

**PHNOM PENH WATER SUPPLY AUTHORITY**

**CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2013**

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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 30 September 2013, and the related interim statements of comprehensive income for the three-month and nine-month periods then ended, and the interim statements of changes in equity and cash flows for the nine-month period then ended and condensed notes to the interim financial information. 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: 6 December 2013

**PHNOM PENH WATER SUPPLY AUTHORITY**

**INTERIM STATEMENT OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2013**

	<b>Note</b>	<b>30 September 2013 KHR'000</b> (Reviewed but unaudited)	<b>31 December 2012 KHR'000</b> (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	831,001,274	741,661,049
Intangible assets		2,503,997	1,282,455
Loans to Pursat Water Supply	21	610,947	620,759
Loans to employees	21	6,754,294	6,073,268
		<u>840,870,512</u>	<u>749,637,531</u>
<b>Current assets</b>			
Inventories		42,042,665	59,712,831
Trade and other receivables		34,306,494	28,271,470
Loans to Pursat Water Supply	21	79,397	74,742
Current income tax receivable	8	4,567,157	-
Short-term investments	9	173,279,045	148,008,619
Cash and cash equivalents		6,965,325	13,976,037
		<u>261,240,083</u>	<u>250,043,699</u>
<b>Total assets</b>		<u>1,102,110,595</u>	<u>999,681,230</u>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS</b>			
Share capital		541,227,282	541,227,282
Reserves		115,866,320	83,854,514
Retained earnings		30,608,070	34,420,961
<b>Total equity</b>		<u>687,701,672</u>	<u>659,502,757</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Retirement benefit obligation	10	26,946,099	26,165,235
Deferred income tax liabilities		25,100,721	18,293,407
Borrowings		235,251,306	192,171,324
Refundable water deposits		30,454,774	27,786,987
Performance guarantee		-	7,871,868
Deferred government and other grants	11	35,929,733	7,114,028
		<u>353,682,633</u>	<u>279,402,849</u>
<b>Current liabilities</b>			
Borrowings		23,204,355	14,538,206
Current income tax liabilities	8	-	893,817
Trade and other payables	12	37,521,935	45,343,601
		<u>60,726,290</u>	<u>60,775,624</u>
<b>Total liabilities</b>		<u>414,408,923</u>	<u>340,178,473</u>
<b>Total equity and liabilities</b>		<u>1,102,110,595</u>	<u>999,681,230</u>

The accompanying notes on pages 7 to 18 are an integral part of this condensed interim financial information.



PHNOM PENH WATER SUPPLY AUTHORITY

INTERIM STATEMENT OF COMPREHENSIVE INCOME  
FOR THE THREE-MONTH PERIOD ENDED 30 SEPTEMBER 2013

	Note	Three-month period ended	
		30 September 2013 KHR'000 (Reviewed but unaudited)	30 September 2012 KHR'000 (Reviewed but unaudited)
<b>REVENUES</b>			
Sales		35,108,236	32,326,119
Construction service fee	13	-	1,779,043
Other income		2,220,853	1,109,290
		<u>37,329,089</u>	<u>35,214,452</u>
<b>EXPENSES</b>			
Depreciation and amortisation charges		(7,968,861)	(5,300,408)
Electricity cost		(6,647,191)	(6,370,352)
Salaries, wages and related expenses		(4,711,349)	(4,647,659)
Raw materials for water production		(953,689)	(908,231)
Raw materials for household water connections		(1,454,012)	(1,380,595)
Repairs and maintenance		(819,975)	(1,432,749)
Construction service expenses		204,446	(1,627,753)
Other operating expenses		(685,611)	(313,418)
Foreign exchange loss – net		(338,250)	(992,765)
		<u>(23,374,492)</u>	<u>(22,973,930)</u>
<b>Operating profit</b>		13,954,597	12,240,522
Finance income		2,138,772	1,311,280
Finance costs		(6,848,225)	(3,825,280)
Finance costs-net		<u>(4,709,453)</u>	<u>(2,514,000)</u>
Profit before income tax		9,245,144	9,726,522
Income tax expense	14	<u>(1,440,551)</u>	<u>(1,744,796)</u>
Profit for the period		7,804,593	7,981,726
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Actuarial gain on retirement benefit obligation		182,919	-
<b>Total comprehensive income for the period</b>		<u>7,987,512</u>	<u>7,981,726</u>
<b>Profit attributable to shareholders</b>		<u>7,804,593</u>	<u>7,981,726</u>
<b>Total comprehensive income attributable to shareholders</b>		<u>7,987,512</u>	<u>7,981,726</u>

