

**PHNOM PENH WATER SUPPLY AUTHORITY**

**CONDENSED INTERIM FINANCIAL INFORMATION  
(REVIEWED BUT UNAUDITED)**

**FOR THE PERIOD ENDED 31 DECEMBER 2012  
(QUARTERLY FINANCIAL INFORMATION)**

**PHNOM PENH WATER SUPPLY AUTHORITY**

**CONDENSED INTERIM FINANCIAL INFORMATION (REVIEWED BUT UNAUDITED)  
FOR THE PERIOD ENDED 31 DECEMBER 2012**

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## Report on review of condensed interim financial information

To the Shareholders of the Phnom Penh Water Supply Authority

### Introduction

We have reviewed the accompanying interim statement of financial position of the Phnom Penh Water Supply Authority as at 31 December 2012, the related interim statements of comprehensive income for the three-month period and the year ended 31 December 2012, and the related interim statements of changes in equity and cash flows for the year 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 Khoy Kimleng  
Director

Phnom Penh, Kingdom of Cambodia  
Date: 29 March 2013

PHNOM PENH WATER SUPPLY AUTHORITY

INTERIM STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2012

	Note	31 December 2012 KHR'000 (Reviewed but unaudited)	31 December 2011 KHR'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	740,650,872	632,385,744
Intangible assets		1,282,455	1,033,905
Loans to Pursat Water Supply	21	620,759	703,161
Loans to employees	9	6,073,268	-
		<u>748,627,354</u>	<u>634,122,810</u>
<b>Current assets</b>			
Inventories	10	60,723,008	28,088,571
Trade and other receivables		28,271,470	40,095,235
Loan to Pursat Water Supply	21	74,742	62,452
Short-term investments		148,008,619	151,799,927
Deferred IPO cost		-	3,620,793
Cash and cash equivalents		13,976,037	7,460,821
		<u>251,053,876</u>	<u>231,127,799</u>
<b>Total assets</b>		<u>999,681,230</u>	<u>865,250,609</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to shareholders</b>			
Share capital	12	541,227,282	465,028,129
Reserves		83,854,514	55,410,445
Retained earnings		34,420,961	31,989,907
<b>Total equity</b>		<u>659,502,757</u>	<u>552,428,481</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Retirement benefit obligation	13	26,165,235	24,601,028
Deferred income tax liabilities		18,293,407	16,935,710
Borrowings		192,171,324	182,847,463
Refundable water deposits		27,786,987	24,602,071
Performance guarantee		7,871,868	7,192,923
Deferred government and other grants		7,114,028	7,535,667
		<u>279,402,849</u>	<u>263,714,862</u>
<b>Current liabilities</b>			
Borrowings		14,538,206	15,019,945
Income tax payable	11	893,817	437,665
Accrual for IPO fee		-	3,215,717
Trade and other payables	14	45,343,601	30,433,939
		<u>60,775,624</u>	<u>49,107,266</u>
<b>Total liabilities</b>		<u>340,178,473</u>	<u>312,822,128</u>
<b>Total equity and liabilities</b>		<u>999,681,230</u>	<u>865,250,609</u>

The accompanying notes on pages 7 to 29 are an integral part of this interim financial information.

PHNOM PENH WATER SUPPLY AUTHORITY

INTERIM STATEMENT OF COMPREHENSIVE INCOME  
FOR THE THREE-MONTH PERIOD ENDED 31 DECEMBER 2012

		Three-month period ended	
		31 December 2012	31 December 2011
	Note	KHR'000	KHR'000
		(Reviewed but unaudited)	(Reviewed but unaudited)
<b>REVENUES</b>			
Sales		32,529,592	28,826,574
Construction service fee	15	4,648,421	-
Other income		239,921	286,924
		<u>37,417,934</u>	<u>29,113,498</u>
<b>EXPENSES</b>			
Depreciation and amortisation charges		(5,266,310)	(5,467,063)
Electricity cost		(5,708,226)	(5,347,864)
Salaries, wages and related expenses		(4,633,228)	(6,767,648)
Raw materials for water production		(743,596)	(873,742)
Raw materials for household water connections		(1,353,894)	(1,088,291)
Repairs and maintenance		(854,670)	(274,023)
Construction service expenses		(4,114,921)	-
Other expenses		(1,513,249)	(359,454)
Foreign exchange (losses)/gains - net		(1,635,827)	(2,042,700)
		<u>(25,823,921)</u>	<u>(22,220,785)</u>
<b>Operating profit</b>		11,594,013	6,892,713
Finance income		1,679,761	5,853,924
Finance costs		(1,621,753)	(1,498,941)
Finance income - net		58,008	4,354,983
Profit before income tax		11,652,021	11,247,696
Income tax expense	16	(2,665,487)	(2,099,415)
<b>Profit for the period</b>		8,986,534	9,148,281
Other comprehensive income		-	-
<b>Total comprehensive income for the period</b>		<u>8,986,534</u>	<u>9,148,281</u>
<b>Profit attributable to shareholders</b>		<u>8,986,534</u>	<u>9,148,281</u>
<b>Total comprehensive income attributable to shareholders</b>		<u>8,986,534</u>	<u>9,148,281</u>

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

Basic earnings per share	17	103.33	123.75
Diluted earnings per share	17	103.33	123.75

The accompanying notes on pages 7 to 29 are an integral part of this interim financial information.

