(11,085,122)
Interest received		2,320,047	5,087,893
Net cash used in investing activities		(32,927,118)	(46,309,348)
Cash flows from financing activities			
Proceeds from borrowings		15,236,622	28,362,175
Interest paid		(5,010,767)	(2,113,693)
Repayments of borrowings		(652,794)	(1,728,055)
Net cash generated from financing activities		9,573,061	24,520,427
Net decrease in cash and cash equivalents		(3,607,175)	(5,844,891)
Cash and cash equivalents, beginning of the period		10,568,715	13,976,037
Cash and cash equivalents, ending of the period		6,961,540	8,131,146

The accompanying notes on pages 6 to 17 are an integral part of this condensed interim financial information.

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2014

1. GENERAL INFORMATION

The Phnom Penh Water Supply Authority (PPWSA) is under the technical supervision of the Ministry of Industry, Mines and Energy (MIME) and the financial supervision of the Ministry of Economy and Finance (MoEF), and has its headquarter in Phnom Penh. The PPWSA is acknowledged as having the economic characteristics of a public enterprise by the Ministry of Commerce under the registration number Co.0839 Et/2012, dated 27 March 2012.

The mission of the PPWSA is to process and distribute water for general use by the public in the city of Phnom Penh. The objectives of the PPWSA are to:

- invest in, build, enlarge, operate, repair and maintain the means of water sanitation and distribution
- manage devices to increase water production, and improve services and water quality to meet demand
- operate the business, services and related duties for water supply in accordance with the Board of Director's resolutions and the laws of Cambodia
- cooperate with local and external development partners on technology, trade and finance in order to improve and develop the PPWSA in accordance with government policy, and
- ensure sustainable production processes, business and finance for the public interest.

In order to fulfil this mission, PPWSA is allowed to carry out its operational activities on the property, plant and equipment as well as necessary commercial and financial operations, such as:

- the production and overall distribution of water within the city of Phnom Penh and its suburbs
- the expansion, improvement and renovation of the production systems and distribution networks, and
- doing business with existing and future water distribution networks.

The registered office of PPWSA is Office 45, Street 106, Sangkat Srah Chork, Khan Daun Penh, Phnom Penh, the Kingdom of Cambodia.

This condensed interim financial information was approved for issue by the Board of Directors on 21 May 2014.

The condensed interim financial information for the three-month period ended 31 March 2014 has been reviewed, but not audited.

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2014

2. BASIS OF PREPARATION

This condensed interim financial information for the three-month period ended 31 March 2014 has been prepared in accordance with Cambodian International Accounting Standard 34 - Interim financial reporting (CIAS 34). The condensed interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with Cambodian International Financial Reporting Standards ('CIFRSs'). The significant accounting policies used in preparing the condensed interim financial information are consistent with the significant accounting policies used in the preparation of the 2013 audited financial statements.

3. ACCOUNTING POLICIES

- (a) New standards, amendments and interpretations issued and effective for years beginning on 1 January 2014 adopted by the PPWSA:

The PPWSA adopted all applicable CIFRS standards, amendments, and interpretations to the extent that they are effective for the financial statements for the financial year beginning on 1 January 2014. There are no standards, amendments, or interpretations that have a significant impact on the PPWSA, except for the following:

- Amendment to CIAS 32 - Financial Instruments: Presentation, regarding asset and liability offsetting: This is an amendment to the application guidance in IAS 32 - Financial Instruments: Presentation, and clarifies some of the requirements for offsetting financial assets and financial liabilities in the statement of financial position. This amendment is effective for the accounting period beginning on 1 January 2014. There is no impact from the adoption of this standard on the interim financial information.
- (b) New standards, amendments and interpretations issued and effective for years beginning on 1 January 2015 but not yet early adopted by the PPWSA:
 - CIFRS 9 - Financial Instruments addresses the classification, measurement and recognition of financial assets and financial liabilities. CIFRS 9 was issued in November 2009 and October 2010. It replaces the parts of CIAS 39 Financial Instruments: Recognition and Measurement that relate to the classification and measurement of financial instruments. CIFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination of the applicable category is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the CIAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a change to the fair value due to an entity's own credit risk is recorded in other comprehensive income, rather than the income statement, unless this creates an accounting mismatch. The PPWSA has not assessed CIFRS 9's full impact.

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2014

4. MANAGEMENT ESTIMATES

The preparation of condensed interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this condensed interim financial information, the significant judgements made by management in applying the PPWSA's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2013.