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

Basic earnings per share	15	91.84	91.77
Diluted earnings per share	15	91.84	91.77

The accompanying notes on pages 7 to 18 are an integral part of this condensed interim financial information.

PHNOM PENH WATER SUPPLY AUTHORITY

INTERIM STATEMENT OF COMPREHENSIVE INCOME  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2013

	Note	Nine-month period ended	
		30 September 2013 KHR'000 (Reviewed but unaudited)	30 September 2012 KHR'000 (Reviewed but unaudited)
<b>REVENUES</b>			
Sales		102,418,752	91,413,171
Construction service fee	13	7,249,392	2,012,781
Other income		5,324,956	4,275,632
		<u>114,993,100</u>	<u>97,701,584</u>
<b>EXPENSES</b>			
Depreciation and amortisation charges		(18,733,292)	(16,100,368)
Electricity cost		(21,656,091)	(19,781,096)
Salaries, wages and related expenses		(14,616,547)	(16,263,539)
Raw materials for water production		(2,307,119)	(3,043,284)
Raw materials for household water connections		(4,177,138)	(3,537,198)
Repairs and maintenance		(2,860,020)	(3,006,355)
Construction service expenses		(6,677,002)	(1,861,491)
Other operating expenses		(3,760,982)	(2,972,863)
Foreign exchange gain/loss - net		1,699,776	(1,021,486)
		<u>(73,088,415)</u>	<u>(67,587,680)</u>
<b>Operating profit</b>		41,904,685	30,113,904
Finance income		6,453,358	5,233,956
Finance costs		(10,574,087)	(4,107,928)
Finance cost/income - net	16	<u>(4,120,729)</u>	<u>1,126,028</u>
Profit before income tax		37,783,956	31,239,932
Income tax expense	14	<u>(7,551,161)</u>	<u>(5,805,505)</u>
Profit for the period		30,232,795	25,434,427
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial gain on retirement benefit obligation		375,277	-
<b>Total comprehensive income for the period</b>		<u>30,608,072</u>	<u>25,434,427</u>
<b>Profit attributable to shareholders</b>		<u>30,232,795</u>	<u>25,434,427</u>
<b>Total comprehensive income attributable to shareholders</b>		<u>30,608,072</u>	<u>25,434,427</u>

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

Basic earnings per share	15	351.93	310.82
Diluted earnings per share	15	351.93	310.82

The accompanying notes on pages 7 to 18 are an integral part of this condensed interim financial information.



**PHNOM PENH WATER SUPPLY AUTHORITY**

**INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2013**

	Attributable to shareholders			Total KHR'000
	Capital KHR'000	Reserves KHR'000	Retained earnings KHR'000	
<i>Nine-month period ended 30 September 2013 (reviewed but unaudited)</i>				
Balance at 1 January 2013	541,227,282	83,854,514	34,420,961	659,502,757
Profit for the period	-	-	30,232,795	30,232,795
Actuarial gain on retirement benefit obligation	-	-	375,277	375,277
Total comprehensive income for the period	-	-	30,608,072	30,608,072
Transfer to reserves (note 17)	-	32,011,806	(32,011,806)	-
Dividends paid	-	-	(2,409,157)	(2,409,157)
Balance at 30 September 2013 (reviewed but unaudited)	541,227,282	115,866,320	30,608,070	687,701,672
<i>Nine-month period ended 30 September 2012 (reviewed but unaudited)</i>				
Balance at 1 January 2012	465,028,129	55,410,445	31,989,907	552,428,481
Profit for the period	-	-	25,434,427	25,434,427
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	25,434,427	25,434,427
Proceeds from shares issued	76,189,730	-	-	76,189,730
Transfer to reserves	-	31,989,907	(31,989,907)	-
Profit remitted to the Royal Government of Cambodia	-	(3,198,990)	-	(3,198,990)
Balance at 30 September 2012 (reviewed but unaudited)	541,217,859	84,201,362	25,434,427	650,853,648

