

PHNOM PENH WATER SUPPLY AUTHORITY

**CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE QUARTER ENDED 31 DECEMBER 2013**

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 December 2013, the related interim statements of comprehensive income for the three-month period and the year ended 31 December 2013, 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 Kuy Lim
Partner

Phnom Penh, Kingdom of Cambodia

Date: 3 March 2014

PHNOM PENH WATER SUPPLY AUTHORITY

INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

		31 December 2013	31 December 2012
	Note	KHR'000	KHR'000
		(Reviewed but unaudited)	(Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	7	835,552,690	741,661,049
Intangible assets		3,292,331	1,282,455
Loans to Pursat Water Supply	22	578,324	620,759
Loans to employees	22	7,015,013	6,073,268
		<u>846,438,358</u>	<u>749,637,531</u>
Current assets			
Inventories		35,083,363	59,712,831
Trade and other receivables		29,771,083	28,271,470
Loans to Pursat Water Supply	22	81,475	74,742
Income tax receivable	8	2,755,705	-
Short-term investments	9	174,278,018	148,008,619
Cash and cash equivalents		10,568,715	13,976,037
		<u>252,538,359</u>	<u>250,043,699</u>
Total assets		<u>1,098,976,717</u>	<u>999,681,230</u>
EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO SHAREHOLDERS			
Share capital		541,227,282	541,227,282
Reserves		115,866,320	83,854,514
Retained earnings		38,088,028	34,420,961
Total equity		<u>695,181,630</u>	<u>659,502,757</u>
LIABILITIES			
Non-current liabilities			
Retirement benefit obligation	10	28,362,224	26,165,235
Deferred income tax liabilities		24,472,827	18,293,407
Borrowings	11	228,262,247	192,171,324
Refundable water deposits		31,215,174	27,786,987
Performance guarantee		-	7,871,868
Deferred government and other grants	12	34,930,890	7,114,028
		<u>347,243,362</u>	<u>279,402,849</u>
Current liabilities			
Borrowings		26,691,817	14,538,206
Income tax liabilities	8	-	893,817
Trade and other payables	13	29,859,908	45,343,601
		<u>56,551,725</u>	<u>60,775,624</u>
Total liabilities		<u>403,795,088</u>	<u>340,178,473</u>
Total equity and liabilities		<u>1,098,976,717</u>	<u>999,681,230</u>

The accompanying notes on pages 7 to 19 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 31 DECEMBER 2013

	Note	Three-month period ended	
		31 December 2013 KHR'000 (Reviewed but unaudited)	31 December 2012 KHR'000 (Reviewed but unaudited)
REVENUES			
Sales		33,981,091	32,529,592
Construction service fee	14	-	4,648,421
Other income		2,606,016	239,921
		<u>36,587,107</u>	<u>37,417,934</u>
EXPENSES			
Depreciation and amortisation charges		(5,790,571)	(5,266,310)
Electricity costs		(5,750,306)	(5,708,226)
Salaries, wages and related expenses		(5,231,339)	(4,633,228)
Raw materials for water production		(1,010,977)	(743,596)
Raw materials for household water connections		(1,491,698)	(1,353,894)
Repairs and maintenance		(1,833,108)	(854,670)
Construction service expenses		27,434	(4,114,921)
Other operating expenses		(2,888,987)	(1,513,249)
Foreign exchange loss – net		(2,989,308)	(1,635,827)
		<u>(26,958,860)</u>	<u>(25,823,921)</u>
Operating profit		9,628,247	11,594,013
Finance income		2,138,764	1,679,761
Finance costs		(1,464,162)	(1,621,753)
Finance income-net		<u>674,602</u>	<u>58,008</u>
Profit before income tax		10,302,849	11,652,021
Income tax expense	15	(1,790,113)	(2,665,487)
Profit for the period		8,512,736	8,986,534
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Actuarial loss on retirement benefit obligation		(1,032,777)	-
Total comprehensive income for the period		<u>7,479,959</u>	<u>8,986,534</u>
Profit attributable to shareholders		<u>8,512,736</u>	<u>8,986,534</u>
Total comprehensive income attributable to shareholders		<u>7,479,959</u>	<u>8,986,534</u>

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

Basic earnings per share	16	86.00	103.33
Diluted earnings per share	16	86.00	103.33

The accompanying notes on pages 7 to 19 are an integral part of this condensed interim financial information.