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The PPWSA's activities expose it to a variety of financial risks: market risk (including interest rate risk and foreign exchange risk), credit risk and liquidity risk.

The interim condensed financial information does not include all the financial risk management information and disclosures required in the annual financial statements, and it should be read in conjunction with the PPWSA's annual financial statements as at 31 December 2013.

There have been no significant changes in risk management or risk management policies since year end.

5.2 Liquidity risk

There has been no material change in the contractual undiscounted cash outflows for financial liabilities since year end.

6. OPERATING SEGMENT INFORMATION

The PPWSA treats water for supply to residents in Phnom Penh and surrounding areas. To support its water distribution business, it needs to provide water metre connection as a supporting service. Revenue from water metre connection (a supporting service for water sales) accounts for less than 10% of the total revenue, while water sales account for approximately 93% of the total revenue of the PPWSA.

The PPWSA has one reportable segment, namely, water sales. The chief operating decision-maker (the management team) reviews the internal management report, which reports the performance of the water sales segment as a whole, to assess performance and allocate resources. The chief operating decision-maker assesses the performance of the reportable segment by measuring gross revenue, profit before tax and net profit compared to prior periods.

All revenues are derived from external customers. The PPWSA is domiciled in Phnom Penh and all water sales originate from Phnom Penh and the surrounding areas.

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2014**

7. PROPERTY, PLANT AND EQUIPMENT

	<u>KHR'000</u>
For the three-month period ended 31 March 2014	
Opening balance	835,552,690
Additions	5,513,888
Disposals	-
Depreciation charges	<u>(7,732,703)</u>
Closing net book value (reviewed but unaudited)	<u>833,333,875</u>
For the three-month period ended 31 March 2013	
Opening balance	741,661,049
Additions	27,867,294
Disposals	-
Depreciation charges	<u>(5,433,677)</u>
Closing net book value (reviewed but unaudited)	<u>764,094,666</u>

The reconciliation of the additions of property, plant and equipment is as follows:

	Three-month period ended	
	31 March 2014	31 March 2013
	KHR'000	KHR'000
	(Reviewed but unaudited)	(Reviewed but unaudited)
Additions	5,513,888	27,867,294
Decrease in payables to suppliers and performance guarantee	<u>12,864,480</u>	<u>12,444,825</u>
	18,378,368	40,312,119
Cash used for purchases of property, plant and equipment	<u>18,378,368</u>	<u>40,312,119</u>
Less:		
Interest capitalisation on qualifying assets	<u>(32,816)</u>	<u>(1,452,489)</u>
Purchases of property, plant and equipment (per cash flow)	<u>18,345,552</u>	<u>38,859,630</u>

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2014**

8. INCOME TAX RECEIVABLE

	31 March 2014 KHR'000	31 March 2013 KHR'000
	(Reviewed but unaudited)	(Reviewed but unaudited)
As at 1 January	2,755,704	(893,817)
Current income tax	(320,794)	(1,449,480)
Payments made during the period	<u>1,623,664</u>	<u>5,281,644</u>
	<u>4,058,574</u>	<u>2,938,347</u>

Payments of income tax are made for tax on profit for the year ended 31 December 2013 and other taxes.

Income tax receivable mainly represents overpayments of tax to the General Department of Taxation (GDT) in which the PPWSA is in the process offsetting taxes that are already verified by the GDT following its audit covering the financial years up to 2009. Management believes that the PPWSA will be able to refund or offset these taxes in the future.

9. SHORT-TERM INVESTMENTS

These represent fixed deposits placed with financial institutions for a period of between four and twelve months and earn interest at ranging from 4.00% to 5.00% per annum.

The short-term investments include deposits amounting to KHR17 billion set up specifically for the purpose of paying retirement benefits to retirees who are entitled to retirement benefits under the pension scheme.

10. RETIREMENT BENEFIT OBLIGATIONS

The amount recognised in the statement of financial position was as follows:

	31 March 2014 KHR'000	31 December 2013 KHR'000	31 March 2013 KHR'000
	(Reviewed but unaudited)	(Audited)	(Reviewed but unaudited)
Present value of defined benefit obligation	28,769,054	28,362,224	26,455,450
Fair value of plan assets	-	-	-
Unfunded status	<u>28,769,054</u>	<u>28,362,224</u>	<u>26,455,450</u>
Liability recognised in statement of financial position	<u>28,769,054</u>	<u>28,362,224</u>	<u>26,455,450</u>

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
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10. RETIREMENT BENEFIT OBLIGATION (continued)