The accompanying notes on pages 7 to 18 are an integral part of this condensed interim financial information.

**PHNOM PENH WATER SUPPLY AUTHORITY**

**INTERIM STATEMENT OF CASH FLOWS  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2013**

	Note	Nine-month period ended	
		30 September 2013	30 September 2012
		KHR'000	KHR'000
		(Reviewed but unaudited)	(Reviewed but unaudited)
<b>Cash flows from operating activities</b>			
Cash generated from operations	19	101,171,638	15,601,694
Income tax paid		(6,204,822)	(6,132,932)
Retirement benefit obligation paid		(519,163)	(460,685)
Net cash generated from operating activities		<u>94,447,653</u>	<u>9,008,077</u>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	7	(112,889,521)	(72,316,447)
Interest capitalisation on qualifying assets	7	(3,371,189)	(3,224,601)
Purchases of intangible assets		(1,543,591)	(514,578)
Loan repayments from Pursat Water Supply		-	45,222
Loans granted to employees		-	(8,217,525)
Short-term investments		(25,270,426)	13,305,398
Interest received		2,853,473	3,629,475
Net cash used in investing activities		<u>(140,221,254)</u>	<u>(67,293,056)</u>
<b>Cash flows from financing activities</b>			
Profit remitted to the Royal Government of Cambodia		-	(3,198,990)
Dividends paid		(2,409,157)	-
Proceeds from borrowings		51,416,952	83,935,614
Finance cost paid		(5,568,207)	(4,377,052)
Repayments of borrowings		(4,676,699)	(88,721,349)
Proceeds from shares issued		-	76,189,730
Net cash generated from financing activities		<u>38,762,889</u>	<u>63,827,953</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<u>(7,010,712)</u>	<u>5,542,974</u>
Cash and cash equivalents, beginning of the period		<u>13,976,037</u>	<u>7,460,821</u>
<b>Cash and cash equivalents, end of the period</b>		<u>6,965,325</u>	<u>13,003,795</u>

The accompanying notes on pages 7 to 18 are an integral part of this condensed interim financial information.



# PHNOM PENH WATER SUPPLY AUTHORITY

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2013

### 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 was 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 law 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 6 December 2013.

The condensed interim financial information for the nine-month period ended 30 September 2013 has been reviewed, but not audited.

## PHNOM PENH WATER SUPPLY AUTHORITY

### NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2013

#### 2. BASIS OF PREPARATION

This condensed interim financial information for the nine-month period ended 30 September 2013 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 2012, 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 2012 audited financial statements.

#### 3. ACCOUNTING POLICIES

- (a) New standards and amendments to existing standards issued that are effective from 1 January 2013 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 2013. There are no standards, amendments, or interpretations that have a significant impact on the PPWSA, except for the following:

- Amendment to CIAS 1 – 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).
- Amendment to CIAS 16 - Property, Plant and Equipment: The amendment makes clear that spare parts and servicing equipment are classified as property, plant and equipment, rather than inventory, when they meet the definition of property, plant and equipment.

The previous wording of CIAS 16 indicated that servicing equipment should be classified as inventory, even if it was used for more than one period. Following the amendment, this equipment, if used for more than one period, is classified as property, plant and equipment. Early adoption is permitted. Accordingly, there is no impact from the adoption of this standard on the interim financial information.

