

Registration No:
Co.0839 Et/2012

**PHNOM PENH WATER SUPPLY AUTHORITY
(INCORPORATED IN CAMBODIA)**

**CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2015**

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

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**REPORT ON THE REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION TO THE SHAREHOLDERS OF PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)
(Registration No: Co.0839 Et/2012)**

Introduction

We have reviewed the accompanying condensed statement of financial position of the Phnom Penh Water Supply Authority (“PPWSA”) as at 31 March 2015, and the related condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended, and condensed notes to the interim financial information (collectively known as “Condensed Interim Financial Information”). The Directors of the PPWSA are responsible for the preparation of and presentation of the Condensed Interim Financial Information. Our responsibility is to express a conclusion on this Condensed Interim Financial Information based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Condensed Interim Financial Information of the PPWSA are not presented fairly, in all material respects, in accordance with Cambodian International Accounting Standard 34 *Interim Financial Reporting*.


BDO (Cambodia) Limited

Phnom Penh, Cambodia
Date: 5 June 2015

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCHH 2015

	Note	Unaudited as at 31.3.2015 KHR'000	Audited as at 31.12.2014 KHR'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	896,621,247	874,742,665
Intangible assets		2,663,867	2,857,617
Loan to Pursat Water Supply		458,151	492,540
		<u>899,743,265</u>	<u>878,092,822</u>
Current assets			
Inventories		36,212,417	40,501,860
Trade and other receivables		35,508,081	30,624,905
Loan to Pursat Water Supply		99,431	97,365
Loan to employees		5,608,787	5,440,649
Short-term investments	5	204,326,699	196,331,331
Cash and bank balances		17,152,055	14,962,141
		<u>298,907,470</u>	<u>287,958,251</u>
TOTAL ASSETS		<u>1,198,650,735</u>	<u>1,166,051,073</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		541,227,282	541,227,282
Reserves	6	185,791,771	149,193,437
Retained earnings		21,688,306	45,747,909
TOTAL EQUITY		<u>748,707,359</u>	<u>736,168,628</u>
LIABILITIES			
Non-current liabilities			
Borrowings	7	239,751,384	251,256,517
Retirement benefit obligations	8	30,688,492	30,246,160
Deferred government and other grants	9	31,980,925	32,570,918
Deferred tax liabilities		29,363,973	25,572,968
Trade and other payables	10	39,608,826	36,979,375
		<u>371,393,600</u>	<u>376,625,938</u>
Current liabilities			
Trade and other payables	10	35,483,699	21,509,970
Borrowings	7	29,931,400	28,837,249
Dividend payable	11	9,149,577	-
Current tax liabilities		3,985,100	2,909,288
		<u>78,549,776</u>	<u>53,256,507</u>
TOTAL LIABILITIES		<u>449,943,376</u>	<u>429,882,445</u>
TOTAL EQUITY AND LIABILITIES		<u>1,198,650,735</u>	<u>1,166,051,073</u>

The Condensed Statement of Financial Position should be read in conjunction with the audited financial information for the financial year ended 31 December 2014 and the accompanying explanatory notes attached to this interim financial report.

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Unaudited	
		Three-month period ended 31.3.2015 ⁽¹⁾ KHR'000	31.3.2014 ⁽²⁾ KHR'000
Revenue:			
Sales		38,487,940	32,771,934
Construction service fee		4,565,227	64,032
Other income		2,579,984	1,421,767
		<u>45,633,151</u>	<u>34,257,733</u>
Expenses:			
Depreciation and amortisation charges		(8,437,419)	(7,954,781)
Electricity costs ⁴		(7,269,687)	(6,693,790)
Salaries, wages and related expense		(7,257,461)	(5,445,369)
Raw materials for water treatment		(1,273,325)	(1,150,621)
Raw materials for household water connections		(1,967,450)	(1,631,262)
Repairs and maintenance		(1,179,402)	(882,177)
Construction service expense		(3,690,641)	(113,260)
Other operating expenses		(725,981)	(1,498,898)
Foreign exchange (loss)/gain – net		(4,742,988)	748,777
Operating profit		9,088,797	9,636,352
Finance income	12	20,767,419	2,290,684
Finance costs	12	(2,716,232)	(3,462,977)
Profit before income tax		27,139,984	8,464,059
Tax expense	13	(5,471,243)	(3,115,221)
Profit for the period		21,668,741	5,348,838
Other comprehensive income, net of tax			
Items that will not be reclassified to profit or loss:			
Actuarial gain on retirement benefit obligation		19,567	-
Total comprehensive income for the period		<u>21,688,308</u>	<u>5,348,838</u>
Earnings per share (expressed in KHR) attributable to shareholders of PPWSA during the period are as follows:			
Basic earnings per share	14	249.36	61.50
Diluted earnings per share	14	249.36	61.50

