Financial statements and independent auditor's report

Phnom Penh Water Supply Authority
For the year ended 31 December 2016

Contents

Report of the Board of Directors

The Board of Directors has the pleasure in submitting its report and the audited financial statements of Phnom Penh Water Supply Authority ("PPWSA" or "the Company") for the year ended 31 December 2016 ("the year").

The Company

PPWSA is under the technical supervision of the Ministry of Industry and Handicraft ("MIH"), and has its headquarter in Phnom Penh. 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 registered office of PPWSA is Office 45, Street 106, Sangkat Srah Chork, Khan Daun Penh, Phnom Penh, the Kingdom of Cambodia.

Principal activities

The principal activities of PPWSA are processing and supplying water to Phnom Penh and surrounding areas, including Takmao and carrying out other water supply related activities.

There have been no significant changes in the nature of these activities during the financial year.

Results of operations

The results of PPWSA's operations for the year ended 31 December 2016 and the state of its affairs as at that date are set out in the accompanying financial statements on pages 7 to 41.

As the reporting date, the Board of Directors has yet to decide on the payment of dividends for the year ended 31 December 2016.

Board of Directors

The members of the Board of Directors of PPWSA during the year and to the date of this report were as follows:

Name	**Position**
H.E. Soem Nara	Chairman
Dr. Sim Sitha	Member
H.E. Mey Vann	Member
H.E. Khuong Sreng	Member
Mrs. Ngin Chantrea	Member
Mr. Om Sengbora	Member
Mr. Zhang Yun Feng	Member

Auditors

The financial statements for the year ended 31 December 2016 have been audited by Grant Thornton (Cambodia) Limited.

Director's interest in PPWSA

The directors have no interest in PPWSA at the current and the previous statements of financial position dates.

Board of Directors' responsibility in respect of the financial statements

The Board of Directors is responsible for ensuring that the financial statements are properly drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance and its cash flows for the year then ended. When preparing the financial statements, the Board of Directors is required to:

i. adopt appropriate accounting policies in accordance with Cambodian International Financial Reporting Standards ("CIFRS"), which are supported by reasonable and prudent judgements and estimates, and then apply them consistently;

ii. comply with the disclosure requirements of CIFRS or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;

iii. maintain adequate accounting records and an effective system of internal control;

iv. prepare the financial statements on a going concern basis unless it is inappropriate to assume that the PPWSA will continue its operations in the foreseeable future; and,

v. control and direct effectively the PPWSA in all material decisions affecting its operations and performance and ascertain that such decisions and/ or instructions have been properly reflected in the financial statements.

The Board of Directors is also responsible for safeguarding the assets of the PPWSA and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Directors confirms that the PPWSA has complied with the above requirements in preparing the financial statements.

Statement by the Board of Director

In the opinion of the Board of Directors, the accompanying statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, together with the notes thereto, have been properly drawn up and give a true and fair view of the financial position of the PPWSA as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards.

On behalf of the Board of Directors

H.E. Soem Nara
Chairman of the Board of Directors

Dr. Sim Sitha
Member

Ros Kimleang
Deputy Director General in charge of
Finance and Securities Exchange

Phnom Penh, Cambodia
Dated: 27 March 2017

Independent auditor's report

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To the shareholders of Phnom Penh Water Supply Authority

Opinion

We have audited the accompanying financial statements of Phnom Penh Water Supply Authority ("PPWSA"), which comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of PPWSA as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards ("CIFRSs").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of PPWSA in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") together with the ethical requirements that are relevant to our audit of financial statements in Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

a. Revenue recognition

Water sale revenue includes accrued water revenue which is recognised base on water volume consumed by customers in the last 2 months of the current year but remains unbilled as at 31 December 2016. In our view, revenue recognition is significant to our audit as PPWSA might inappropriately accrue water sale revenue that have not occurred which would lead to overstatement in revenue.

Our audit procedures to address the risk of material misstatement relating to revenue recording and recognition, which was considered to be a significant risk, included:

- Testing of controls, assisted by our IT specialists, including, among others, those over: comparing details of revenue amount in the accounting system with the source

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documents; recording of receipts in the receivables subsystem; reconciling cash register totals with cash receipts; recording receipts to the general ledger;
- Checking the subsequent billings of the accrued water revenue; and,
- Performing analytical procedures on revenue and the timing of its recognition based on expectations derived from our industry knowledge, following up variance from our expectations.

We found that these controls could be relied upon for the purposes of our audit and that revenues recognised in the financial statements are consistent with our expectations.

b. Retirement benefit obligation

As at 31 December 2016, PPWSA has a retirement benefit obligation amounting to KHR'000 33,983,477. The Board of Directors has engaged an actuarial specialist in order to calculate this amount. The assumptions that underpin the valuation of the retirement benefit obligation are important. Those assumptions include the discount rate, salary growth rate, withdrawal rates and mortality rates. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using medium to long-term deposit rates in Cambodia Riel denomination in Cambodia banks of 8% per annum. We have reviewed the reasonableness of the major assumptions used by the actuarial specialist.

With the respect to the requirements in ISA 620, we also performed procedures to place reliance on the actuarial valuation report. The general audit procedures performed include:
- obtaining a sufficient understanding of the field of expertise of the actuarial specialist; and,
- evaluating the competence, capabilities and objectivity of the actuarial specialist.

We found that the assumptions used by the actuarial specialist in the determination of the retirement benefit obligation are reasonably aligned with industry benchmarks and that we can place reliance on the actuarial specialist's valuation report.

c. Income tax expense, deferred tax liability and taxation contingencies

Under the Cambodia Law on Taxation, PPWSA has an obligation to pay tax on profit at 20% of taxable profit or a minimum tax at 1% of total turnover, whichever is higher. As at and for the year ended 31 December 2016, PPWSA estimated deferred tax liabilities amounting to KHR'000 31,442,109 and income tax expense of KHR'000 10,159,170, respectively.

We identified that significant judgment is involved in determining PPWSA's provision for taxes. The taxable liabilities are recognised based on an estimation of the taxes due through the Board of Directors' interpretation of the various tax legislations. Since the PPWSA's tax returns are subject to tax review, the final tax due may be different from the amounts that were initially recognised. As part of our audit, we reviewed PPWSA's computation of its estimated tax on profit and deferred tax for the year.

We were informed that as at the reporting date, the comprehensive tax audits for PPWSA's tax returns for the financial years ended 31 December 2013 and 2014 are in process. PPWSA has not yet received notification of any tax reassessment audit for the financial years ended 31 December 2015 and 2016.

We reviewed PPWSA's disclosure (see note 37) on this matter and have assessed it to be in compliance with CIFRS.

Other matter

The financial statements of PPWSA for the year ended 31 December 2015 were audited by another auditor who expressed an unmodified opinion on those financial statements on 23 March 2016.

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Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in its annual report, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board of Directors and respond matter in accordance with the requirements of ISA 720 (revised).

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with CIFRSs, and for such internal control as Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Board of Directors is responsible for assessing PPWSA's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate PPWSA or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PPWSA's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

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(d) Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on PPWSA's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause PPWSA to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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GRANT THORNTON (CAMBODIA) LIMITED
Certified Public Accountant and Auditors
Registered Auditors

Ronald C. Almera
Partner – Audit and Assurance

Phnom Penh, Kingdom of Cambodia
27 March 2017

Statement of financial position

	Notes	31 December 2016 KHR'000	31 December 2015 (Restated) KHR'000
Assets			
Non-current			
Property, plant and equipment	6	**1,036,409,539**	936,711,937
Intangible assets	7	**1,974,184**	2,263,493
Loan to Pursat Water Supply	8	**254,745**	379,074
Non-current assets		**1,038,638,468**	939,354,504
Current			
Consumable Inventories	9	**48,394,403**	53,718,237
Trade and other receivables	10	**34,994,545**	34,315,104
Loan to Pursat Water Supply	8	**123,112**	110,445
Loan to employees	11	**5,608,787**	5,608,787
Short-term investments	12	**148,271,384**	194,457,564
Other tax receivables		**5,312,052**	5,312,052
Cash and bank balances	13	**16,386,849**	12,555,435
Current assets		**259,091,132**	306,077,624
Total assets		**1,297,729,600**	**1,245,432,128**
Equity and liabilities			
Equity			
Share capital	14	**541,227,282**	541,227,282
Reserves	15	**229,471,410**	185,791,772
Retained earnings		**49,273,104**	56,949,128
Total equity		**819,971,796**	**783,968,182**
Liabilities			
Non-current			
Borrowings	16	**251,616,219**	256,360,862
Retirement benefit obligations	17	**33,983,477**	29,852,391
Deferred government and other grants	18	**27,850,974**	30,210,946
Deferred tax liabilities	19	**31,130,869**	33,974,749
Other payables	20	**54,922,316**	46,255,251
Non-current liabilities		**399,503,855**	396,654,199
Current			
Trade and other payables	20	**33,384,270**	27,308,000
Borrowings	16	**34,695,758**	28,540,601
Current tax liabilities		**10,173,921**	8,961,146
Current liabilities		**78,253,949**	64,809,747
Total liabilities		**477,757,804**	**461,463,946**
Total equity and liabilities		**1,297,729,600**	**1,245,432,128**