- Amendment to CIAS 34 - Interim Financial Reporting: The amendment clarifies the disclosure requirements for segment assets and liabilities in interim financial statements. The amendment brings CIAS 34 into line with the requirements of CIFRS 8 - Operating Segments. A measure of total assets and liabilities is required for an operating segment in the interim financial statements if such information is regularly provided to the chief operating decision-maker and there has been a material change in those measures since the last annual financial statements. There is no impact from the adoption of this standard on the interim financial information.



## PHNOM PENH WATER SUPPLY AUTHORITY

### NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2013

#### 3. ACCOUNTING POLICIES (continued)

- (a) New standards and amendments to existing standards issued that are effective from 1 January 2013 adopted by the PPWSA (continued)
- CIAS 19 - Employee Benefits was eliminated the option to choose a policy for actuarial gain and loss recognition and to recognise all actuarial gains and losses in other comprehensive income (OCI) as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability.
  - CIFRS 13 - Fair Value Measurement aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across CIFRS. The requirements do not extend the use of fair value accounting, but provide guidance on how it should be applied where its use is already required or permitted by other standards within CIFRS. 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 or after 1 January 2014 but not yet early adopted by the PPWSA:
- 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. Management is currently assessing the impact of the adoption of this standard on the financial statements.
  - 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 and intends to adopt CIFRS 9 no later than the accounting period beginning on 1 January 2015.



## PHNOM PENH WATER SUPPLY AUTHORITY

### NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2013

#### 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 2012.

#### 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 2012.

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 89% 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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2013**

**7. PROPERTY, PLANT AND EQUIPMENT**

	<b>KHR'000</b>
<b>For the nine-month period ended 30 September 2013</b>	
Opening balance	741,661,049
Additions (a)	107,751,468
Disposals	-
Depreciation charges	<u>(18,411,243)</u>
Closing net book value (reviewed but unaudited)	<u>831,001,274</u>
<b>For the nine-month period ended 30 September 2012</b>	
Opening balance	632,385,744
Additions (a)	92,436,789
Disposals	(212,114)
Depreciation charges	<u>(15,905,440)</u>
Closing net book value (reviewed but unaudited)	<u>708,704,979</u>

- (a) The additions during the period ended 30 September 2013 were mainly related to the construction of the water treatment plant at Niroth which was completed in early of July 2013.

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

	<b>30 September 2013 KHR'000</b>	<b>30 September 2012 KHR'000</b>
	(Reviewed but unaudited)	(Reviewed but unaudited)
Additions	107,751,468	92,436,789
Decrease/(increase) in payables to suppliers and performance guarantee	<u>8,509,242</u>	<u>(611,395)</u>
	116,260,710	91,825,394
Decrease in advances to suppliers	-	<u>(16,284,346)</u>
Cash used for purchases of property, plant and equipment	116,260,710	75,541,048
less: Interest capitalisation on qualifying assets	-	<u>(3,224,601)</u>
Purchases of property, plant and equipment (per cash flow)	<u>116,260,710</u>	<u>72,316,447</u>



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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2013**

**8. CURRENT INCOME TAX RECEIVABLE**

	<b>30 September 2013 KHR'000</b>	<b>30 September 2012 KHR'000</b>
	(Reviewed but unaudited)	(Reviewed but unaudited)
As at 1 January	(893,817)	(437,665)
Current income tax	(743,848)	(4,715,654)
Payments made during the period	<u>6,204,822</u>	<u>6,132,932</u>
	<u>4,567,157</u>	<u>979,613</u>

Payments of income tax are made for tax on profit for the year ended 31 December 2012 and other taxes for the nine-month period ended 30 September 2013.

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 periods 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 3.75% to 5.00% per annum.