The movement in the defined benefit obligations over the period was as follows:

	2014	2013
	KHR'000	KHR'000
	(Reviewed but unaudited)	(Reviewed but unaudited)
As at 1 January	28,362,224	26,165,235
Current service cost	294,287	272,957
Interest cost	329,204	288,880
Benefits paid	(216,661)	(174,264)
Actuarial gain	-	(97,358)
As at 31 March	<u>28,769,054</u>	<u>26,455,450</u>

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

	Three-month period ended	
	31 March	31 March
	2014	2013
	KHR'000	KHR'000
	(Reviewed but unaudited)	(Reviewed but unaudited)
Current service cost	294,287	272,957
Interest cost	329,204	288,880
	<u>623,491</u>	<u>561,837</u>

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
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11. BORROWINGS

	31 March 2014 KHR'000	31 December 2013 KHR'000
Borrowings from:	(Reviewed but unaudited)	(Audited)
AfD – Credit No. 1075 03 S	83,392,086	83,111,694
MoEF – JICA	105,353,457	99,000,951
AfD – Credit No. 6000 01 G	35,269,987	35,195,851
MoEF – ADB	36,389,891	37,645,568
AfD – Credit No. 1121 01F	7,584,682	-
	<u>267,990,103</u>	<u>254,954,064</u>

The maturity dates of these borrowings are as follows:

	31 March 2014 KHR'000	31 December 2013 KHR'000
Current	(Reviewed but unaudited)	(Reviewed but unaudited)
Due within one year	29,292,911	26,691,817
Non-current		
Due within one to two years	28,179,218	27,481,597
Due within two to five years	86,430,552	82,444,790
Due after five years	124,087,422	118,335,860
	<u>238,697,192</u>	<u>228,262,247</u>
	<u>267,990,103</u>	<u>254,954,064</u>

12. DEFERRED GOVERNMENT AND OTHER GRANTS

	Governme nt grant KHR'000	AfD grant KHR'000	JICA grant KHR'000	Other grants KHR'000	Total KHR'000
As at 01 January 2014	5,545,754	-	28,530,460	854,676	34,930,890
Additions	-	-	-	-	-
Amortisation charges	(56,724)	-	(527,170)	(6,099)	(589,993)
As at 31 March 2014 (reviewed but unaudited)	<u>5,489,030</u>	<u>-</u>	<u>28,003,290</u>	<u>848,577</u>	<u>34,340,897</u>
As at 01 January 2013	5,769,979	457,298	-	886,751	7,114,028
Additions	-	400,013	-	-	400,013
Amortisation charges	(80,250)	(400,013)	-	(391)	(480,654)
As at 31 March 2013 (reviewed but unaudited)	<u>5,689,729</u>	<u>457,298</u>	<u>-</u>	<u>886,360</u>	<u>7,033,387</u>

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
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13. TRADE AND OTHER PAYABLES

	31 March 2014 KHR'000	31 December 2013 KHR'000
	(Reviewed but unaudited)	(Audited)
Trade payables	1,966,445	6,722,650
Performance guarantee	7,579,377	15,044,930
Accrued staff incentive	2,988,370	3,300,840
Amount due to Phnom Penh Municipality	3,461,547	2,849,597
Deferred income	81,189	99,124
Other taxes payable	538,821	158,499
Other payables	2,739,156	1,684,268
	<u>19,354,905</u>	<u>29,859,908</u>

14. INCOME TAX EXPENSE

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial period. The estimated average annual tax rate used for the period to 31 December 2014 is 19% (the estimated tax rate for the period ended 31 December 2013 was 20%).

15. EARNINGS PER SHARE

i) Basic earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the PPWSA by the weighted average number of ordinary shares in issue during the period.

	Three-month period ended	
	31 March 2014	31 March 2013
	(Reviewed but unaudited)	(Reviewed but unaudited)
Profit attributable to shareholders (KHR'000)	5,348,838	14,267,621
Weighted average number of shares	86,973,162	86,973,162
Basic earnings per share (KHR)	<u>61.50</u>	<u>164.05</u>

ii) Diluted earnings per share

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The PPWSA had no dilutive potential ordinary shares as at the period ends. As such, the diluted earnings per share were equivalent to the basic earnings per share.