PHNOM PENH WATER SUPPLY AUTHORITY

INTERIM STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	Year ended	
		31 December 2012 KHR'000	31 December 2011 KHR'000
		(Reviewed but unaudited)	(Audited)
<b>REVENUES</b>			
Sales		126,430,283	113,343,349
Construction service fee	15	6,661,202	-
Other income		2,028,033	1,736,982
		<u>135,119,518</u>	<u>115,080,331</u>
<b>EXPENSES</b>			
Depreciation and amortisation charges		(21,366,678)	(21,239,491)
Electricity cost		(25,489,322)	(22,809,698)
Salaries, wages and related expenses		(20,896,767)	(18,971,337)
Raw materials for water production		(3,786,880)	(4,462,250)
Raw materials for household water connections		(4,891,092)	(5,126,863)
Repairs and maintenance		(3,861,025)	(2,484,760)
Construction service expenses		(5,976,412)	-
Other expenses		(4,486,112)	(3,131,512)
Foreign exchange (losses)/gains - net		(1,673,543)	(218,202)
		<u>(92,427,831)</u>	<u>(78,444,113)</u>
<b>Operating profit</b>		42,691,687	36,636,218
Finance income		6,728,848	9,021,034
Finance costs		(6,528,582)	(5,600,458)
Finance income - net		<u>200,266</u>	<u>3,420,576</u>
Profit before income tax		42,891,953	40,056,794
Income tax expense	16	(8,470,992)	(8,066,887)
Profit for the year		34,420,961	31,989,907
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<u>34,420,961</u>	<u>31,989,907</u>
<b>Profit attributable to shareholders</b>		<u>34,420,961</u>	<u>31,989,907</u>
<b>Total comprehensive income attributable to shareholders</b>		<u>34,420,961</u>	<u>31,989,907</u>

The earnings per share (expressed in KHR) attributable to shareholders of the PPWSA during the year are as follows:

Basic earnings per share	17	414.09	432.72
Diluted earnings per share	17	414.09	432.72

The accompanying notes on pages 7 to 29 are an integral part of this interim financial information.

PHNOM PENH WATER SUPPLY AUTHORITY

INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2012

	Attributable to shareholders			Total KHR'000
	Share capital KHR'000	Reserves KHR'000	Retained earnings KHR'000	
<i>Year ended 31 December 2012</i> <i>(reviewed but unaudited)</i>				
Balance at 01 January 2012	<u>465,028,129</u>	<u>55,410,445</u>	<u>31,989,907</u>	<u>552,428,481</u>
Profit for the year	-	-	34,420,961	34,420,961
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	<u>34,420,961</u>	<u>34,420,961</u>
Proceeds from shares issued (Note 12)	76,199,153	-	-	76,199,153
Transfer to reserves	-	31,989,907	(31,989,907)	-
Profit remitted to the Royal Government of Cambodia (Note 18)	-	(3,198,991)	-	(3,198,991)
Distribution of reserves for corporate social responsibility	-	(346,847)	-	(346,847)
Balance at 31 December 2012 <i>(reviewed but unaudited)</i>	<u>541,227,282</u>	<u>83,854,514</u>	<u>34,420,961</u>	<u>659,502,757</u>
<i>Year ended 31 December 2011</i> <i>(audited)</i>				
Balance at 01 January 2011	<u>456,000,264</u>	<u>29,060,957</u>	<u>30,506,352</u>	<u>515,567,573</u>
Profit for the year	-	-	31,989,907	31,989,907
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	<u>31,989,907</u>	<u>31,989,907</u>
Transfer to capital (Note 12)	9,027,865	-	-	9,027,865
Transfer to reserves	-	30,506,352	(30,506,352)	-
Profit remitted to the Royal Government of Cambodia (Note 18)	-	(3,050,635)	-	(3,050,635)
Distribution of reserves for corporate social activities	-	(1,106,229)	-	(1,106,229)
Balance at 31 December 2011 (audited)	<u>465,028,129</u>	<u>55,410,445</u>	<u>31,989,907</u>	<u>552,428,481</u>

The accompanying notes on pages 7 to 29 are an integral part of this interim financial information.