The short-term investments include deposits amounting to KHR16 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 OBLIGATION**

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

	<b>30 September 2013 KHR'000</b>	<b>31 December 2012 KHR'000</b>	<b>30 September 2012 KHR'000</b>
	(Reviewed but unaudited)	(Audited)	(Reviewed but unaudited)
Present value of defined benefit obligation	26,946,099	26,165,235	25,799,403
Fair value of plan assets	-	-	-
Unfunded status	<u>26,946,099</u>	<u>26,165,235</u>	<u>25,799,403</u>
Liability recognised in statement of financial position	<u>26,946,099</u>	<u>26,165,235</u>	<u>25,799,403</u>



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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2013**

**10. RETIREMENT BENEFIT OBLIGATION (continued)**

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

	<b>30 September 2013 KHR'000</b>	<b>30 September 2012 KHR'000</b>
	(Reviewed but unaudited)	(Reviewed but unaudited)
As at 1 January	26,165,235	24,601,028
Current service cost	812,552	850,065
Interest cost	862,752	808,995
Benefits paid	(519,163)	(460,685)
Actuarial loss	(375,277)	-
As at 30 September	<u>26,946,099</u>	<u>25,799,403</u>

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

	<b>Nine-month period ended</b>	
	<b>30 September 2013 KHR'000</b>	<b>30 September 2012 KHR'000</b>
	(Reviewed but unaudited)	(Reviewed but unaudited)
Current service cost	812,552	850,065
Interest cost	862,752	808,995
	<u>1,675,304</u>	<u>1,659,060</u>

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**11. DEFERRED GOVERNMENT AND OTHER GRANTS**

	<b>Government grant KHR'000</b>	<b>AfD grant KHR'000</b>	<b>JICA grant KHR'000</b>	<b>Other grants KHR'000</b>	<b>Total KHR'000</b>
As at 01 January 2013	5,769,980	413,601	-	930,447	7,114,028
Addition	-	1,049,750	29,584,800	-	30,634,550
Amortisation	(240,753)	(1,049,750)	(527,170)	(1,172)	(1,818,845)
<b>As at 30 September 2013</b>	<b>5,529,227</b>	<b>413,601</b>	<b>29,057,630</b>	<b>929,275</b>	<b>35,929,733</b>
As at 01 January 2012	6,090,985	413,601	99,071	932,010	7,535,667
Amortisation	(240,754)	-	(74,303)	(1,172)	(316,229)
<b>As at 30 September 2012</b>	<b>5,850,231</b>	<b>413,601</b>	<b>24,768</b>	<b>930,838</b>	<b>7,219,438</b>

**12. TRADE AND OTHER PAYABLES**

	<b>30 September 2013 KHR'000</b>	<b>31 December 2012 KHR'000</b>
	(Reviewed but unaudited)	(Audited)
Trade payables	14,750,236	29,718,603
Performance guarantee	15,231,813	7,914,554
Amount due to Phnom Penh Municipality	4,028,378	2,409,572
Accrued staff incentive	2,135,667	2,736,582
Deferred income	191,960	441,880
Other taxes payable	148,762	217,486
Other payables	1,035,119	1,904,924
	<b>37,521,935</b>	<b>45,343,601</b>

**13. CONSTRUCTION SERVICE FEE**

This represents the fees from construction services provided in relation to the replacement and expansion of the water distribution system (in Battambang and Pursat provinces) to a construction company.

**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 year. The estimated average annual tax rate used for the year to 31 December 2013 is 20% (the estimated tax rate for the nine-month ended 30 September 2012 was 19%).

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**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.

	<u>Three-month period ended</u>		<u>Nine-month period ended</u>	
	<u>30</u> <b>September</b> <b>2013</b> (Reviewed but unaudited)	<u>30</u> <b>September</b> <b>2012</b> (Reviewed but unaudited)	<u>30</u> <b>September</b> <b>2013</b> (Reviewed but unaudited)	<u>30</u> <b>September</b> <b>2012</b> (Reviewed but unaudited)
Profit attributable to shareholders (KHR'000)	7,987,512	7,981,726	30,608,072	25,434,427
Weighted average number of shares	86,973.16	86,973,162	86,973,162	81,830,953
Basic earnings per share (KHR)	<u>91.84</u>	<u>91.77</u>	<u>351.93</u>	<u>310.82</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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**16. FINANCE COST/INCOME - NET**