PHNOM PENH WATER SUPPLY AUTHORITY

INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	Year ended	
		31 December 2013 KHR'000	31 December 2012 KHR'000
		(Reviewed but unaudited)	(Audited)
REVENUES			
Sales		136,399,843	122,457,889
Construction service fee	14	7,249,392	6,661,202
Other income		7,930,972	6,000,427
		<u>151,580,207</u>	<u>135,119,518</u>
EXPENSES			
Depreciation and amortisation charges		(24,523,863)	(21,366,678)
Electricity cost		(27,406,397)	(25,489,322)
Salaries, wages and related expenses		(19,847,886)	(20,896,767)
Raw materials for water production		(3,318,097)	(3,786,880)
Raw materials for household water connections		(5,668,838)	(4,891,092)
Repairs and maintenance		(4,693,128)	(3,861,025)
Construction service expenses		(6,649,568)	(5,976,412)
Other operating expenses		(6,649,967)	(4,486,112)
Foreign exchange loss - net		(1,289,533)	(1,673,543)
		<u>(100,047,277)</u>	<u>(92,427,831)</u>
Operating profit		51,532,930	42,691,687
Finance income		8,592,122	6,728,848
Finance costs		(12,038,249)	(6,528,582)
Finance (costs)/income - net	17	<u>(3,446,127)</u>	<u>200,266</u>
Profit before income tax		48,086,803	42,891,953
Income tax expense	15	<u>(9,341,274)</u>	<u>(8,470,992)</u>
Profit for the year		38,745,529	34,420,961
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial gain on retirement benefit obligation		(657,500)	-
Total comprehensive income for the year		<u>38,088,029</u>	<u>34,420,961</u>
Profit attributable to shareholders		<u>38,745,529</u>	<u>34,420,961</u>
Total comprehensive income attributable to shareholders		<u>38,088,029</u>	<u>34,420,961</u>

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

Basic earnings per share	16	437.93	414.09
Diluted earnings per share	16	437.93	414.09

The accompanying notes on pages 7 to 19 are an integral part of this condensed interim financial information.

PHNOM PENH WATER SUPPLY AUTHORITY

INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

	Attributable to shareholders			Total KHR'000
	Capital KHR'000	Reserves KHR'000	Retained earnings KHR'000	
<i>Year ended 31 December 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 year	-	-	38,745,529	38,745,529
Actuarial loss on retirement benefit obligation	-	-	(657,499)	(657,499)
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>38,088,030</u>	<u>38,088,030</u>
Transfer to reserves (note 18)	-	32,011,806	(32,011,806)	-
Dividends paid (note 19)	-	-	(2,409,157)	(2,409,157)
Balance at 31 December 2013 (reviewed but unaudited)	<u>541,227,282</u>	<u>115,866,320</u>	<u>38,088,028</u>	<u>695,181,630</u>
<i>Year ended 31 December 2012 (audited)</i>				
Balance at 1 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 for the year	<u>-</u>	<u>-</u>	<u>34,420,961</u>	<u>34,420,961</u>
Proceeds from shares issued	76,199,153	-	-	76,199,153
Transfer to reserves	-	31,989,907	(31,989,907)	-
Profit remitted to the Royal Government of Cambodia	-	(3,198,991)	-	(3,198,991)
Distribution of reserves for corporate social responsibility	-	(346,847)	-	(346,847)
Balance at 31 December 2012 (audited)	<u>541,227,282</u>	<u>83,854,514</u>	<u>34,420,961</u>	<u>659,502,757</u>

The accompanying notes on pages 7 to 19 are an integral part of this condensed interim financial information.