PHNOM PENH WATER SUPPLY AUTHORITY

INTERIM STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	Year ended	
		31 December 2012 KHR'000	31 December 2011 KHR'000
		(Reviewed but unaudited)	(Audited)
<b>Cash flows from operating activities</b>			
Cash generated from operations	19	43,993,435	45,105,295
Taxes paid		(6,657,143)	(4,329,174)
Retirement benefit obligation paid		(537,448)	(486,680)
Net cash generated from operating activities		<u>36,798,844</u>	<u>40,289,441</u>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	8	(101,785,730)	(72,959,501)
Interest capitalisation on qualifying assets	8	(4,229,203)	(2,998,170)
Purchases of intangible assets		(533,588)	(271,815)
Proceeds from sale of property, plant and equipment		-	323,510
Loan repaid from Pursat Water Supply		70,112	52,802
Loans to employees	9	(8,217,525)	-
Short-term investments		3,791,308	(22,102,792)
Interest received		6,875,306	9,241,943
Net cash used in investing activities		<u>(104,029,320)</u>	<u>(88,714,023)</u>
<b>Cash flows from financing activities</b>			
Proceeds from shares issued	12	76,199,153	-
Profit remitted to the Royal Government of Cambodia	18	(3,198,991)	(3,050,635)
Distribution of reserves for corporate social responsibility		(346,847)	(1,106,229)
Proceeds from borrowings		101,596,900	67,313,940
Finance cost paid		(8,970,907)	(3,362,100)
Repayments of borrowings		(91,533,616)	(10,976,325)
Net cash generated from financing activities		<u>73,745,692</u>	<u>48,818,651</u>
<b>Net increase in cash and cash equivalents</b>		<b>6,515,216</b>	<b>394,069</b>
Cash and cash equivalents, beginning of the year		<u>7,460,821</u>	<u>7,066,752</u>
<b>Cash and cash equivalents, end of the year</b>		<b><u>13,976,037</u></b>	<b><u>7,460,821</u></b>

The accompanying notes on pages 7 to 29 are an integral part of this interim financial information.



# PHNOM PENH WATER SUPPLY AUTHORITY

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE PERIOD ENDED 31 DECEMBER 2012

### 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 headquarters in Phnom Penh. The PPWSA was acknowledged as having the economic characteristics of a public enterprise by the Ministry of Commerce under 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, the PPWSA is allowed to carry out 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 the PPWSA is Office 45, Street 106, Sangkat Srah Chork, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia.

This condensed interim financial information was approved for issue by the Board of Directors on 29 March 2013.

The condensed interim financial information for the year ended 31 December 2012 has been reviewed, not audited.

## PHNOM PENH WATER SUPPLY AUTHORITY

### NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE PERIOD ENDED 31 DECEMBER 2012

#### 2. BASIS OF PREPARATION

This condensed interim financial information for the period ended 31 December 2012 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 2011, which have been prepared in accordance with Cambodian Accounting Standards (CAS). 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 2011 audited financial statements unless otherwise stated in Note 3.

In accordance with Prakas No. 068BK MEF dated 08 January 2009 of the MoEF and Announcement No. 097/09 MEF dated 28 August 2009 of the National Accounting Council, Cambodia shall fully implement all International Financial Reporting Standards, including interpretations, published by the International Accounting Standards Board. The full standards will be called the Cambodian International Financial Reporting Standards (CIFRS) and are mandatory for entities with public accountability for accounting periods beginning on or after 01 January 2012. The PPWSA is a publicly accountable entity as it was listed on the Cambodia Securities Exchange (CSX) on 18 April 2012.

The condensed interim financial information is presented in accordance with CIAS 34 covering part of the period presented in the PPWSA's first CIFRS financial statements for the year ended 31 December 2012. Hence, CIFRS 1 - First-time Adoption of Cambodian International Financial Reporting Standards (CIFRS 1), has been applied in preparing this condensed interim financial information.

CAS differs in certain material respects from CIFRS. Reconciliations and descriptions of the effect of the transition from CAS to CIFRS on the PPWSA's equity and total comprehensive income are given in Note 4.

#### 3. ACCOUNTING POLICIES

- (a) New standards and amendments to existing standards that have been issued and are effective from 1 January 2012 adopted by the PPWSA:

The PPWSA has 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 or after 01 January 2012. There are no standards, amendments, or interpretations that have a significant impact on the PPWSA, except for the following:

## PHNOM PENH WATER SUPPLY AUTHORITY

### NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE PERIOD ENDED 31 DECEMBER 2012

#### 3. ACCOUNTING POLICIES (continued)

(a) New standards and amendments to existing standards that have been issued and are effective from 1 January 2012 adopted by the PPWSA (continued):

- CIAS 1 (Revised and Amended) - Presentation of Financial Statements

CIAS 1 (Revised) prohibits the presentation of items of income and expense (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in other comprehensive income, but entities can choose whether to present one statement of comprehensive income or two statements (an income statement and a statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated statement of financial position as at the beginning of the comparative period in addition to the current requirement to present the statement of financial position at the end of the current and comparative periods.

In addition, CIAS 1 (Revised) makes clear that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. Amending the definition of current liability permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by the transfer of cash or other assets for at least 12 months after the accounting period), notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. It also specifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. In addition, the amount of dividends recognised as distributions to owners during the period and the corresponding amount per share are now disclosed either in the statement of changes in equity or in the notes, and can no longer be presented in the income statement.

CIAS 1 (Amended), effective from 1 July 2012, requires entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially re-classifiable to profit or loss subsequently (re-classification adjustments). The amendments do not address which items are presented in OCI.

The PPWSA elected to present a single statement of comprehensive income.