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

Statement of comprehensive income

	Notes	**For the year ended 31 December 2016 KHR'000**	For the year ended 31 December 2015 KHR'000
Revenue			
Sales	21	**179,006,501**	162,028,095
Construction service fees	22	**5,420,860**	17,968,799
Other income	23	**13,752,513**	11,351,352
Total revenue		**198,179,874**	191,348,246
Expenses			
Depreciation and amortisation	6 and 7	**(35,995,372)**	(34,647,703)
Electricity costs		**(32,301,974)**	(29,988,212)
Salaries, wages and related expenses	24	**(36,142,694)**	(30,651,497)
Raw materials for water treatment	25	**(6,514,416)**	(5,770,574)
Raw materials for household water connections	26	**(9,689,064)**	(7,160,078)
Repairs and maintenance		**(7,067,669)**	(6,211,236)
Construction service expenses		**(6,526,550)**	(14,091,154)
Other operating expenses		**(7,347,746)**	(5,127,489)
Foreign exchange gain/(loss)– net	27	**875,084**	(3,057,665)
Operating profit		**57,469,473**	**54,642,638**
Finance income	28	**20,193,599**	33,210,466
Finance costs	28	**(17,071,783)**	(19,869,858)
Profit before income tax		**60,591,289**	**67,983,246**
Income tax expense	29	**(10,159,170)**	(14,051,176)
Profit for the year		**50,432,119**	**53,932,070**
Other comprehensive income:			
Actuarial (loss)/gainon retirement benefit obligation	17	**(1,159,015)**	3,017,061
Total comprehensive income for the year		**49,273,104**	**56,949,131**

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

Basic earnings per share	30	**566.53**	654.79
Diluted earnings per share	30	**566.53**	654.79

Statement of changes in equity

	Notes	Share capital KHR'000	Reserves KHR'000	Retained earnings KHR'000	Total equity KHR'000
Balance at 1 January 2016		**541,227,282**	**185,791,772**	**56,949,128**	**783,968,182**
Transfer to reserves	15	**-**	**43,679,638**	**(43,679,638)**	**-**
Dividends	31	**-**	**-**	**(13,269,490)**	**(13,269,490)**
Transactions with owners		**-**	**43,679,638**	**(56,949,128)**	**(13,269,490)**
Profit for the year		**-**	**-**	**50,432,119**	**50,432,119**
Actuarial loss on retirement benefit obligation	17	**-**	**-**	**(1,159,015)**	**(1,159,015)**
Total comprehensive income for the year		**-**	**-**	**49,273,104**	**49,273,104**
Balance at 31 December 2016		**541,227,282**	**229,471,410**	**49,273,104**	**819,971,796**

	Notes	Share capital KHR'000	Reserves KHR'000	Retained earnings KHR'000	Total equity KHR'000
Balance at 1 January 2015		541,227,282	149,193,437	45,747,909	736,168,628
Transfer to reserves	15	-	36,598,335	(36,598,335)	-
Dividends	31	-	-	(9,149,577)	(9,149,577)
Transactions with owners		-	36,598,335	(45,747,912)	(9,149,577)
Profit for the year		-	-	53,932,070	53,932,070
Actuarial gain on retirement benefit obligation	17	-	-	3,017,061	3,017,061
Total comprehensive income for the year		-	-	56,949,131	56,949,131
Balance at 31 December 2015		**541,227,282**	**185,791,772**	**56,949,128**	**783,968,182**

Statement of cash flows

	Note	For the year ended 31 December 2016 KHR'000	For the year ended 31 December 2015 KHR'000
Operating activities			
Profit before tax		**60,591,289**	67,983,246
Non-cash adjustments:			
Amortisation of intangible assets	7	**729,362**	786,117
Amortisation of deferred government and other grants	18	**(2,359,972)**	(2,359,972)
Depreciation of property, plant and equipment	6	**35,266,010**	33,861,586
Finance income	28	**(20,193,599)**	(33,210,466)
Finance costs	28	**17,071,783**	19,869,858
Loss on disposal of property, plant and equipment		**520,803**	4,476,313
Retirement benefit obligation expense	17	**4,036,058**	3,623,473
Operating profit before working capital changes		**95,661,734**	95,030,155
Net changes in working capital:			
Change in inventories		**5,323,834**	(13,216,377)
Change in trade and other receivables		**(2,310,606)**	(3,882,135)
Change in trade and other payables		**6,076,270**	3,256,436
Change in refundable water deposits		**8,667,065**	3,641,535
Cash generated from operating activities		**113,418,297**	84,829,614
Income tax paid		**(11,790,275)**	(4,909,589)
Retirement benefits paid	17	**(1,063,987)**	(1,000,181)
Net cash from operating activities		**100,564,035**	**78,919,844**
Investing activities			
Purchases of property, plant and equipment	6	**(135,101,071)**	(91,843,530)
Interest capitalised on qualifying assets	6	**(383,344)**	(287,706)
Purchases of intangible assets	7	**(440,053)**	(191,993)
Loan repayments from Pursat Water Supply		**111,662**	100,386
Proceeds from disposal of short-term investments		**46,186,180**	1,873,767
Interest received		**14,929,034**	8,686,061
Net cash used in investing activities		**(74,697,592)**	**(81,663,015)**
Financing activities			
Dividends paid	31	**(13,269,490)**	(9,149,577)
Proceeds from borrowings		**33,774,958**	44,161,741
Interest paid		**(17,319,687)**	(9,978,968)
Repayments of borrowings		**(25,220,810)**	(24,696,731)
Net cash (used in)/from financing activities		**(22,035,029)**	**336,465**
Net change in cash and cash equivalents		**3,831,414**	(2,406,706)
Cash and cash equivalents, beginning of year		**12,555,435**	14,962,141
Cash and cash equivalents, end of year	13	**16,386,849**	**12,555,435**

Notes to the financial statements

1 General information

Phnom Penh Water Supply Authority ("PPWSA" or "the Company") is under the technical supervision of the Ministry of Industry and Handicraft ("MIH") and the financial supervision of the Ministry of the Economy and Finance ("MoEF"), and has its headquarters in Phnom Penh. PPWSA is 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 registered office of PPWSA is Office 45, Street 106, Sangkat Srah Chork, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia.

The financial statements are presented in Khmer Riel ("KHR"), which is also the functional currency of PPWSA.

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

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

2 Basis of preparation and statement of compliance with CIFRS

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

The NAC of Cambodia, as mandated by Prakas (Circular) No. 068-MEF-Pr dated 8 January 2009 issued by the Ministry of Economy and Finance of Cambodia on the adoption of Cambodian Financial Reporting Standards, has decided to fully adopt International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") without modifications. The new standards are referred to as "Cambodian International Financial Reporting Standards" ("CIFRSs").

3 Changes in accounting policies

3.1 New and revised standards that are effective for annual periods beginning on or after 1 January 2016

PPWSA has not adopted any new standards or amendments that have a significant impact on the Company's results of operation or financial position.

3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by PPWSA

At the date of authorisation of these financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by PPWSA. Information on those expected to be relevant to PPWSA's financial statements is provided below.

The Board of Directors anticipates that all relevant pronouncements will be adopted in PPWSA's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments not either adopted or listed below are not expected to have a material impact on PPWSA's financial statements.

IFRS 9 'Financial Instruments'
The new standard for financial instruments (IFRS 9) introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

PPWSA's the Board of Directors is yet to assess the impact of IFRS 9 on PPWSA's financial statements.

IFRS 9 is effective for annual for annual reporting periods beginning on or after 1 January 2018.

IFRS 15 'Revenue from Contracts with Customers'
IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018. The Board of Directors has not started to assess the impact of IFRS 15.

IFRS 16 'Leases'
IFRS 16 will replace IAS 17 and three related interpretations. It completes the IASB's long-running project to overhaul lease accounting. Leases will be recorded on the statement of financial position in the form of a right-of-use asset and a lease liability.

IFRS 16 is effective from periods beginning on or after 1 January 2019. The Board of Directors is yet to assess the impact of the standard and therefore is unable to provide quantified information.

4 Summary of significant accounting policies

4.1 Overall considerations

The financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

4.2 Foreign currency translation

Functional and presentation currency
The financial statements are presented in Khmer Riel ("KHR"), which is also the functional currency of the PPWSA.

Foreign currency transactions and balances
Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

4.3 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, excluding sales taxes, and reduced by any rebates and trade discounts allowed.

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to PPWSA, the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be reliably measured and that the following specific recognition criteria have been met:

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

Household water connection revenue
Revenue from household water connections is recognised when the connection is complete.

Water meter replacement charge
An amount of KHR50 per 1mm of water is charged for water meter maintenance each month during the billing cycle. This charge is used to cover the cost of the replacement of meters upon utilisation. The cost of replacement is charged to the statement of profit or loss and other comprehensive income.