Notes:

(1) *The Condensed Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014 and the accompanying explanatory notes attached to this interim financial report.*

(2) *The comparative figures for the corresponding period were reviewed but not audited.*

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2015

	Note	Share capital KHR'000	Reserves KHR'000	Retained earnings KHR'000	Total KHR'000
Unaudited					
Balance as at 1.1.2015		541,227,282	149,193,437	45,747,909	736,168,628
Profit for the period		-	-	21,668,741	21,668,741
Actuarial gain on retirement benefit obligation		-	-	19,567	19,567
Total comprehensive income for the period		-	-	21,688,308	21,688,308
<i>Transactions with owners</i>					
Transfer to reserves	6	-	36,598,334	(36,598,334)	-
Dividend payable	11	-	-	(9,149,577)	(9,149,577)
Total transaction with owners		-	36,598,334	(45,747,911)	(9,149,577)
Balance as at 31.3.2015		<u>541,227,282</u>	<u>185,791,771</u>	<u>21,688,306</u>	<u>748,707,359</u>
Balance as at 1.1.2014		541,227,282	115,866,320	38,088,028	695,181,630
Profit for the period, representing total comprehensive income		-	-	5,348,838	5,348,838
<i>Transactions with owners</i>					
Transfer to reserves		-	33,327,117	(33,327,117)	-
Dividend payable		-	-	(4,760,913)	(4,760,913)
Total transaction with owners		-	33,327,117	(38,088,030)	(4,760,913)
Balance as at 31.3. 2014		<u>541,227,282</u>	<u>149,193,437</u>	<u>5,348,836</u>	<u>695,769,555</u>

Notes:

(1) *The Condensed Statement of Change in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014 and the accompanying explanatory notes attached to this interim financial report.*

(2) *The comparative figures for the corresponding period were reviewed but not audited.*

**PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)**

**CONDENSED STATEMENT OF CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2015**

	Note	Unaudited	
		Three-month period ended 31.3.2015 ⁽¹⁾	31.3.2014 ⁽²⁾
		KHR'000	KHR'000
Cash flows from operating activities			
Profit before tax		27,139,984	8,464,059
Adjustments for:			
Amortisation of intangible assets		193,750	197,691
Amortisation of deferred government and other grants		(589,993)	(589,993)
Depreciation of property, plants and equipment	4	8,243,668	7,732,703
Finance income		(2,403,980)	(2,290,684)
Finance costs		2,716,232	3,462,977
Property, plant and equipment written off		13,595,486	-
Retirement benefit obligation expense	8	692,378	623,491
		<u>49,587,525</u>	<u>17,600,244</u>
Operating profit before working capital changes			
Changes in working capital:			
Inventories		4,289,443	1,119,674
Trade and other receivables		(5,811,002)	(570,465)
Trade and other payables		(14,455,012)	2,359,477
Refundable water deposits		910,251	1,078,277
		<u>34,521,205</u>	<u>21,587,207</u>
Cash generated from operations			
Income tax paid		(604,426)	(1,623,664)
Retirement benefit paid		(230,479)	(216,661)
		<u>33,686,300</u>	<u>19,746,882</u>
Net cash from operating activities			
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(16,145,160)	(18,345,552)
Loan repayments from Pursat Water Supply		32,323	19,496
Short-term investments		(7,995,368)	(16,888,293)
Interest received		3,163,668	2,320,047
		<u>(20,944,537)</u>	<u>(32,894,302)</u>
Net cash used in investing activities			

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

CONDENSED STATEMENT OF CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2015 (continued)

	Unaudited	
	Three-month period ended	31.3.2014⁽²⁾
	31.3.2015⁽¹⁾	31.3.2014⁽²⁾
	KHR'000	KHR'000
Cash flows from financing activities		
Proceeds from borrowings	5,359,516	15,236,622
Interest paid	(140,867)	(5,043,583)
Repayments of borrowings	<u>(15,770,498)</u>	<u>(652,794)</u>
Net cash (used in)/from financing activities	<u>(10,551,849)</u>	<u>9,540,245</u>
Net increase/(decrease) in cash and cash equivalents	<u>2,189,914</u>	<u>(3,607,175)</u>
Cash and cash equivalents at the beginning of period	<u>14,962,141</u>	<u>10,568,715</u>
Cash and cash equivalents at the ending of period	<u><u>17,152,055</u></u>	<u><u>6,961,540</u></u>

Notes:

(1) The Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014 and the accompanying explanatory notes attached to this interim financial report.