## PHNOM PENH WATER SUPPLY AUTHORITY

### NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE PERIOD ENDED 31 DECEMBER 2012

#### 3. ACCOUNTING POLICIES (continued)

(a) New standards and amendments to existing standards issued that are effective from 01 January 2012 adopted by the PPWSA (continued):

- CIAS 20 - Accounting for Government Grants and Disclosure of Government Assistance

This standard provides guidance on accounting for and disclosure of government grants and on the disclosure of other forms of government assistance. A government grant is not recognised until there is reasonable assurance that the entity will comply with the conditions attached to it and that the grant will be received. The benefit of a government loan at a below-market rate of interest is treated as a government grant. The loan shall be recognised and measured in accordance with CIAS 39 - Financial Instruments: Recognition and Measurement. The benefit of the below-market rate of interest shall be measured as the difference between the initial carrying value of the loan, determined in accordance with CIAS 39, and the proceeds received. The benefit is accounted for in accordance with this standard. However, CIFRS 1 allows the requirements for recognition of 'Day One' profits to be applied prospectively for transactions entered into after the date of transition to CIFRS. The PPWSA is applying this exemption. Accordingly, there is no impact from the adoption of this standard on the interim financial information.

- CIAS 33 - Earnings Per Share

This standard prescribes principles for the determination and presentation of earnings per share so as to improve performance comparisons between different entities in the same reporting period and between different reporting periods for the same entity. Even though earnings per share data has limitations due to the different accounting policies that may be used for determining 'earnings', a consistently determined denominator enhances financial reporting. The focus of this standard is on the denominator of the earnings per share calculation. Adoption of this standard results in additional disclosures on the information about earnings per share in the interim financial information.

- CIAS 39 - Financial Instruments: Recognition and Measurement

This standard provides guidance on the recognition and measurement of financial instruments, including the categorisation of financial assets and liabilities, accounting for derivatives, and impairment.

- Categorisation of financial assets and liabilities

Financial assets are to be categorised into four groups: 1) financial assets at fair value through profit and loss; 2) held-to-maturity investments; 3) loans and receivables; and 4) available-for-sale financial assets. The categorisation depends on the purpose for which the financial assets were acquired. Financial liabilities are either categorised as 1) financial liabilities at fair value through profit and loss or 2) financial liabilities carried at amortised cost.

**PHNOM PENH WATER SUPPLY AUTHORITY**

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE PERIOD ENDED 31 DECEMBER 2012**

**3. ACCOUNTING POLICIES (continued)**

(a) New standards and amendments to existing standards issued that are effective from 01 January 2012 adopted by the PPWSA (continued):

- CIAS 39 - Financial Instruments: Recognition and Measurement (continued)

- Recognition and measurement of financial instruments

Financial assets in the form of loans and receivables, and held-to-maturity investments and financial liabilities measured at amortised cost are to be initially recognised at fair value net of transaction costs and to be subsequently carried at amortised cost using the effective interest method and recognised through the statement of comprehensive income.

- Impairment of financial assets

Assessment of financial assets should be made at each statement of financial position date to determine whether there is any objective evidence that a financial asset or group of assets might be impaired. If such impairment evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

From 01 January 2015, classification and measurement of financial instruments under CIAS 39 will be replaced by CIFRS 9.

Adoption of CIAS 39 has an impact on the recognition and measurement of the PPWSA's borrowings. However, CIFRS 1 provides an optional exemption for an entity to recognise 'Day One' profits prospectively for transactions entered into after the date of transition to CIFRS. The PPWSA is applying this exemption. Hence, there is no impact from the adoption of CIAS 39 on the interim financial information.

## PHNOM PENH WATER SUPPLY AUTHORITY

### NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE PERIOD ENDED 31 DECEMBER 2012

#### 3. ACCOUNTING POLICIES (continued)

(a) New standards and amendments to existing standards issued that are effective from 01 January 2012 adopted by the PPWSA (continued):

- CIFRS 1 - First-time Adoption of Cambodian International Financial Reporting Standards

This standard applies when an entity adopts CIFRS for the first time, by an explicit and unreserved statement of compliance with CIFRS.

- In general, CIFRS 1 requires an entity to comply with each CIFRS effective at the end of its first CIFRS reporting period. In particular, CIFRS requires an entity to do the following in the opening CIFRS statement of financial position that it prepares as a starting point for its accounting under CIFRS.
- The standard grants limited exemptions from these requirements in specific areas where the cost of complying with them would likely exceed the benefits to users of the financial statements. CIFRS 1 also prohibits retrospective application of CIFRS in some areas; particularly where retrospective application would require judgements by management about past conditions after the outcome of a particular transaction is already known.
- CIFRS 1 requires disclosures that explain how the transition from previous accounting standards to CIFRS affected the entity's reported financial position, financial performance and cash flows.

The PPWSA has elected to adopt the following:

- The requirement for the recognition of 'Day One' profits to be applied prospectively for transactions entered into after the date of transition to CIFRS. Hence, there is no impact on the PPWSA.
- CIFRS 2 - Share-based Payments

This standard specifies the financial reporting required to be prepared by an entity when it undertakes a share-based payment transaction. In particular, it requires that an entity reflect in its profit or loss and statement of financial position the effects of share-based payment transactions, including expenses associated with transactions in which share options are granted to employees.

This standard impacts the PPWSA because the PPWSA has decided to provide loans to employees to purchase its shares. It does not have any impact on the prior period financial statements, since the employee share option scheme was introduced in 2012.