Construction service fee
Revenue from construction service fees is recognised based on the percentage of completion of the services provided under the construction contract commensurate with the services rendered.

Interest and dividends
Interest income and expenses are reported on an accrual basis using the effective interest method.
Dividends are recognised at the time the right to receive payment is established.

4.4 Operating expense
Operating expenses are recognised in profit or loss upon utilisation of the service or as incurred.

4.5 Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

4.6 Intangible assets
Intangible assets are recognised only when the identifiability, control and future economic benefit probability criteria are met. Intangible assets are initially measured at cost.

After initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight line basis over the estimated economic useful lives and are assessed for any indication that the asset could be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. The amortisation expense on intangible assets with finite lives is recognised in profit or loss and is included within the other operating expenses line item.

An intangible asset has an indefinite useful life when based on the analysis of all the relevant factors; there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows to the PPWSA. Intangible assets with indefinite useful lives are tested for impairment annually and wherever there is an indication that the carrying amount may be impaired. Such intangible assets are not amortised. Their useful lives are reviewed at the end of each reporting period to determine whether events and circumstances continue to support the indefinite useful life assessment for the asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for as a change in accounting estimate in accordance with Cambodian International Accounting Standards ("CIAS") 8 *Accounting Policies, Changes in Accounting Estimates and Errors.*

Expenditure on an intangible item that is initially recognised as an expense is not recognised as part of the cost of an intangible asset at a later date.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from the derecognition determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset is recognised in profit or loss when the asset is derecognised.

4.7 Property, plant and equipment

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the PPWSA and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which PPWSA is obligated to incur when the asset is acquired, if applicable.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has different useful life, is depreciated separately.

After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal depreciation periods are as follows:

Building	50 years
Machinery	10, 15 and 20 years
Fluid equipment	15, 35, 40 and 50 years
Laboratory equipment	7 years
Office furniture and equipment	7 years
Electricity equipment	7 years
Motor vehicles	7 years
Valves and tools	7 years
Water meters	5 years

Freehold land has unlimited useful life and is not depreciated. Construction-in-progress represents renovation-in-progress and is stated at cost. Work-in-progress is not depreciated until such time when the asset is available for use.

At the end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

The residual values, useful lives and depreciation method are reviewed at each financial period end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss.

4.8 Impairment testing of intangible assets and property, plant and equipment

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is recognised for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, the Board of Directors estimates expected future cash flows from each cash-generating unit and determine a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to PPWSA's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by the Board of Directors.

4.9 Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when PPWSA becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables;
- financial assets at fair value through profit or loss ("FVTPL");
- available-for-sale financial assets; and
- held-to-maturity investments.

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Of these categories of financial assets, PPWSA only has loan and receivables in its statement of financial position.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less any impairment losses. Discounting is omitted where the effect of discounting is immaterial. PPWSA's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Classification and subsequent measurement of financial liabilities

PPWSA's financial liabilities include borrowings, trade and other payables.

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognised in profit or loss. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

4.10 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined using the weighted average basis. The cost comprises all costs of purchase plus other cost incurred in bringing the inventories to their present location and condition. Inventories include raw materials, consumable, spare parts and other water supply related inventories and are valued at the actual cost of bringing the inventory to its intended purpose less allowances for damaged, obsolete and slow-moving items using the weighted average basis. Spare parts and water supply-related inventories with a useful life of more than one year are capitalised as property, plant and equipment upon being put into use.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sales.

4.11 Income taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred income taxes are calculated using the liability method.

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilised against future taxable income.

Deferred tax liabilities are generally recognised in full, although IAS 12 'Income Taxes' specifies limited exemptions.

4.12 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

4.13 Equity, reserves and dividend payments

Share capital represents the nominal (par) value of shares that have been issued.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Retained earnings includes all current and prior period retained profits.

Interim dividends to shareholders are recognized in equity in the period in which they are declared. Final dividends are recognized upon the approval of shareholders.

4.14 Short-term employee benefits and post-employment benefits

Short term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are expensed when employees rendered their services to the PPWSA.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur and they lapse if the current period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the PPWSA.

Bonuses are recognised as an expense when there is present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

Bonus plan
The PPWSA recognises a liability and an expense for bonuses based on the following formula, which takes into consideration the profit attributable to the PPWSA for each year:

- One month's salary for all employees if the net profit is between 5% and 10% of operating expenses.

- Two month's salary for all employees if the net profit is more than 10% to 20% of operating expenses.

- Three month's salary for all employees if the net profit is more than 20% of operating expenses.

Retirement benefits
The PPWSA operates a pension scheme, which is a defined benefit plan for eligible employees of PPWSA whereby both PPWSA and the employees pay fixed contributions into an internal cash account in the name of PPWSA:

a. The employees' contribution is 7% of their salary (6% prior to October 2007).

b. PPWSA's contribution is 5% of the employees' monthly salary and a further 2% of profit for the year.

c. Effective from 2011, PPWSA transfers an additional amount to the internal cash account so that the total funds transferred to the internal cash account reserved for retirement benefit payment equals the total amount of all expenses recognised in the statement of profit or loss and other comprehensive income during the year.

Payments are made to eligible employee in accordance with the following terms and conditions:

- Staff who have worked between 10 and 19 years and up to their retirement age will receive a one-time lump sum retirement benefit payment of 200% of their portion of accumulated contribution.

- Staff who have worked for more than 20 years and up to their retirement age will receive a monthly retirement benefit of 29% of their final salary plus an additional 1% of their final salary for every year worked from the 21st year onwards each month until they die.

- Staff who resign before their retirement age will receive a one-time lump sum payment as follow:
  (i) For staff who have work for PPWSA for 10 years, 120% of their accumulated contributions and an additional 1% of the accumulated contributions for every year worked from the 11th year to the 20th year.

  (ii) For staff who have worked for PPWSA for 21 years, 135% of their accumulated contributions and an additional 1% of the accumulated contribution for every year from the 22nd year to the 30th year.

  (iii) For staff who have worked for PPWSA for 31 years, 155% of their accumulated contribution and an additional 1% of the accumulated contributions for every year after the 31st year.

The liability recognised in the statement of financial position in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets. The defined benefit obligation is calculated using the projected unit credit actuarial cost method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using medium to long term deposit rates in Cambodia Riel denomination in Cambodia banks as information on Cambodian corporate or government bonds are not readily available.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in the statement of profit or loss and other comprehensive income.

4.15 Deferred grants and amortisation

Grants from the governments and other development agencies are recognised at a nominal amount where there is reasonable assurance that the grant will be received and the PPWSA will comply with all attached conditions. Grants are deferred and recognised in the statement of profit or loss and other comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Deferred grants relating to the cost of property, plant and equipment granted by donors are recognised at cost upon receipt. Deferred grants are included in non-current liabilities and are credited to the statement of profit or loss and other comprehensive income on a straight-line basis to match the expected lives of the related assets.

The benefit of a government loan at a below market foreign exchange rate, i.e., favourable fluctuations between the value of the currency of the loan (Special Drawing Right) and the currency of it repayment by the PPWSA ("KHR"), is treated as a government grant.

4.16 Provisions, contingent liabilities and contingent assets

Provisions for product warranties, legal disputes, onerous contracts or other claims are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Restructuring provisions are recognised only if a detailed formal plan for the restructuring exists and the Board of Directors has either communicated the plan's main features to those affected or started implementation. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the PPWSA's is virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

5 Significant Management judgement in applying accounting policies and estimation uncertainty

When preparing the financial statements, Tthe Board of Directors undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses which are summarised below:

Significant Management judgment

The following are significant management judgements in applying the accounting policies of the PPWSA that have the most significant effect on the financial statements.

Recognition of accrued water revenue

Accrued water revenue is recognised based on the water volume produced, the water volume billed, the average water loss and the average tariff by type of customers. The Board of Directors uses statistics on the water loss rate and the average tariff based on past experience, which may not properly reflect the actual rates and the current situation.

Recognition of construction service revenues

Recognising construction service revenue also requires significant judgment in determining actual work performed and the estimated costs to complete the work.

Recognition of deferred tax assets
The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

Estimation uncertainty
Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Impairment of non-financial assets
In assessing impairment, the Board of Directors estimates the recoverable amount of each asset or cash generating units based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Useful life of depreciable assets
The Board of Directors reviews its estimate of the useful life of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the useful economic lives of certain IT equipment and systems.

Inventories
The Board of Directors estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date.

Income tax expense
Significant judgement is involved in determining the PPWSA's provision for income taxes. The PPWSA will recognise liabilities for expected tax expenses based on an estimate of whether the taxes are due through the Board of Directors' interpretation of the various tax legislations. When the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the tax provision in the financial year in which such determination is made.

Retirement benefit obligation
The present value of the retirement benefit obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The main assumptions used in determining the benefit obligation include the discount rate, salary growth rate, withdrawal rates and mortality rates. Any changes in these assumptions will impact the carrying amount of the benefit obligation.

The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using medium to long term deposit rates in Cambodia Riel denomination in Cambodia banks as information on Cambodian corporate or government bonds are not readily available.