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**INTERIM STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Note	Year ended	
		31 December 2013 KHR'000	31 December 2012 KHR'000
		(Reviewed but unaudited)	(Audited)
Cash flows from operating activities			
Cash generated from operations	20	82,341,671	43,993,435
Income tax paid	8	(6,811,375)	(6,657,143)
Retirement benefit obligation paid		(689,801)	(537,448)
Net cash generated from operating activities		<u>74,840,495</u>	<u>36,798,844</u>
Cash flows from investing activities			
Purchases of property, plant and equipment	7	(86,937,865)	(101,785,730)
Interest capitalisation on qualifying assets	7	(3,176,682)	(4,229,203)
Purchases of intangible assets		(2,483,002)	(533,588)
Loan repayments from Pursat Water Supply		36,091	70,112
Loans granted to employees		-	(8,217,525)
Short-term investments		(26,269,399)	3,791,308
Interest received		6,785,912	6,875,306
Net cash used in investing activities		<u>(112,044,945)</u>	<u>(104,029,320)</u>
Cash flows from financing activities			
Proceeds from shares issued		-	76,199,153
Profit remitted to the Royal Government of Cambodia		-	(3,198,991)
Distribution of reserves for corporate social responsibility		-	(346,847)
Dividends paid		(2,409,157)	-
Proceeds from borrowings		55,452,880	101,596,900
Finance cost paid		(5,667,194)	(8,970,907)
Repayments of borrowings		(13,579,401)	(91,533,616)
Net cash generated from financing activities		<u>33,797,128</u>	<u>73,745,692</u>
Net (decrease)/increase in cash and cash equivalents		<u>(3,407,322)</u>	<u>6,515,216</u>
Cash and cash equivalents, beginning of the year		<u>13,976,037</u>	<u>7,460,821</u>
Cash and cash equivalents, end of the year		<u><u>10,520,515</u></u>	<u><u>13,976,037</u></u>

Non-cash transaction

The principal non-cash transaction for the year ended 31 December 2013 is the acquisition of property, plant and equipment under JICA grant amounting to Riel 29,584,800,000 (2012: Riel Nil) which is excluded from the cash flow statement.

The accompanying notes on pages 7 to 19 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 QUARTER ENDED 31 DECEMBER 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 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 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 3 March 2014.

The condensed interim financial information for the year ended 31 December 2013 has been reviewed, but not audited.

PHNOM PENH WATER SUPPLY AUTHORITY

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED 31 DECEMBER 2013

2. BASIS OF PREPARATION

This condensed interim financial information for the quarter ended 31 December 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 QUARTER ENDED 31 DECEMBER 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.

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED 31 DECEMBER 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 QUARTER ENDED 31 DECEMBER 2013

7. PROPERTY, PLANT AND EQUIPMENT

	<u>KHR'000</u>
For the year ended 31 December 2013	
Opening balance	741,661,049
Additions (a)	118,045,155
Disposals	(94,262)
Depreciation charges	<u>(24,059,252)</u>
Closing net book value (reviewed but unaudited)	<u>835,552,690</u>
For the year ended 31 December 2012	
Opening balance	633,395,921
Additions (a)	129,558,882
Disposals	(212,114)
Depreciation charges	<u>(21,081,640)</u>
Closing net book value (audited)	<u>741,661,049</u>

(a) The additions during the year ended 31 December 2013 were mainly related to the construction of the water treatment plant at Niroth which was completed in July 2013.

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

	31 December 2013 KHR'000	31 December 2012 KHR'000
	(Reviewed but unaudited)	(Audited)
Additions	118,045,155	129,558,882
Decrease/(increase) in payables to suppliers and performance guarantee	<u>1,654,192</u>	<u>(7,162,207)</u>
	119,699,347	122,396,675
Decrease in advances to suppliers	<u>-</u>	<u>(16,381,742)</u>
Cash used for purchases of property, plant and equipment	119,699,347	106,014,933
Less:		
Interest capitalisation on qualifying assets	(3,371,189)	(4,229,203)
deferred government and other grants	<u>(29,584,800)</u>	<u>-</u>
Purchases of property, plant and equipment (per cash flow)	<u>86,743,358</u>	<u>101,785,730</u>

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
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8. INCOME TAX RECEIVABLE/(PAYABLE)

	31 December 2013 KHR'000	31 December 2012 KHR'000
	(Reviewed but unaudited)	(Audited)
As at 1 January	(893,817)	(437,665)
Current income tax	(3,161,853)	(7,113,295)
Payments made during the year	<u>6,811,375</u>	<u>6,657,143</u>
	<u>2,755,705</u>	<u>(893,817)</u>