## PHNOM PENH WATER SUPPLY AUTHORITY

### NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE PERIOD ENDED 31 DECEMBER 2012

#### 3. ACCOUNTING POLICIES (continued)

(a) New standards and amendments to existing standards issued that are effective from 01 January 2012 adopted by the PPWSA (continued):

- CIFRS 8 - Operating Segments

This standard sets out the requirement for disclosure of information about an entity's operating segments and about the entity's products and services, the geographical areas in which it operates, and its major customers. It requires segment information to be reported based on the entity's operating segments. Operating segments are components of an enterprise for which separate financial information is available and is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and assessing performance. Generally, financial information is required to be reported on the same basis that it is used internally for evaluating segment performance and deciding how to allocate resources to segments. Adopting this standard requires the PPWSA to disclose segment information.

(b) New standards, amendments and interpretations issued and effective for years beginning on or after 01 January 2013 but not yet early adopted by the PPWSA:

- 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. This amendment applies retrospectively for annual periods beginning on or after 01 January 2013. Early adoption is permitted. The PPWSA has not assessed the full impact of the amendment and intends to adopt the amended CIAS 16 no later than the accounting period beginning on 01 January 2013.

- 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 IFRS 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. This amendment applies retrospectively for annual periods beginning on or after 01 January 2013. Early adoption is permitted. The PPWSA has not assessed the full impact of this amendment and intends to adopt the amended CIAS 34 no later than the accounting period beginning on 01 January 2013.

## PHNOM PENH WATER SUPPLY AUTHORITY

### NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE PERIOD ENDED 31 DECEMBER 2012

#### 3. ACCOUNTING POLICIES (continued)

- (b) New standards, amendments and interpretations issued and effective for years beginning on or after 01 January 2013 but not yet early adopted by the PPWSA (continued):
- CIAS 19 - Employee Benefits was amended in June 2011. The amendment is effective from the annual accounting periods beginning on or after 01 January 2013. Early adoption is permitted. The impact on the PPWSA will be as follows: to eliminate 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.
  - 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 balance sheet. This amendment is effective for the accounting period beginning on 01 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 01 January 2015.
  - 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. The PPWSA has not assessed CIFRS 13's full impact and intends to adopt CIFRS 13 no later than the accounting period beginning on 01 January 2013.



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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION  
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**3. ACCOUNTING POLICIES (continued)**

There are no other CIFRS or CIFRIC interpretations that are not yet effective that are expected to have a material impact on the interim financial information of the PPWSA.

Although there is no material impact on the financial information from the transition to CIFRS, the following policies have been revised to align with the requirements of CIFRS:

(c) Segment reporting:

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

(d) Taxes on income in the interim periods are accrued using the tax rate that would apply to the expected total annual profit or loss.

(e) Trade receivables are amounts due from local households, businesses and government departments. If collection is expected within one year, they are classified as current. If not, they are presented as non-current assets.

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

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

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

(g) Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

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

Interest costs on borrowings are charged to the statement of comprehensive income. Borrowing costs that relate to qualifying assets are capitalised as part of the cost of the asset.

**PHNOM PENH WATER SUPPLY AUTHORITY**

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE PERIOD ENDED 31 DECEMBER 2012**

**3. ACCOUNTING POLICIES (continued)**

- (h) Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value-added taxes. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the PPWSA and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of water

Revenue from the supply of water is stated net of discounts, allowances and credits and is recognised on the amount of water supplied to recognised customers of the PPWSA.

Household water connection revenue

Revenue from household water connections is recognised when the connection is completed.

Water meter replacement charge

An amount of KHR50 per 1 mm of water meter is charged for water meter maintenance each month during the billing cycle, and is recorded as income. This charge is used to cover the cost of the replacement of meters. The cost of replacement is charged to the statement of comprehensive income.

Interest income

Interest income is recognised in the statement of comprehensive income on a time-proportion basis using the effective interest method.

Construction service fee

Revenue from construction service fee is recognised progressively throughout the period of the construction contract commensurate with the services rendered.

- (i) Loans to employees are recognised initially at fair value, net of transaction costs incurred, if any, and are subsequently measured at amortised cost using the effective interest method, less provisions for impairment.

# PHNOM PENH WATER SUPPLY AUTHORITY

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE PERIOD ENDED 31 DECEMBER 2012

### 4. TRANSITION TO CIFRS

The PPWSA's financial statements for the year ended 31 December 2012 will be its first annual financial statements prepared in accordance with CIFRS.

The PPWSA's CIFRS accounting policies presented in Notes 2 and 3 have been applied in preparing the financial statements for the year ended 31 December 2011, the comparative information, and the opening statement of financial position.

The effect of the PPWSA's transition to CIFRS is summarised as follows:

i) Transition elections

Upon transition, CIFRS 1 permits certain exemptions from full retrospective application. The PPWSA has elected not to take any of the optional exemptions available under CIFRS 1, except for 'Day One' profits, as discussed below. In addition, none of the mandatory exceptions are applicable to the PPWSA.