Fair value measurement
The Board of Directors uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. The Board of Directors bases its assumptions on observable data as far as possible but this is not always available. In that case, the Board of Directors uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

6 Property, plant and equipment

Details of PPWSA's property, plant and equipment and their carrying amounts are as follows:

	Freehold land KHR'000	Building KHR'000	Machinery KHR'000	Fluid equipment KHR'000	Laboratory equipment KHR'000	Office furniture and equipment KHR'000	Electricity equipment KHR'000	Motor vehicles KHR'000	Valves and tools KHR'000	Water meters KHR'000	Construction in progress KHR'000	Total KHR'000
Gross carrying amount												
Balance at 1 January 2016	76,356,679	240,571,987	75,322,594	522,698,968	856,297	12,127,946	126,784,610	31,390,320	14,931,996	4,543,751	134,170,804	1,239,755,952
Additions	-	-	-	-	48,659	1,923,089		4,697,099	3,297,710		123,315,021	133,281,578
Interest capitalized on qualifying assets	-	-	-	-	-	-	-	-	-	-	383,344	383,344
Transfer from inventory	-	-	1,640,053	-	-	-	19,636	-	121,552	38,252	-	1,819,493
Transferred from fixed asset in process	-	363,707	-	19,066,555	-	-	338,923	-	235,170	456,260	(20,460,615)	-
Disposal	-	-	(492,303)		(88,552)	(919,404)		(1,170,584)	(7,663)	(1,557,403)	-	(4,235,909)
Balance 31 December 2016	76,356,679	240,935,694	76,470,344	541,765,523	816,404	13,131,631	127,143,169	34,916,835	18,578,765	3,480,860	237,408,554	1,371,004,458
Depreciation												
Balance 1 January 2016	-	(49,415,825)	(38,885,540)	(118,114,345)	(836,228)	(6,402,521)	(64,654,665)	(14,830,935)	(5,905,703)	(3,998,253)	-	(303,044,015)
Depreciation	-	(6,306,482)	(3,878,841)	(12,118,900)	(14,109)	(1,514,941)	(6,061,645)	(3,692,445)	(1,459,044)	(219,603)	-	(35,266,010)
Disposals	-	-	488,294	-	88,552	899,598	-	688,165	7,024	1,543,473	-	3,715,106
Balance 31 December 2016	-	(55,722,307)	(42,276,087)	(130,233,245)	(761,785)	(7,017,864)	(70,716,310)	(17,835,215)	(7,357,723)	(2,674,383)	-	(334,594,919)
Carrying amount												
31 December 2016	**76,356,679**	**185,213,387**	**34,194,257**	**411,532,278**	**54,619**	**6,113,767**	**56,426,859**	**17,081,620**	**11,221,042**	**806,477**	**237,408,554**	**1,036,409,539**

Construction in progress represents cost of construction for a Noroth water production facility in Phnom Penh.

	Freehold land KHR'000	Building KHR'000	Machinery KHR'000	Fluid equipment KHR'000	Laboratory equipment KHR'000	Office furniture and equipment KHR'000	Electricity equipment KHR'000	Motor vehicles KHR'000	Valves and tools KHR'000	Water meters KHR'000	Construction in progress KHR'000	Total KHR'000
Gross carrying amount												
Balance at 1 January 2015	73,643,184	238,746,540	71,499,052	488,981,350	845,075	10,349,069	126,599,587	24,171,172	14,332,718	4,343,039	90,414,308	1,143,925,094
Additions	-	113,534	3,823,542	-	11,222	1,778,877	185,023	7,219,148	507,025	66,099	86,314,995	100,019,465
Transfers	2,713,495	1,711,913	-	33,717,618	-	-	-	-	92,253	134,613	(38,369,892)	-
Interest capitalized on qualifying assets	-	-	-	-	-	-	-	-	-	-	287,706	287,706
Written-off	-	-	-	-	-	-	-	-	-	-	(4,476,313)	(4,476,313)
Balance 31 December 2015	76,356,679	240,571,987	75,322,594	522,698,968	856,297	12,127,946	126,784,610	31,390,320	14,931,996	4,543,751	134,170,804	1,239,755,952
Depreciation												
Balance 1 January 2015	-	(43,138,649)	(34,855,723)	(106,646,194)	(812,478)	(5,082,707)	(58,568,774)	(11,701,054)	(4,620,945)	(3,755,905)	-	(269,182,429)
Depreciation	-	(6,277,176)	(4,029,817)	(11,468,151)	(23,750)	(1,319,814)	(6,085,891)	(3,129,881)	(1,284,758)	(242,348)	-	(33,861,586
Balance 31 December 2015	-	(49,415,825)	(38,885,540)	(118,114,345)	(836,228)	(6,402,521)	(64,654,665)	(14,830,935)	(5,905,703)	(3,998,253)	-	303,044,015
Carrying amount 31 December 2015 (Restated)	73,356,679	191,156,162	36,437,054	404,584,623	20,069	5,725,425	62,129,945	16,559,385	9,026,293	545,498	134,170,804	936,711,937

During the financial year, PPWSA made the following cash payments to purchase property, plant and equipment:

	31 December 2016	31 December 2015
	KHR'000	KHR'000
Additions	**135,484,415**	100,307,171
(Increase) in payables to suppliers and performance guarantee	**-**	(8,175,935)
Interest capitalised on qualifying assets	**(383,344)**	(287,706)
	135,101,071	**91,843,530**

7 Intangible assets

	31 December 2016
	KHR'000
Gross carrying amount	
Balance at 1 January 2016	**5,858,579**
Additions	**440,053**
Disposals	**(644,019)**
Balance at 31 December 2016	**5,654,613**
Amortisation	
Balance at 1 January 2016	**(3,595,086)**
Amortisation	**(729,362)**
Disposals	**644,019**
Balance at 31 December 2016	**(3,680,429)**
Carrying amount 31 December 2016	**1,974,184**

	31 December 2015
	KHR'000
Gross carrying amount	
Balance at 1 January 2015	5,666,586
Additions	191,993
Balance at 31 December 2015	5,858,579
Amortisation	
Balance at 1 January 2015	(2,808,969)
Amortisation	(786,117)
Balance at 31 December 2015	(3,595,086)
Carrying amount 31 December 2015	**2,263,493**

8 Loan to Pursat Water Supply

	31 December 2016 KHR'000	31 December 2015 KHR'000
Current		
Not later than one year	**123,112**	110,445
Non-current		
Later than one year and not later than two years	**141,849**	123,508
Later than two years and not later than five years	**112,896**	255,566
	254,745	379,074
	377,857	489,519

(a) The loan to Pursat Water Supply was made in USD in accordance with the loan agreement signed between PPWSA and Pursat Water Supply on 4 June 2008 that amounted to KHR1,156 million (USD283,192). The purpose of the loan was to finance the construction of the main water supply network in Kandiang district, Pursat province, which was constructed and completed by the PPWSA in April 2009. The loan is unsecured and subject to interest at the rate of 5% (2015: 5%) per annum.

(b) The loan is being repaid by Pursat Water Supply in 120 monthly instalments in accordance with the repayment schedule set out in Article G of the loan agreement. However, based on the request letter No. 05 IME.WS.PS dated 9 January 2013 from Pursat Water, the repayment schedule was amended to 126 monthly instalments by deferring the principal repayments scheduled from January to June 2013 (resuming repayment from July 2013). Interest is still due for payment on a monthly basis. This proposed letter was approved by the PPWSA on 24 January 2013.

9 Consumable inventories

	31 December 2016 KHR'000	31 December 2015 KHR'000
Distribution pipes and fittings	**32,296,523**	39,431,558
Water meters	**5,288,061**	4,113,643
Spare parts and tools	**2,285,558**	2,466,447
Chemicals	**847,323**	517,594
Drums and other packages	**100,216**	100,216
Inventories in transit (*)	**2,958,426**	2,333,635
Other materials	**4,618,296**	4,755,144
	48,394,403	53,718,237

(*) Inventories in transit are main pipes which arrived at the port of Cambodia on 30 December 2016 but have not been released to PPWSA.

10 Trade and other receivables

	31 December 2016 KHR'000	31 December 2015 KHR'000
Trade receivables (a)		
Household receivables	**4,373,378**	3,847,143
Commercial receivables	**3,538,097**	3,188,098
Public administration receivables (b)	**2,162,031**	2,413,006
Water wholesalers	**445,730**	284,932
	10,519,236	9,733,179
Other receivables		
Accrued water revenue (c)	**20,302,899**	17,106,446
Interest receivables	**2,609,385**	4,240,550
Advances to suppliers	**35,994**	-
VAT receivables – net	**330,370**	196,450
Other receivables	**1,196,661**	3,038,479
	24,475,309	24,581,925
	34,994,545	34,315,104

(a) Trade receivables are non-interest bearing and the normal trade credit terms granted by the PPWSA to households and businesses is one month (2015: one month) and to government departments is one year (2015: one year). The Board of Directors believes that receivables are recoverable.