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
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16. FINANCE (COSTS)/INCOME – NET

	Three-month period ended	
	31 March 2014	31 March 2013
	(Reviewed but unaudited)	(Reviewed but unaudited)
Finance income:		
- Interest income on bank deposits (a)	2,027,425	1,835,024
- Unwind concessional loan discount to employees	255,051	194,884
- Net foreign exchange gains on borrowings	-	3,008,831
- Interest income on loans to Pursat Water Supply	8,208	8,694
	<u>2,290,684</u>	<u>5,047,433</u>
Finance costs:		
- Interest expenses on borrowings (b)	(2,905,429)	(2,204,530)
- Net foreign exchange losses on borrowings	(590,364)	-
- Interest expenses capitalised on qualifying assets	32,816	1,452,489
	<u>(3,462,977)</u>	<u>(752,041)</u>
Finance (costs)/income - net	<u>(1,172,293)</u>	<u>4,295,392</u>

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

(b) Interest expenses represent the interest charges on the loan obtained from AfD and the subsidiary loans obtained from the MoEF, which are funded through loans obtained from the WB, ADB and JICA.

17. TRANSFER TO RESERVES

On 20 March 2014, the Board of Directors approved the transfer of retained earnings to reserves amounting to KHR33,327 million.

18. DIVIDEN PAYABLES

On 20 March 2014, Board of Directors proposed and approved the dividend in respect of the year ended 31 December of KHR 54.74 per share, amounting to a total dividend of KHR 4,761 million.

PHNOM PENH WATER SUPPLY AUTHORITY

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2014**

19. CASH GENERATED FROM OPERATIONS

	Three-month period ended	
	31 March 2014	31 March 2013
	KHR'000	KHR'000
	(Reviewed but unaudited)	(Reviewed but unaudited)
Profit before income tax	8,464,059	17,453,218
Adjustments for:		
Depreciation charges (Note 7)	7,732,703	5,433,677
Amortisation charges of intangible assets	197,691	90,079
Amortisation of deferred government and other grants (Note 12)	(589,993)	(480,654)
Retirement benefit obligation expenses (Note 10)	623,491	561,837
Fair value adjustment on loans to employees	-	(194,883)
Interest income	(2,290,684)	(5,047,433)
Interest expenses	3,462,977	752,041
Changes in working capital:		
Inventories	1,119,674	5,368,239
Trade and other receivables	(570,465)	(1,930,801)
Trade and other payables	2,359,477	(1,862,849)
Proceeds from deferred government and other grants	-	400,013
Refundable water deposits	1,078,277	857,454
	<u>21,587,207</u>	<u>21,399,938</u>

20. CAPITAL COMMITMENTS

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

	31 March 2014	31 December 2013
	KHR'000	KHR'000
	(Reviewed but unaudited)	(Audited)
Purchase of iron pipes, fittings and accessories	17,641,421	-
Consultation services	488,899	1,497
Construction of intake	6,423	6,498
	<u>18,136,743</u>	<u>7,995</u>

The significant increase in commitment of purchasing of iron pipes, fittings and accessories are mainly for construction of the second tranche of the water production facility in Niroth and for the extension and optimisation of the Phnom Penh transmission and distribution system.

PHNOM PENH WATER SUPPLY AUTHORITY

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2014

21. RELATED-PARTY TRANSACTIONS

i) Related-party balances

Pursat Water Supply and the PPWSA are under the financial supervision of the MoEF. Transactions with Pursat Water Supply are therefore considered as related-party transactions.

	31 March 2014	31 December 2013
	KHR'000	KHR'000
	(Reviewed but unaudited)	(Audited)
Borrowings from the MoEF	141,743,348	136,646,519
Loans to employees	7,270,064	7,015,013
Loans to Pursat Water Supply	643,607	659,799

ii) Significant transactions with related parties

	Three-month period ended	
	31 March 2014	31 March 2013
	KHR'000	KHR'000
	(Reviewed but unaudited)	(Reviewed but unaudited)
Interest on borrowings from the MoEF	2,503,196	2,005,144
Interest on loans to Pursat Water Supply	8,208	8,694

iii) Compensation

Key management compensation for the three-month period ended 31 March is as follows:

	Three-month period ended	
	31 March 2014	31 March 2013
	KHR'000	KHR'000
	(Reviewed but unaudited)	(Reviewed but unaudited)
Salaries and other expenses	619,508	624,218
Retirement benefits	27,238	22,618
	<u>646,746</u>	<u>646,836</u>

PHNOM PENH WATER SUPPLY AUTHORITY

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2014**

22. EVENTS OCCURRING AFTER THE REPORTING PERIOD

A dividend in respect of the year ended 31 December 2013 of KHR 54.74 per share, amounting to a total dividend was paid by 3 May 2014, the latest.