There is an exemption for the recognition of 'Day One' profits to be applied prospectively for transactions, such as loans obtained at an interest rate below the market rate, entered into after the date of transition to CIFRS.

ii) Reconciliation of equity and comprehensive income previously reported under CAS to CIFRS

The PPWSA has implemented early adoption of some accounting standards that could have a material impact on the financial statements of the PPWSA during its transition to CIFRS. The details of those standards and their impact are disclosed in the audited financial statements for the year ended 31 December 2011, Note 2.a.

The reconciliation of equity is as follows:

	<b>31 December 2011 KHR'000 (Audited)</b>	<b>01 January 2011 KHR'000 (Audited)</b>
<b>EQUITY</b>		
Equity as reported under CAS	552,428,481	515,567,573
Adjustment	-	-
Equity as reported under CIFRS	<u>552,428,481</u>	<u>515,567,573</u>

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE PERIOD ENDED 31 DECEMBER 2012**

**4. TRANSITION TO CIFRS (continued)**

- ii) Reconciliation of equity and comprehensive income previously reported under CAS to CIFRS (continued)

The reconciliation of comprehensive income is as follows:

	<b>Year ended 31 December 2011 KHR'000 (Audited)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	
Total comprehensive income as reported under CAS	31,989,907
Adjustment	<u>-</u>
Total comprehensive income as reported under CIFRS	<u>31,989,907</u>

- iii) Adjustments to the statement of cash flows

There are no significant differences between CAS and CIFRS in terms of the classification of individual line items within operating, investing and financing cash flows.

**5. 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 2011.

## PHNOM PENH WATER SUPPLY AUTHORITY

### NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE PERIOD ENDED 31 DECEMBER 2012

#### 6. FINANCIAL RISK MANAGEMENT

##### 6.1 *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 2011.

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

##### 6.2 *Liquidity risk*

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

#### 7. 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 meter connection as a supporting service. Revenue from water meter connection (a supporting service for water sales) accounts for less than 10% of the total revenue, while water sales account for approximately 85% 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  
FOR THE PERIOD ENDED 31 DECEMBER 2012**

**8. PROPERTY, PLANT AND EQUIPMENT**

	<u><b>KHR'000</b></u>
<b>For the year ended 31 December 2012</b>	
Opening balance	632,385,744
Additions (a)	129,558,882
Disposals	(212,114)
Depreciation charges	<u>(21,081,640)</u>
Closing net book value (reviewed but unaudited)	<u>740,650,872</u>
<b>For the year ended 31 December 2011</b>	
Opening balance	541,321,047
Additions	112,164,670
Disposals	(95,193)
Depreciation charges	<u>(21,004,780)</u>
Closing net book value (audited)	<u>632,385,744</u>

(a) The additions mainly related to the construction of the water treatment plant at Niroth and the water distribution network, which is in progress.

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

	<b>31 December 2012 KHR'000</b>	<b>31 December 2011 KHR'000</b>
	(Reviewed but unaudited)	(Audited)
Additions	129,558,882	112,164,670
Increase in payables to suppliers and performance guarantee	<u>(7,162,207)</u>	<u>(31,105,182)</u>
	122,396,675	81,059,488
Decrease in advances to suppliers	<u>(16,381,742)</u>	<u>(5,101,817)</u>
Cash used for purchases of property, plant and equipment	106,014,933	75,957,671
less: Interest capitalisation on qualifying assets	<u>(4,229,203)</u>	<u>(2,998,170)</u>
Purchases of property, plant and equipment (per cash flow)	<u>101,785,730</u>	<u>72,959,501</u>

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE PERIOD ENDED 31 DECEMBER 2012**

**9. LOANS TO EMPLOYEES**

On 15 February 2012, the Board of Directors approved the motion that 10% of the floating shares be reserved for the PPWSA's staff. The number of shares to be allotted to each employee was finalised on 03 April 2012. This date is therefore regarded as the grant date for the employee share option plan. The total loans, paid on 06 April 2012, amounted to KHR8,218 million. The PPWSA provided interest-free loans with a term of three years to employees and senior officers to purchase these shares. On the due date, the loans must be repaid in full to the PPWSA.

	<b>31 December 2012 KHR'000</b>
	(Reviewed but unaudited)
Carrying value	6,073,268
Fair value	6,073,268

The fair values of the loans to employees are based on cash flows discounted using a weighted average interest rate of 14.40% p.a. Management assessed that the 14.40% interest rate is a reasonable rate, being equivalent to the rate at which the employees could obtain loans from commercial banks in riel currency for a period of three years.

On the grant date, a fair value adjustment to the loan balance of KHR2,729 million was recognised in salaries, wages and related expenses. This was because the fair value of the loans has been reduced through a preferential rate (interest-free) and a benefit was provided to the employees.

**10. INVENTORIES**

	<b>31 December 2012 KHR'000</b>	<b>31 December 2011 KHR'000</b>
	(Review but unaudited)	(Audited)
Distribution pipes and fittings (a)	53,016,651	21,349,418
Water meters	3,313,033	2,146,304
Spare parts and tools	2,166,605	2,454,880
Chemicals	545,061	175,736
Drums and other packages	370,193	100,216
Other materials	1,311,465	1,862,017
	<u>60,723,008</u>	<u>28,088,571</u>

(a) The increase in the ending balance as at 31 December 2012 mainly relates to the purchase of distribution pipes and fittings for the construction of the water treatment plant at Niroth and expansion of the water distribution network.