The maximum exposure to credit risk at the reporting date is the carrying value of each receivable mentioned above less refundable water deposits obtained from customers before connection of water meter.

(b) Public administrator customers were past due but not impaired. Their age is within one year. These related to receivables from government departments with whom there is no recent history of default.

(c) The accrued water revenue represents water supplied to customers but not yet billed at the year end.

11 Loan to employees

On 15 February 2012, the Board of Directors approved the motion that 10% of the floating shares be reserved for PPWSA's staff. The number of shares to be allotted to each employee was finalised on 3 April 2012. This date is therefore regarded as the grant date for the employee share option plan. The total loans, paid on 6 April 2012, amounted to KHR8,218 million. 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 PPWSA. According to the minutes of the Board of Directors meeting dated 20 December 2012, the employees are allowed to trade their shares if the loans have been paid.

The fair value of the loan to employees are based on cash flow discounted using a weighted average interest rate of 14.40% per annum. The Board of Directors assessed that the 14.40% interest rate is a reasonable rate, being equivalent to the rate at which the employees could obtained loans from commercial banks in Khmer Riel currency for a period of three years. There is no change of this rate at the commercial banks.

On the granted date, the 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.

This loan is due since April 2015. However, due to the decline in share prices, the Board of Directors had decided to make an allowance for impairment amounting to KHR2,609 million in the financial statements for the financial year ended 31 December 2014 to the level of the share prices as at 31 December 2014, based on management's expectation on the amount to be realised if the employees dispose these shares to settle this amount. PPWSA continued to use the same method to assess impairment for the year ended 31 December 2016.

The Board of Directors is in the process of discussing and obtaining advice from the Securities and Exchange Commission of Cambodia on its employee share option scheme.

12 Short-term investments

The represents fixed deposits placed with financial institutions for a period of between four and twelve months, earning interest at annual rates of between 4% and 5% (2015: 4% and 6%).

The short-term investments include deposits amounting to KHR'000 22,880,492
(2015: KHR'000 18, 779, 361) set up specially for the purpose of paying retirement benefits to retirees who are entitled to retirement benefits under PPWSA's pension scheme. There is no restriction for PPWSA to use these short-term investments for other purposes.

13 Cash and cash equivalents

	31 December 2016	31 December 2015
	KHR'000	KHR'000
Cash at banks	**15,792,436**	11,998,365
Cash on hand	**594,413**	557,070
	16,386,849	**12,555,435**

(a) The currency exposure profile of cash and cash equivalents is as follows:

	31 December 2016	**31 December 2015**
	KHR'000	**KHR'000**
Khmer Riel	**11,145,240**	8,725,168
United States Dollar	**5,241,609**	3,830,267
	16,386,849	**12,555,435**

14 Share capital

	Ordinary shares		**Class A shares**		**Share premium**	**Total**
	Number	**KHR'000**	**Number**	**KHR'000**	**KHR'000**	**KHR'000**
As at 31 December 2016 and 2015	86,973,162	86,973,162	391,100,942	391,100,942	63,153,178	541,227,282

(a) On 15 February 2012, the Board of Directors approved the split of the existing capital of KHR465,028,000 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.

(b) On 18 April 2012, the PPWSA was successfully listed on the Cambodia Securities Exchange ("CSX"). It is the first company on the CSX. The total number of ordinary shares is 86,973,162 share 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 the shareholders holding ordinary shares are as follows:

Shareholders	**Number of shares**	**%**
Ministry of Economy and Finance ("MoEF") (one-year lock-up)	73,927,187	84.99
Other shareholders	11,741,606	13.50
Employee share option scheme (three-year lock-up)*	1,304,369	1.51
	86,973,162	**100.00**

** Based on the minutes of the Board of Directors meeting dated 20 December 2012, the employees are allowed to trade their shares if the corresponding loans have been repaid.*

As at 31 December 2016, the details of ordinary share are as follows:

Shareholders	Number of shares	%
MoEF	73,927,187	85.00
Other shareholders	11,741,606	13.50
Employee share option scheme (block shares)	1,304,369	1.51
	86,973,162	**100.00**

15 Reserves

	Capital reserve	Legal reserve	General reserve	Development reserve	Total
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000
Carrying amount at 1 January 2016	1,648,435	15,390,933	15,390,933	153,361,471	185,791,772
Transfer from retained earnings	-	2,847,455	2,847,455	37,984,728	43,679,638
Balance at 31 December 2016	**1,648,435**	**18,238,388**	**18,238,388**	**191,346,199**	**229,471,410**

	Capital reserve	Legal reserve	General reserve	Development reserve	Total
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000
Carrying amount at 1 January 2015	1,648,435	13,103,537	13,103,537	121,337,928	149,193,437
Transfer from retained earnings	-	2,287,396	2,287,396	32,023,543	36,598,335
Balance at 31 December 2015	**1,648,435**	**15,390,933**	**15,390,933**	**153,361,471**	**185,791,772**

In accordance with the PPWSA's status dated 22 February 1999, article 29 the PPWSA's profit, after offsetting with losses carried forward (if any), can be used as follows:

- for management and staff bonuses
- for legal reserve – 5%
- for general reserve – 5%
- the remaining balance for development reserve

Effective from the year ended 31 December 2007 onward, the MoEF accepted the proposed 10% annual profit distribution from the PPWSA in its letter No. 2254, dated 2 May 2008. However, from 2012 onward, after the listing of the PPWSA, the distribution of dividends will be in accordance with the new status of the PPWSA, date 27 June 2012. The distribution of dividends shall be as follows:

The dividend policy shall be determined in line with the following criteria for profit allocation:

1. Compensation for losses incurred in previous years;
2. After the compensation for losses, the remaining profit, if any, shall be distributed as follows:
   i. Reward to management and employees as follows:
      (a) One month's salary for all employees if the net profit is between 5% and 10% of operating expenses
      (b) Two months' salary for all employees if the net profit is between 10% and 20% of operating expenses
      (c) Three months' salary for all employees if the net profit is more than 20% of operating expense
   ii. 2% for retirement benefits and disability benefits
   iii. 5% for legal reserve
   iv. 5% for general reserve
   v. 5% for social fund, which shall be recorded as an expense in the year of the transition; and

3. The remaining amount after the above allocations shall be allocated to:
   a. Reserve for future investments (retained earnings) subject to the Board of Director's approval
   b. The remaining balance after investment reserve is allocated to the MoEF and public investors at the ratio of 85% and 15%, respectively.

The use of reserves to pay for corporate social responsibility is in accordance with letter No. 284 from the Ministry of the Council of Ministers, dated 11 March 2010. Corporate social responsibility represents the development of a water supply system for military teams in several provinces. The work extended into 2011 in accordance with the letter of the Deputy Prime Minister Keat Chhon No. 2210 MEF, dated 22 April 2011.

16 Borrowings

(a) Agence Francaise De Development ("AfD") – Credit No. 1075 03 S

With reference to the credit facility agreement No.CKH 1075 03S dated 8 May 2009, the PPWSA was provided with a credit facility in a maximum amount of EUR16,000,000 from AfD.

The purpose of the credit facility is to finance the construction of the first tranche of a new water production facility in Niroth and extension of transmission and distribution network corresponding to the additional water production (Sub-package A). The annual interest is EURIBOR minus 1.35%. In no case is the rate to be less than 0.25% nor to exceed 5.21%. The floating rate was converted into a fixed rate at the end of the disbursement period of 0.88% starting from 1 December 2013.

The loan shall be repaid in 16 equal half-yearly instalments commencing on 30 November 2013 and ending on 31 May 2021. All transactions are carried out in EUR, both withdrawals and repayments.

The credit facility was secured by a comfort letter from MoEF and MIH.

(b) Ministry of Economy and Finance ("MoEF") – Japan International Cooperation Agency ("JICA")

With reference to the subsidiary loan agreement dated 18 May 2010, PPWSA was provided with a term loan in a maximum amount of JPY3,513,000,000 from MoEF.

The purpose of the loan is to finance the design and construction of the water treatment plant and transmission in Niroth (Sub-package B). The annual interest is 7.35% per annum.

The loan shall be repaid in 24 equal half-yearly instalments commencing on 20 September 2014 and ending on 20 March 2026. All transactions are carried out in USD, both withdrawals and repayments.

(c) AfD – Credit No. 6000 01 G

With reference to the credit facility agreement No.CKH 6000 01G dated 30 November 2006, amended on 25 March 2009 and 2 July 2010, PPWSA was provided with a credit facility in a maximum amount of EUR30,000,000 from AfD.

The purpose of the credit facility is to finance the extension of Chrouy Changvar Water Treatment Plant (Phase II) and extension of PPWSA's Distribution Network Project. The annual interest is EURIBOR minus 1.35%. In no case is the rate to be less than 0.25% nor to exceed 5.21%. The floating rate was converted into a fixed rate at the end of the disbursement period of 1.49% starting from 1 January 2011.

The loan shall be repaid in 17 equal half-yearly instalments commencing on 31 December 2010 and ending on 31 December 2018. All transactions are carried out in EUR, both withdrawals and repayments.