Payments of income tax are made for tax on profit for the year ended 31 December 2012 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 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:

	31 December 2013 KHR'000	31 December 2012 KHR'000
	(Reviewed but unaudited)	(Audited)
Present value of defined benefit obligation	28,362,224	26,165,235
Fair value of plan assets	-	-
Unfunded status	<u>28,362,224</u>	<u>26,165,235</u>
Liability recognised in statement of financial position	<u>28,362,224</u>	<u>26,165,235</u>

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE QUARTER ENDED 31 DECEMBER 2013**

10. RETIREMENT BENEFIT OBLIGATION (continued)

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

	2013	2012
	KHR'000	KHR'000
	(Reviewed but unaudited)	(Audited)
As at 1 January	26,165,235	24,601,028
Current service cost	1,081,547	1,034,883
Interest cost	1,147,744	1,101,114
Benefits paid	(689,801)	(537,448)
Actuarial loss/(gain)	657,499	(34,342)
As at 31 December	<u>28,362,224</u>	<u>26,165,235</u>

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

	Year ended	
	31 December	31 December
	2013	2012
	KHR'000	KHR'000
	(Reviewed but unaudited)	(Audited)
Current service cost	1,081,547	1,034,883
Interest cost	1,147,744	1,101,114
Actuarial gain (*)	-	(34,342)
	<u>2,229,291</u>	<u>2,101,655</u>

(*) From 1 January 2013, the amendment of CIAS 19, the actuarial gain and loss is recognised in other comprehensive income.

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11. BORROWINGS

	2013 KHR'000	2012 KHR'000
Borrowings from:		
AfD – Credit No. 1075 03 S	83,111,694	67,913,698
MoEF – JICA	99,000,951	59,637,406
AfD – Credit No. 6000 01 G	35,195,851	40,168,373
MoEF – ADB	37,645,568	38,990,053
	<u>254,954,064</u>	<u>206,709,530</u>

The maturity dates of these borrowings are as follows:

	2013 KHR'000	2012 KHR'000
Current		
Due within one year	26,691,817	14,538,206
Non-current		
Due within one to two years	27,481,597	18,924,372
Due within two to five years	82,444,790	64,084,167
Due after five years	118,335,860	109,162,785
	<u>228,262,247</u>	<u>192,171,324</u>
	<u>254,954,064</u>	<u>206,709,530</u>

The significant increases during the year are mainly from the loan drawn down from AFD 1075 03S and JICA.

12. DEFERRED GOVERNMENT AND OTHER GRANTS

	Government grant KHR'000	AfD grant KHR'000	JICA grant KHR'000	Other grants KHR'000	Total KHR'000
As at 01 January 2013	5,769,980	413,601	-	930,447	7,114,028
Additions	-	1,049,749	29,584,800	-	30,634,549
Amortisation charges	(224,226)	(1,463,350)	(1,054,340)	(75,771)	(2,817,687)
As at 31 December 2013 (Reviewed but unaudited)	<u>5,545,754</u>	<u>-</u>	<u>28,530,460</u>	<u>854,676</u>	<u>34,930,890</u>
As at 01 January 2012	6,090,985	413,601	-	1,031,081	7,535,667
Additions	257,431	-	-	-	257,431
Amortisation charges	(578,436)	-	-	(100,634)	(679,070)
As at 31 December 2012 (Audited)	<u>5,769,980</u>	<u>413,601</u>	<u>-</u>	<u>930,447</u>	<u>7,114,028</u>

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13. TRADE AND OTHER PAYABLES

	31 December 2013 KHR'000	31 December 2012 KHR'000
	(Reviewed but unaudited)	(Audited)
Trade payables	6,722,650	29,718,603
Performance guarantee	15,044,930	7,914,554
Accrued staff incentive	3,300,840	2,736,582
Amount due to Phnom Penh Municipality	2,849,597	2,409,572
Deferred income	99,124	441,880
Other tax payable	158,499	217,486
Other payables	1,684,268	1,904,924
	<u>29,859,908</u>	<u>45,343,601</u>

14. 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.

15. 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 year ended 31 December 2013 was 20%).