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE PERIOD ENDED 31 DECEMBER 2012

11. INCOME TAX PAYABLE

	<b>31 December 2012 KHR'000</b>	<b>31 December 2011 KHR'000</b>
	(Reviewed but unaudited)	(Audited)
As at 01 January	437,665	(1,643,818)
Current income tax	7,113,295	6,410,657
Payments made during the year	<u>(6,657,143)</u>	<u>(4,329,174)</u>
As at 31 December	<u>893,817</u>	<u>437,665</u>

Payments were made for tax on profit for the prior year and other taxes.



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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION  
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12. SHARE CAPITAL

	Number of ordinary shares Thousands	Number of class A shares Thousands	Ordinary shares KHR'000	Share premium KHR'000	Class A shares KHR'000	Capital KHR'000	Total KHR'000
Opening balance as at 01 January 2012	-	-	-	-	-	465,028,129	465,028,129
Conversion of capital to shares (b)	73,927	391,101	73,927,187	-	391,100,942	(465,028,129)	-
Proceeds from shares issued (c)	13,046	-	13,045,975	63,153,178	-	-	76,199,153
As at 31 December 2012 (c)	<u>86,973</u>	<u>391,101</u>	<u>86,973,162</u>	<u>63,153,178</u>	<u>391,100,942</u>	<u>-</u>	<u>541,227,282</u>
Opening balance as at 01 January 2011	-	-	-	-	-	456,000,264	456,000,264
Transfer to capital (a)	-	-	-	-	-	9,027,865	9,027,865
As at 31 December 2011	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>465,028,129</u>	<u>465,028,129</u>

- (a) In accordance with letter No. 3066 SHV TR issued by the MoEF, which is also a shareholder in the PPWSA, dated 26 May 2011, approval was granted for the transfer of deferred government and other grants of KHR9 billion to the capital of the PPWSA.
- (b) On 15 February 2012, the Board of Directors approved the split of the existing capital of KHR 465,028,129,000 into 73,927,187 ordinary shares and 391,100,942 Class A shares with a par value of KHR1,000 per share. Class A shares are not eligible for interest or dividend and have rights and conditions as detailed in article 12.2 of the Articles of Incorporation dated 27 June 2012.
- (c) On 18 April 2012, the PPWSA was successfully listed on the CSX. It is the first and only company on the CSX. The total number of ordinary shares is 86,973,162 shares with a par value of KHR1,000 per share. The costs of issuing 13,045,975 new shares amounting to KHR6,000 million have been offset with the share premium. All issued ordinary shares are fully paid. The details of ordinary shares are as follows:

**PHNOM PENH WATER SUPPLY AUTHORITY**

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE PERIOD ENDED 31 DECEMBER 2012**

**12. SHARE CAPITAL (continued)**

<b>Shareholders</b>	<b>Number of share</b>	<b>%</b>
MoEF (one-year lock-up)	73,927,187	85%
Employee share option scheme (three-year lock-up)	1,304,369	1%
Other shareholders	11,741,606	14%
	<u>86,973,162</u>	<u>100%</u>

**13. RETIREMENT BENEFIT OBLIGATION**

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

	<b>31 December 2012 KHR'000</b>	<b>31 December 2011 KHR'000</b>
	(Reviewed but unaudited)	(Audited)
Present value of defined benefit obligation	26,165,235	24,601,028
Fair value of plan assets	-	-
Unfunded status	<u>26,165,235</u>	<u>24,601,028</u>
Liability recognised in the statement of financial position	<u>26,165,235</u>	<u>24,601,028</u>

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

	<b>2012 KHR'000</b>	<b>2011 KHR'000</b>
	(Reviewed but unaudited)	(Audited)
As at 01 January	24,601,028	20,347,816
Current service cost	1,034,883	976,960
Interest cost	1,101,114	993,728
Benefits paid	(537,448)	(486,680)
Actuarial (gain)/loss	<u>(34,342)</u>	<u>2,769,204</u>
As at 31 December	<u>26,165,235</u>	<u>24,601,028</u>

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE PERIOD ENDED 31 DECEMBER 2012**

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

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

	Year ended	
	31 December 2012 KHR'000	31 December 2011 KHR'000
	(Reviewed but unaudited)	(Audited)
Current service cost	1,034,883	976,960
Interest cost	1,101,114	993,728
Actuarial (gain)/loss	(34,342)	2,769,204
	<u>2,101,655</u>	<u>4,739,892</u>

**14. TRADE AND OTHER PAYABLES**

	31 December 2012 KHR'000	31 December 2011 KHR'000
	(Reviewed but unaudited)	(Audited)
Trade payables	29,718,603	25,022,568
Performance guarantee	7,914,554	57,137
Accrued staff incentive	2,736,582	2,378,551
Amount due to Phnom Penh Municipality	2,409,572	1,843,026
Deferred income	441,880	645,045
Other taxes payable	217,486	209,465
Other payables	1,904,924	278,147
	<u>45,343,601</u>	<u>30,433,939</u>

**15. 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.

**16. INCOME TAX EXPENSE**

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate for the full financial year. The estimated average annual tax rate used for the year ended 31 December 2012 is 20% (the estimated tax rate for the year ended 31 December 2011 was 20%).