The Credit Facility was secured by a comfort letter from MoEF and MIH.

(d) MoEF – Asian Development Bank ("ADB")

With reference to the subsidiary loan agreement dated 5 May 1997, PPWSA was provided with a term loan in a maximum amount of KHR38,299,937,500 (SDR9,605,000) from MoEF.

The purpose of the loan is to finance the Provincial and Peri-urban Water and Sanitation Project. The annual interest is 6.5% per annum.

The loan shall be repaid in semi-annual instalments on 15 January and 15 July of each year, commencing from 2012. The foreign exchange risk resulting from any fluctuations between the value of the currency of the loan (SDR) and the currency used for repayment by PPWSA (KHR) shall be borne in full by the MoEF. The exchange rate (KHR/SDR) is fixed at the contract date.

(e) AfD – Credit No. 1121 01F

With reference to the credit facility agreement No.CKH 1121 01F dated 11 March 2013, PPWSA was provided with a credit facility in a maximum amount of EUR30,000,000 AfD.

The purpose of the credit facility is to finance the construction of the second tranche of the water production facility in Niroth and for the extension and optimization of the Phnom Penh transmission and distribution system. The annual interest is EURIBOR six-month rate minus 0.59%, capped at 5.19% per annum and with a minimum of 0.25% per annum.

The credit facility shall be repaid in 24 equally half-yearly including a grace period of four years. All transactions are carried out in EUR, both withdrawals and repayments.

The borrowings are broken down to their non-current and current portions as shown below:

			31 December 2016
	Current	**Non-current**	**Total**
	KHR'000	**KHR'000**	**KHR'000**
MoEF – JICA	**11,331,246**	**80,322,596**	**91,653,842**
AfD – Credit No. 1075 03 S	**8,593,053**	**29,973,473**	**38,566,526**
AfD – Credit No. 6000 01 G	**5,428,860**	**5,428,860**	**10,857,720**
MoEF – ADB	**2,277,981**	**31,334,134**	**33,612,115**
AfD – Credit No. 1121 01F	**7,064,618**	**104,557,156**	**111,621,774**
	34,695,758	**251,616,219**	**286,311,977**

			31 December 2015
	Current	Non-current	Total
	KHR'000	KHR'000	KHR'000
MoEF – JICA	11,566,429	90,061,399	101,627,828
AfD – Credit No. 1075 03 S	8,929,560	40,016,242	48,945,802
AfD – Credit No. 6000 01 G	5,637,200	11,274,400	16,911,600
MoEF – ADB	2,316,876	32,639,723	34,956,599
AfD – Credit No. 1121 01F	90,536	82,369,098	82,459,634
	28,540,601	**256,360,862**	**284,901,463**

The currency exposure profile of these borrowings is as follows:

	31 December 2016	31 December 2015
	KHR'000	KHR'000
Khmer Riel	33,612,115	34,956,600
United States Dollar	91,653,842	101,627,827
Euro	161,046,020	148,317,036
	286,311,977	284,901,463

The maturity dates of these borrowings are as follows:

	31 December 2016	31 December 2015
	KHR'000	KHR'000
Current		
Not later than one year	**34,695,758**	28,540,601
Non-current		
Later than one year but not later than two years	**38,688,970**	25,315,434
Later than two years but not later than five years	**95,498,405**	90,412,246
Later than five years	**117,428,844**	140,633,182
	286,311,977	284,901,463

17 Retirement benefit obligations

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

	31 December 2016	31 December 2015
	KHR'000	KHR'000
Present value of funded defined benefit obligations	**33,983,477**	29,852,391
Net liability recognized in statement of financial position	**33,983,477**	29,852,391

The movements in the defined benefit obligations during the financial year are as follows:

	2016	2015
	KHR'000	KHR'000
Balance 1 January	**29,852,391**	30,246,160
Current service cost	**1,603,964**	1,485,152
Interest cost	**2,432,094**	2,138,321
Benefits paid	**(1,063,987)**	(1,000,181)
Actuarial loss/(gain) on retirement obligation	**1,159,015**	(3,017,061)
Balance 31 December	**33,983,477**	29,852,391

The amounts recognised in the statement of comprehensive income are as follows:

	For the year ended 31 December 2016	For the year ended 31 December 2015
	KHR'000	KHR'000
Current service cost	1,603,964	1,485,152
Interest cost	2,432,094	2,138,321
	4,036,058	3,623,473

The principal actuarial assumptions are as follows:

	2016	2015
Discount rates	8.00%	8.00%
Salary growth rate (a)		
Withdrawal rates (b)		
Mortality rates (c)		

(a) Salary growth rate

The actuarial methodology prescribed by CIAS 19 *Employee Benefits* requires future salary increase to be estimated and allowed for when determining the actuarial liabilities and costs of the retirement benefit scheme ("the Scheme"). As the benefit under the Scheme is defined in relation to final gross salary just before retirement then the valuation requires an assumption to be determined with regard to further salary increases.

To determine the future long-term salary increment rate, two approaches were considered. One is based on inflation plus real salary growth model while the other based on historical salary increase experience.

Under the first approach, salary increment can be thought of being consisted of two major components as shown in the formula below:

Salary increment = Inflation + Real Salary Growth

Based on this approach, reasonable salary increment rates derived from inflation range from 5% to 7% per annum.

Under the second approach, salary increment analysis was performed on both historical salary data and salary scales. In addition, salary increments due to promotion within the class were analysed. Together with the salary scale revision of 10% every two years (approximately 5% per year), salary increment rates derived from historical salary increase experience can range from 7% to 9% per annum.

Based on the above, reasonable long-term salary increment rates can range from 5% to 9% per annum (i.e. 5% to 7% derived from inflation plus real salary growth model; 7% to 9% derived from historical salary increase experience). For the current valuation, a long term salary growth rate of 7% per annum was used.

(b) Withdrawal rates

The withdrawal rates are used in the valuation to estimate the number of members who would leave each year in the future before attaining normal retirement age. The higher the withdrawal rates, the lower the numbers of existing members expected to survive to normal retirement age. The withdrawal rates are usually linked to age or length of service e.g. older employees are less likely to resign than their younger counterparts.

For the current valuation, the withdrawal rates used are as follows:

Attained age	Withdrawal (Percentage)
20	2.3
25	1.8
30	1.2
35	0.8
40	0.6
45	0.7
50	0.5
55	0.2

(c) Mortality rates

In the absence of published mortality rates in Cambodia, the 2008 Thailand mortality life expectancy table modified to fit the Cambodian life expectancy was used in the current valuation. The 2008 Thailand mortality table is the latest published mortality table in Thailand.

The table below shows sample rates from the mortality table used:

Age	Mortality rates (% per annum)	
	Male	Female
20	0.2280	0.0769
25	0.2546	0.0849
30	0.2587	0.0949
35	0.2903	0.1194
40	0.3690	0.1519
45	0.4986	0.1957
50	0.6808	0.2984
55	1.0322	0.5343

18 Deferred government and other grants

	Government grant KHR'000	**JICA grant KHR'000**	**Other grant KHR'000**	**Total KHR'000**
Balance 1 January 2016	**5,091,956**	**24,313,102**	**805,888**	**30,210,946**
Amortisation	**(226,897)**	**(2,108,680)**	**(24,395)**	**(2,359,972)**
Balance 31 December 2016	**4,865,059**	**22,204,422**	**781,493**	**27,850,974**

	Government grant KHR'000	JICA grant KHR'000	Other grant KHR'000	Total KHR'000
Balance 1 January 2015	5,318,855	26,421,781	830,282	32,570,918
Amortisation	(226,899)	(2,108,679)	(24,394)	(2,359,972)
Balance 31 December 2015	5,091,956	24,313,102	805,888	30,210,946

Amortisation of deferred government and other grants is recognised as other income in the statement of profit or loss and other comprehensive income.

(a) Government Grant

The government grant represents the gain arising from a favourable difference in rates used for a fixed conversion (KHR/SDR) under the Subsidy Loan Agreement between the MoEF and the PPWSA on 5 May 1997 at the sum of SDR9,695,000 from the ADB. The PPWSA has decided to keep the gain on the PPWSA's books as a grant (no refund requirement on the gain) and the gain is to be amortised using the same policy as other deferred grants.

(b) JICA grants

JICA grants represent the project for introduction of clean energy by solar electricity generation system.

(c) Other grants

Other grants represent donations of property, plant and equipment from the Association International des Maires Francophones ("AIMF") and KUBOTA Construction Co., Ltd.