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16. 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		Year ended	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	(Reviewed but unaudited)	(Reviewed but unaudited)	(Reviewed but unaudited)	(Audited)
Profit attributable to shareholders (KHR'000)	7,479,959	8,986,534	38,088,029	34,420,961
Weighted average number of shares	86,973,162	86,973,162	86,973,162	83,123,530
Basic earnings per share (KHR)	<u>86.00</u>	<u>103.33</u>	<u>437.93</u>	<u>414.09</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.

17. FINANCE (COSTS)/INCOME – NET

	Year ended	
	31 December 2013	31 December 2012
	(Reviewed but unaudited)	(Audited)
Finance income:		
- Interest income on bank deposits (a)	7,615,663	6,107,596
- Unwind concessional loan discount to employees	941,745	584,651
- Interest income on loans to Pursat Water Supply	34,714	36,601
	<u>8,592,122</u>	<u>6,728,848</u>
Finance costs:		
- Interest expenses on borrowings (b)	(9,801,353)	(8,662,580)
- Net foreign exchange losses on borrowings	(5,413,578)	(2,095,205)
- Interest expenses capitalised on qualifying assets	3,176,682	4,229,203
	<u>(12,038,249)</u>	<u>(6,528,582)</u>
Finance (costs)/income - net	<u>(3,446,127)</u>	<u>200,266</u>

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17. FINANCE (COSTS)/INCOME – NET (continued)

- (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.

18. TRANSFER TO RESERVES

On 21 March 2013, the Board of Directors approved on the transfer of retained earnings to reserves amounting to KHR32,012 million.

19. 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.

20. CASH GENERATED FROM OPERATIONS

	Year ended	
	31 December 2013	31 December 2012
	KHR'000	KHR'000
	(Reviewed but unaudited)	(Audited)
Profit before income tax	48,086,803	42,891,953
Adjustments for:		
Depreciation charges (Note 7)	24,059,252	21,081,640
Amortisation charges of intangible assets	464,612	285,038
Amortisation of deferred government and other grants (Note 12)	(2,817,687)	(679,070)
Loss on disposals of property, plant and equipment	102,776	212,114
Retirement benefit obligation expenses (Note 10)	2,229,291	2,101,655
Interest income	(8,592,122)	(6,728,848)
Interest expenses	12,038,249	6,528,582
Fair value adjustment on loans to employees	-	2,728,907
Changes in working capital:		
Inventories	24,629,468	(32,634,437)
Trade and other receivables	(635,537)	(5,289,085)
Trade and other payables	(21,701,369)	9,647,562
Proceeds from deferred government and other grants	1,049,749	257,431
Deferred cost related to IPO	-	405,076
Refundable water deposits	3,428,186	3,184,917
	<u>82,341,671</u>	<u>43,993,435</u>

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21. CAPITAL COMMITMENTS

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

	31 December 2013 KHR'000	31 December 2012 KHR'000
	(Reviewed but unaudited)	(Audited)
Purchase of iron pipes, fittings and accessories	11,002,965	46,100
Consultation services	925,652	2,933,664
Construction of intake	6,391	4,738,791
Construction of water treatment plant	-	23,859,731
	<u>11,935,008</u>	<u>31,578,286</u>

22. 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 December 2013 KHR'000	31 December 2012 KHR'000
	(Reviewed but unaudited)	(Audited)
Borrowings from the MoEF	136,646,519	98,627,459
Loans to employees	7,015,013	6,073,268
Loans to Pursat Water Supply	659,799	695,501

ii) Significant transactions with related parties

	Year ended	
	31 December 2013 KHR'000	31 December 2012 KHR'000
	(Reviewed but unaudited)	(Audited)
Interest on borrowings from the MoEF	5,996,412	7,755,160
Interest on loans to Pursat Water Supply	34,714	36,601

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22. RELATED-PARTY TRANSACTIONS (continued)

iii) Compensation

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

	Year ended	
	31 December 2013 KHR'000	31 December 2012 KHR'000
	(Reviewed but unaudited)	(Audited)
Salaries and other expenses	1,851,182	2,437,307
Retirement benefits	215,515	335,775
	<u>2,066,697</u>	<u>2,773,082</u>