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE PERIOD ENDED 31 DECEMBER 2012**

**17. 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.

	<b>Three-month period ended</b>		<b>Year ended</b>	
	<b>31 December</b>	<b>31 December</b>	<b>31 December</b>	<b>31 December</b>
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	(Reviewed but unaudited)	(Reviewed but unaudited)	(Reviewed but unaudited)	(Audited)
Profit attributable to shareholders (KHR'000)	8,986,534	9,148,281	34,420,961	31,989,907
Weighted average number of shares	86,973,162	73,927,187	83,123,530	73,927,187
Basic earnings per share (KHR)	<u>103.33</u>	<u>123.75</u>	<u>414.09</u>	<u>432.72</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 year end. As such, the diluted earnings per share were equivalent to the basic earnings per share.

**18. PROFIT REMITTED TO THE ROYAL GOVERNMENT OF CAMBODIA**

Effective from the year ended 31 December 2007, the MoEF accepted the proposed 10% annual profit distribution from the PPWSA in its letter No. 2254, dated 02 May 2008. However, from 2012 onward, after the listing of the PPWSA, the distribution of dividends will be in accordance with the new statute of the PPWSA, disclosed in the audited financial statements for the year ended 31 December 2011.

The profit remitted to the Royal Government of Cambodia in 2012 and 2011 was KHR3,199 million (KHR 43.27 per share) and KHR3,051 million (KHR 41.27 per share), respectively.

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE PERIOD ENDED 31 DECEMBER 2012**

**19. CASH FLOWS FROM OPERATIONS**

	Year ended	
	31 December 2012 KHR'000	31 December 2011 KHR'000
	(Reviewed but unaudited)	(Audited)
Profit before taxation	42,891,953	40,056,794
Adjustments for:		
Depreciation charges (Note 8)	21,081,640	21,004,780
Amortisation charges on intangible assets	285,038	234,711
Amortisation of deferred government grants	(679,070)	(212,052)
Loss/(gain) on disposal of property, plant and equipment	212,114	(228,317)
Retirement benefit obligation expenses	2,101,655	4,739,892
Interest income	(6,728,848)	(9,021,034)
Interest expenses	6,528,582	5,600,458
Fair value adjustment on loans to employees (Note 9)	2,728,907	-
Changes in working capital:		
Inventories	(32,634,437)	(7,911,761)
Trade and other receivables	(5,289,085)	(1,041,457)
Deferred cost related to IPO	405,076	(405,076)
Refundable water deposits	3,184,917	2,747,333
Proceeds from deferred government grants	257,431	-
Performance guarantee	678,945	6,986,142
Trade and other payables	8,968,617	(17,445,118)
	<u>43,993,435</u>	<u>45,105,295</u>

**20. CAPITAL COMMITMENTS**

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

	31 December 2012 KHR'000	31 December 2011 KHR'000
		(Reviewed but unaudited)
Construction of water treatment plant	23,859,731	90,891,415
Construction of intake	4,738,791	17,919,544
Consultation services	2,933,664	3,062,284
Ductile iron pipes, fittings and accessories	46,100	19,572,812
	<u>31,578,286</u>	<u>131,446,055</u>

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE PERIOD ENDED 31 DECEMBER 2012**

**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 regarded as related-party transactions.

	<b>31 December 2012 KHR'000</b>	<b>31 December 2011 KHR'000</b>
	(Reviewed but unaudited)	(Audited)
Borrowings from the MoEF	98,627,459	131,212,737
Loans to employees	6,073,268	-
Loans to Pursat Water Supply	695,501	765,613

ii) Significant transactions with related parties

	<b>2012 KHR'000</b>	<b>2011 KHR'000</b>
Interest on borrowings from the MoEF	7,755,160	7,700,317
Interest on loans to Pursat Water Supply	36,601	39,743

iii) Compensation

Key management compensation for the year ended 31 December is as follows:

	<b>Year ended</b>	
	<b>31 December 2012 KHR'000</b>	<b>31 December 2011 KHR'000</b>
	(Reviewed but unaudited)	(Audited)
Salaries and other short-term employee benefits	1,369,835	869,993
Loans to key management	1,067,472	-
Retirement benefits	335,775	130,194
	<u>2,773,082</u>	<u>1,000,187</u>

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE PERIOD ENDED 31 DECEMBER 2012**

**22. EVENTS AFTER THE REPORTING DATE**

- a. The PPWSA entered into borrowing agreement no CKH 1121 01 F, dated 11 March 2013, with AFD for a total loan facility of EUR30 million. The term for repayment of the principal is 12 years (including a grace period of 4 years). The loan has a floating interest rate of the EURIBOR six-month rate less 0.59% per annum (capped at 5.19% per annum and with a minimum of 0.25% per annum). The loan is for the 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.
- b. A dividend in respect of the year ended 31 December 2012 of KHR 27.70 per share, amounting to a total dividend of KHR 2,409 million, was proposed and approved during the Board of Directors meeting on 21 March 2013. These financial statements do not reflect this dividend payable.