19 Deferred tax liabilities

The components and movements of deferred tax (liabilities)/assets are as follows:

Deferred tax liabilities/(assets)	**1 January 2016**	**Recognised in profit or loss (Note 29)**	**31 December 2016**
	KHR'000	**KHR'000**	**KHR'000**
Property, plant and equipment	**(40,871,882)**	**4,870,862**	**(36,001,020)**
Retirement benefit obligations	**5,970,478**	**(826,217)**	**5,144,261**
Allowance for inventory obsolesce	**13,845**	**(36,800)**	**(22,955)**
Allowance for doubtful debts	**522,858**	**-**	**522,858**
Bonus	**268,113**	**(192,663)**	**75,450**
Unrealised exchange	**121,839**	**(971,302)**	**(849,463)**
	(33,974,749)	**2,843,880**	**(31,130,869)**

Deferred tax liabilities/(assets)	1 January 2015	Recognised in profit or loss (Note 29)	31 December 2015
	KHR'000	KHR'000	KHR'000
Property, plant and equipment	(35,695,137)	(5,176,745)	(40,871,882)
Retirement benefit obligations	6,049,232	(78,754)	5,970,478
Allowance for inventory obsolesce	30,493	(16,648)	13,845
Allowance for doubtful debts	522,858	-	522,858
Bonus	613,947	(345,834)	268,113
Unrealised exchange	2,905,639	(2,783,800)	121,839
	(25,572,968)	(8,401,781)	(33,974,749)

20 Trade and other payables

	31 December 2016	31 December 2015
	KHR'000	KHR'000
Current		
Trade payables	**12,742,740**	14,826,156
Amount due to Phnom Penh Municipality	**11,144,116**	5,836,540
Accrued staff inventive	**5,583,208**	4,541,388
Unearned income	**1,386,346**	214,109
Performance guarantee	**107,351**	134,090
Deferred income	**5,278**	5,278
Other taxes payable	**182,846**	361,808
Other payables	**2,232,385**	1,388,631
Trade and other payable	**33,384,270**	27,308,000
Non-current		
Refundable water deposits (a)	**45,484,978**	39,925,380
Performance guarantee	**9,437,338**	6,329,871
	54,922,316	46,255,251
	88,306,586	73,563,251

(a) Refundable water deposits are collected from customers base on the size of the water meter prior to connection and are recorded at the received amount as refundable water deposits under non-current liabilities.

21 Revenue

	For the year ended 31 December 2016 KHR'000	For the year ended 31 December 2015 KHR'000
Water sales:		
- households	**76,718,229**	71,862,368
- commercial	**76,336,098**	67,703,270
- public administration institution	**7,216,641**	6,802,151
- autonomous state authorities	**400,973**	373,775
- wholesalers	**8,394,759**	5,101,555
Rounding difference on water sales revenue	**45,834**	34,942
Less: Invoice cancellations	**(2,348,849)**	(372,046)
	166,763,685	151,506,015
Water connection revenue	**9,078,003**	7,572,567
Water meter replacement charges	**2,792,658**	2,619,332
Spare parts and meter sales	**372,155**	330,181
	179,006,501	162,028,095

22 Construction service fees

Construction service fees represent fees from construction services provided in relation to the replacement and expansion of the water distribution system to provinces.

23 Other income

	For the year ended 31 December 2016 KHR'000	For the year ended 31 December 2015 KHR'000
Government and other grants	**2,359,972**	2,359,972
Spare parts and meter sales	**8,935,618**	7,110,452
Penalty revenues	**425,361**	156,244
Other revenues	**2,031,562**	1,724,684
	13,752,513	11,351,352

24 Salary, wages and related expenses

	For the year ended 31 December 2016 KHR'000	For the year ended 31 December 2015 (Restated) KHR'000
Employee salaries	**15,951,471**	12,575,754
Incentives	**8,518,717**	7,537,915
Bonuses	**4,485,966**	3,522,650
Retirement benefit costs	**1,978,952**	2,266,526
Wages for contractors	**899,342**	717,408
Other employee-related expense	**4,308,246**	4,031,244
	36,142,694	30,651,497

25 Raw materials for water treatment

	For the year ended 31 December 2016 KHR'000	For the year ended 31 December 2015 KHR'000
Poly Aluminium Chloride	**3,536,543**	2,386,128
Chlorine	**2,637,784**	3,131,327
Salt	**110,171**	-
Alum	**-**	10,127
Other materials	**229,918**	242,992
	6,514,416	5,770,574

26 Raw materials for household water connections

	For the year ended 31 December 2016 KHR'000	For the year ended 31 December 2015 KHR'000
Materials for house connection	**6,999,471**	3,874,513
Consumer water meter replacement	**1,800,458**	2,522,076
Pipe costs	**145,661**	166,780
Other costs	**743,474**	596,709
	9,689,064	7,160,078

27 Foreign exchange gain/(loss) – net

	For the year ended 31 December 2016 KHR'000	For the year ended 31 December 2015 KHR'000
Foreign exchange gains	**6,478,526**	5,810,405
Foreign exchange losses	**(5,603,442)**	(8,868,070)
	875,084	(3,057,665)

28 Finance income/(costs)

	For the year ended 31 December 2016 KHR'000	For the year ended 31 December 2015 KHR'000
Finance income:		
- Interest income on bank deposits (a)	**13,276,311**	8,467,224
- Interest income from customer	-	68
- Unwinding of concessional loan discount to employees	-	168,138
- Net Foreign exchange gain on borrowings, fixed deposits and current account	**6,895,730**	24,548,203
- Interest income on loan to Pursat Water Supply	**21,558**	26,833
	20,193,599	33,210,466
Finance costs:		
- Interest adjustment (expense) on borrowing (b)	**(10,268,969)**	(11,103,159)
- Foreign exchange loss on borrowings	**(7,186,158)**	(9,054,405)
- Interest expense capitalised on qualifying assets	**383,344**	287,706
	(17,071,783)	(19,869,858)

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

(b) Interest expense on borrowings represents the interest charges and interest adjustments, if any, on the loans obtained from AFD and the subsidiary loans obtained from the MoEF, which are funded through loans obtained from the ADB and JICA.

29 Income tax expense

	For the year ended 31 December 2016 KHR'000	For the year ended 31 December 2015 KHR'000
Income tax expense:		
Current year	**13,003,050**	5,649,396
Deferred tax expense (Note 19):		
Origination and reversal of temporary differences	**(2,843,880)**	8,401,780
Total tax expense	**10,159,170**	14,051,176

Under the Cambodia Law on Taxation, PPWSA has an obligation to pay tax on profit at 20% of taxable profit or a minimum tax at 1% of total turnover, whichever is higher.

A reconciliation between the estimated tax expense and the product of accounting profit multiplied by the applicable tax rate of PPWSA is as follows:

	For the year ended 31 December 2016 KHR'000	For the year ended 31 December 2015 KHR'000
Profit before tax	**60,591,289**	67,983,246
Tax at Cambodian statutory tax rate of 20%	**12,118,258**	13,596,649
Temporary differences	**(2,843,880)**	-
Effect of non-deductible expenses	**884,792**	454,527
Total tax expense	**10,159,170**	14,051,176

30 Earnings per share

	For the year ended 31 December 2016	For the year ended 31 December 2015
Profit attributable to ordinary equity holders (KHR'000)	**49,273,104**	56,949,131
Weighted average number of ordinary shares in issue	**86,973,162**	86,973,162
Basic and diluted earnings per share	**566.53**	654.79

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.

PPWSA has no dilutive potential ordinary shares as at the year end. As such, the diluted earnings per share were equivalent to the basic earnings per share.

31 Dividends

	31 December 2016 Dividend per share KHR	**31 December 2016** Amount of dividend KHR'000	31 December 2015 Dividend per share KHR	31 December 2015 Amount of dividend KHR'000
Dividends paid	152.57	13,269,490	105.20	9,149,577

On 28 March 2016, the Board of Directors approved the declaration of dividends in respect of the year ended 31 December 2015 of KHR 152 per share, amounting to a total dividend of KHR 13,269 million. The dividends were subsequently paid on 27 April 2016.

32 Related party transactions

(a) Parties are considered related to PPWSA if PPWSA has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where PPWSA and the party are subject to common control or common significant influence. Related parties can be individuals or other parties.

Key management personnel comprises persons (including the Directors of PPWSA) having the authority and responsibility for planning, directing and controlling the activities of PPWSA directly and indirectly.

(b) PPWSA had the following transactions with related parties during the financial year.

Related party	**Relation**	**Transaction**	**For the year ended 31 December 2016 KHR'000**	For the year ended 31 December 2015 KHR'000
MoEF	Common control	Interest on borrowings expense	**9,244,006**	10,009,758
Pursat Water Supply	Common control	Interest on loan received	**21,558**	26,833

(c) Compensation of key management personnel
Key management compensation during the financial period is as follows:

	For the year ended 31 December 2016 KHR'000	For the year ended 31 December 2015 KHR'000
Salaries and other expenses	**2,546,300**	3,457,770
Retirement benefits	**20,642**	102,876
	2,566,942	**3,560,646**

Balances with related parties at the end of the reporting period are disclosed in Note 8 and Note 16 to the financial statements.

33 Capital commitments

PPWSA has commitments for capital expenditure in respect of:

	For the year ended 31 December 2016 KHR'000	For the year ended 31 December 2015 KHR'000
Construction of water treatment plant	**14,022,466**	33,890,892
Consultation services	**6,814**	1,313,300
Purchase of iron pipes, fitting and accessories	**366,049**	2,547,962
Information system	**-**	951,904
	14,395,329	38,704,058

34 Financial instruments

34.1 Capital management

The primary objective of PPWSA's capital management is to ensure that PPWSA would be able to continue as a going concern whilst maximising the return to shareholders through the optimisation of the debt and equity ratios. The overall strategy of PPWSA remains unchanged from that in the previous financial year.