	<b>Nine-month period ended</b>	
	<b>30 September 2013 KHR'000</b>	<b>30 September 2012 KHR'000</b>
	(Reviewed but unaudited)	(Reviewed but unaudited)
Finance income:		
- Interest income on bank deposits (a)	5,746,057	5,021,080
- Unwind concessional loan discount to employees	681,026	-
- Net foreign exchange gains on borrowings	-	184,869
- Interest income on loans to Pursat Water Supply	26,275	28,007
	<u>6,453,358</u>	<u>5,233,956</u>
Finance costs:		
- Interest expenses on borrowings (b)	(7,577,199)	(6,874,694)
- Net foreign exchange losses on borrowings	(6,368,077)	(457,835)
- Interest expenses capitalised on qualifying assets	3,371,189	3,224,601
	<u>(10,574,087)</u>	<u>(4,107,928)</u>
Finance cost/income - net	<u>(4,120,729)</u>	<u>1,126,028</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 21 March 2013, the Board of Director approved on the transfer of retained earnings to reserves amounting to KHR32,012 million.

**18. DIVIDENDS PAID**

A dividend that relates to the year ended 31 December 2012 and that amounts to KHR 2,409 million was paid from 24 April to 3 May 2013.

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**19. CASH GENERATED FROM OPERATIONS**

	Nine-month period ended	
	30 September 2013 KHR'000	30 September 2012 KHR'000
	(Reviewed but unaudited)	(Reviewed but unaudited)
Profit before income tax	37,783,956	31,239,932
Adjustments for:		
Depreciation charges (Note 7)	18,411,243	15,905,440
Amortisation charges of intangible assets	322,049	194,928
Amortisation of deferred government and other grants	(1,818,845)	(316,229)
Loss on disposals of property, plant and equipment	-	212,114
Fair value adjustment on loans to employees	-	2,728,907
Interest expenses	10,574,087	4,107,928
Interest income	(6,453,358)	(5,233,956)
Retirement benefit obligation expenses	1,675,304	1,659,060
Changes in working capital:		
Inventory	17,670,166	(37,218,962)
Trade and other receivables	(3,111,008)	(7,248,308)
Trade and other payables	(7,184,292)	6,734,296
Proceed from deferred government and other grants	30,634,550	-
Deferred cost related to IPO	-	405,076
Refundable water deposits	2,667,786	2,431,468
	<u>101,171,638</u>	<u>15,601,694</u>

**20. CAPITAL COMMITMENTS**

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

	30 September 2013 KHR'000	31 December 2012 KHR'000
	(Reviewed but unaudited)	(Audited)
Construction of water treatment plant	-	23,859,731
Construction of intake	6,498	4,738,791
Consultation services	1,497	2,933,664
Purchase of iron pipes, fittings and accessories	-	46,100
	<u>7,995</u>	<u>31,578,286</u>

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**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.

	<b>30 September 2013 KHR'000</b>	<b>31 December 2012 KHR'000</b>
	(Reviewed but unaudited)	(Audited)
Borrowings from the MoEF	131,823,791	98,627,459
Loans to employees	6,754,294	6,073,268
Loans to Pursat Water Supply	690,344	695,501

ii) Significant transactions with related parties

	<b>Nine-month period ended 30 September 2013 KHR'000</b>	<b>30 September 2012 KHR'000</b>
	(Reviewed but unaudited)	(Reviewed but unaudited)
Interest on borrowings from the MoEF	4,336,943	3,145,246
Interest on loans to Pursat Water Supply	26,275	28,007

iii) Compensation

Key management compensation amounted to KHR1,522 million for the nine-month period ended 30 September 2013 (30 September 2012: KHR687 million).

	<b>Nine-month period ended 30 September 2013 KHR'000</b>	<b>30 September 2012 KHR'000</b>
	(Reviewed but unaudited)	(Reviewed but unaudited)
Salaries and other expenses	1,453,791	668,617
Retirement benefits	67,853	19,216
	<u>1,521,644</u>	<u>687,833</u>