PPWSA manages its capital structure and makes adjustments to it, in response to changes in economic conditions. In order to maintain or adjust the capital structure, PPWSA may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2016 and 31 December 2015.

PPWSA monitors and maintains a prudent level of total debts and to ensure compliance with any externally imposed capital requirements.

34.2 Categories of financial instruments

	Loans and receivables	
	31 December 2016 KHR'000	31 December 2015 KHR'000
Financial assets		
Short-term investments	**148,271,384**	194,457,564
Trade and other receivables	**34,994,545**	34,315,104
Cash and bank balances	**16,386,849**	12,555,435
Loans to employees	**5,608,787**	5,608,787
Loan to Pursat Water Supply	**123,112**	110,445
	205,384,677	247,047,335

	Other financial liabilities	
	31 December 2016 KHR'000	31 December 2015 KHR'000
Financial liabilities		
Borrowings	**286,311,977**	284,901,463
Trade and other payables	**88,306,586**	73,563,251
	374,618,563	358,464,714

34.3 Methods and assumptions used to estimate fair value

The fair values of financial assets and financial liabilities are determined as follows:

(i) Financial instruments that are not carried at fair value and whose carrying amounts are a reasonable approximation of fair value.

The carrying amounts of financial assets and liabilities, such as trade and other receivables, trade and other payables and borrowings, are reasonable approximation of fair value, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

The carrying amounts of the current portion of loan to Pursat Water Supply and borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

(ii) Fixed rate loans
The fair value of these financial instruments are estimated by discounting expected future cash flows at market incremental lending rate for similar types of borrowings at the end of the reporting period.

34.4 Fair value hierarchy

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability

35 Financial risk management objectives and policies

The financial risk management objective of PPWSA is to optimise value creation for its shareholders whilst minimising the potential adverse impact arising from volatility of the financial markets.

The Directors are responsible for setting the objectives and underlying principles of financial risk management for PPWSA. The Board of Directors then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement and exposure limits in accordance with the objectives and underlying principles approved by the Directors.

Information on the management of the related exposure is detailed below:

35.1 Credit risk

Credit risk is the risk of financial loss to PPWSA if a counter party to a financial instrument fails to perform as contracted. PPWSA is mainly exposed to credit risk from credit sales. It is PPWSA's policy to monitor the financial standing of these counter parties on an ongoing basis to ensure that PPWSA is exposed to minimal credit risk.

PPWSA's primary exposure to credit risk arises through its trade receivables from its customers. The credit period is one month for households and business customers and one year for government departments and PPWSA seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by the Board of Directors.

PPWSA's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at 31 December, as summarised below:

	31 December 2016	31 December 2015
	KHR'000	KHR'000
Trade and other receivables	**34,994,545**	34,315,104
Cash and bank balances	**16,386,849**	12,555,435
	51,381,394	46,870,539

(i) 42% (2015: 40%) of PPWSA's trade receivables were due from household customers.
(ii) 34% (2015: 32%) of PPWSA's trade receivables were due from commercial customers.
(iii) 21% (2015: 25%) of PPWSA's trade receivables were due from public administrative customers.

To manage the risk on trade receivables, PPWSA requires a deposit before the water meter connection is made. No deposit is required for government departments as PPWSA believes that it can collect from those departments through the MoEF (the source of finance for those departments), which is PPWSA's financial supervisor and shareholder.

A deposit deduction policy is applied to customers who have not settled their debts in accordance with credit terms and conditions.

To minimise credit risk on cash at banks and short-term investments (bank fixed deposits), PPWSA has diversifies its deposits with different banks using a few large and well-known local banks operating in Cambodia.

35.2 Liquidity and cash flow risk

Liquidity and cash flow risk arises from PPWSA's management of working capital. It is the risk that PPWSA will encounter difficulty in meeting its financial obligations when due.

PPWSA actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all operating, investing and financing needs are met. In liquidity risk management strategy, PPWSA maintains a level of cash and cash equivalents deemed adequate to finance PPWSA's activities.

The maturity analysis for financial liabilities that shows the remaining contractual maturities based on undiscounted cash flows is as follows:

	On demand or within one year	**One to five years**	**Over five years**	**Total**
	KHR'000	**KHR'000**	**KHR'000**	**KHR'000**
31 December 2016				
Borrowings	**34,695,758**	**35,402,333**	**216,213,886**	**286,311,977**
Trade and other payables	**33,384,270**	**9,437,338**	**45,484,978**	**88,306,586**
	68,080,028	**44,839,671**	**261,698,864**	**374,618,563**

	On demand or within one year	One to five years	Over five years	Total
	KHR'000	KHR'000	KHR'000	KHR'000
31 December 2015				
Borrowings	28,540,601	51,290,642	205,070,220	284,901,463
Trade and other payables	27,308,000	6,329,871	39,925,380	73,563,251
	55,848,601	57,620,513	244,995,600	358,464,714

35.3 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument would fluctuate because of changes in foreign exchange rates.

PPWSA holds cash and cash equivalents and short-term investments denominated in foreign currencies. At the end of each reporting period, such foreign currency balances in USD amounted to KHR5,241 million (2015: KHR3,830 million) and KHR148,271 million (2015: KHR194,457 million), respectively, for PPWSA.

Borrowings of PPWSA from AfD and JICA denominated in EUR and USD amounted to KHR161,046 million (2015: KHR148,317 million) and KHR91,653 million (2015: KHR101,627 million), respectively.

The following table demonstrates the sensitivity analysis of PPWSA to a reasonably possible change in the USD and EUR exchange rates against the functional currency of PPWSA, with other variables held constant:

		For the year ended 31 December 2016	For the year ended 31 December 2015
Profit after tax		**KHR'000**	KHR'000
USD/KHR	- strengthen by 3% (2015: 3%)	**178,475**	2,319,840
	- weaken by 3% (2015: 3%)	**(178,475)**	(2,319,840)
EUR/KHR	- strengthen by 3% (2015: 3%)	**(12,501)**	(3,559,609)
	- weaken by 3% (2015: 3%)	**12,501**	3,559,609

35.4 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments of PPWSA would fluctuate because of changes in market interest rates.

The exposure of PPWSA to interest rate risk arises primarily from loans and borrowings. PPWSA manages its interest rate exposure by closely monitoring the debt market and where necessary, maintaining a prudent mix of fixed and floating rate borrowings. PPWSA does not use derivative financial instruments to hedge any debt obligations.

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity analysis of PPWSA if interest rates at the end of reporting period changed by 10 basis points with all other variables held constant:

	For the year ended 31 December 2016	For the year ended 31 December 2015
	KHR'000	KHR'000
Profit net of tax		
- Increased by 0.1% (2015: 0.1%)	**9,886**	35,607
- Decreased by 0.1% (2015: 0.1%)	**(9,886)**	(35,607)

36 Segment information

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 93% of the total revenue of PPWSA.

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 accesses the performance of the reportable segment by measuring gross revenue, profit before tax and net profit compared to prior periods.

37 Taxation contingencies

As at the reporting date, the comprehensive tax audits for PPWSA's tax returns for the financial years ended 31 December 2013 and 2014 are in process. PPWSA has not yet received notification of any tax reassessment audit for the financial years ended 31 December 2015 and 2016.

The taxation system in Cambodia is relatively new and is characterised by numerous taxes and frequently changing legislation, which is often unclear, contradictory, and subject to interpretation. Often, differing interpretations exist among numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges. These facts may create tax risks in Cambodia substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects could be significant.

38 Restatement of previously issued financial statements

The statement of financial position as at 31 December 2015 was restated to reflect tax receivables of KHR'000 5,312,052 as part of current assets instead of offsetting it with current tax liabilities and the statement of comprehensive income was restated to classify the retirement benefit cost contributed by PPWSA. The table below summarises the effects of these restatements:

a. Effects on the statement of financial position

	31 December 2015					
	Audited		Adjustment		Restated	
	Dr	Cr	Dr	Cr	Dr	Cr
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000
Current assets						
Tax receivables	-	-	5,312,052	-	5,312,052	-
Current liabilities						
Current tax liabilities	-	3,649,094	-	5,312,052	-	8,961,146

b. Effects on the statement of comprehensive income

	31 December 2015					
	Audited		Adjustment		Restated	
	Dr	Cr	Dr	Cr	Dr	Cr
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000
Salary, wages and related expense						
Employee salaries	11,218,807	-	1,356,947	-	12,575,754	-
Retirement benefit costs	3,623,473	-	-	1,356,947	2,266,526	-

39 Post-reporting date events

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation of these financial statements.

40 Authorisation of the financial statements

The financial statements for the year ended 31 December 2016 were approved by the Board of Directors on 27 March 2017.