(2) The comparative figures for the corresponding period were reviewed but not audited.

**PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)**

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2015**

1. CORPORATE INFORMATION

The Phnom Penh Water Supply Authority (“PPWSA”) 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 headquarter in Phnom Penh. The PPWSA is acknowledged as having the economic characteristics of a public enterprise by the Ministry of Commerce under the registration number Co.0839 Et/2012, dated 27 March 2012.

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

This condensed interim financial information are presented in Khmer Riel (“KHR”), which is also the financial currency of the PPWSA.

The condensed interim financial information were authroised for issue by the Board of the Directors on 5 June 2015.

2. PRINCIPAL ACTIVITIES

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

- Invest in, build, enlarge, operate, repair and maintain the means of water sanitation and distribution;
- Manage devices to increase water 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 the PPWSA in accordance with government policy; and
- Ensure sustainable production processes, business and finance for the public interest.

3. BASIS OF PREPARATION

The interim financial report is unaudited and has been prepared in accordance with Cambodian International Accounting Standard 34 *Interim Financial Reporting*. The interim financial report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014 and the accompanying explanatory notes attached herein.

The explanatory notes provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the PPWSA since the year ended 31 December 2014.

The accounting policies and methods of computation adopted are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2014 except for the adoption of the following amendments:

	Effective Date
Amendments to CIAS 19 <i>Defined Benefit Plans: Employee Contributions</i>	1 July 2014
Amendments to CIFRSs <i>Annual Improvements 2010 - 2012 Cycle</i>	1 July 2014
Amendments to CIFRSs <i>Annual Improvements 2011 - 2013 Cycle</i>	1 July 2014

3. BASIS OF PREPARATION (continued)

There is no material impact upon the adoption of these amendments.

The following are accounting standards and amendments that have been issued but have not been early adopted by the PPWSA:

	Effective Date
CIFRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2016
Amendments to CIFRS10 and CIAS 28 <i>Sale or Contribution of Assets between an Investor and its Associate and Joint Venture</i>	1 January 2016
Amendments to CIAS 16 and CIAS 38 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to CIFRS 11 <i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
Amendments to CIAS 16 <i>Property, Plant and Equipment</i> and CIAS 41 <i>Agriculture</i>	1 January 2016
Amendments to CIAS 27 <i>Equity Method in Separate Financial Statements</i>	1 January 2016
Amendments to CIFRSs <i>Annual Improvements 2012 - 2014 Cycle</i>	1 January 2016
CIFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2017
CIFRS 9 <i>Financial Instruments</i> (issued by IASB in July 2014)	1 January 2018

The PPWSA is in the process of assessing the impact of implementing these accounting standards and amendments, since the effects would only be observable for the future financial years.

4. PROPERTY, PLANT AND EQUIPMENT

	KHR'000
For the three-month period ended 31.3.2015	
<i>Net carrying amount</i>	
Balance at 1.1.2015	874,742,665
Additions	43,717,736
Written-off	(13,595,486)
Depreciation charged	(8,243,668)
Balance at 31.3.2015 (unaudited)	<u>896,621,247</u>
For the three-month period ended 31.3.2014	
<i>Net carrying amount</i>	
Balance at 1.1.2014	835,552,690
Additions	5,513,888
Depreciation charged	(7,732,703)
Balance at 31.3.2014 (unaudited)	<u>833,333,875</u>

During the financial period, the PPWSA made the following cash payment to purchase property, plant and equipment:

	Unaudited	
	Three-month period ended	
	31.3.2015	31.3.2014
	KHR'000	KHR'000
Additions	43,717,736	5,513,888
(Increase)/Decrease in payables and performance guarantee	(27,555,000)	12,864,480
Interest capitalised on qualifying assets	(17,576)	(32,816)
Cash payment for purchase of property, plant and equipment	<u>16,145,160</u>	<u>18,345,552</u>

5. SHORT-TERM INVESTMENTS

These represent fixed deposits placed with financial institutions for a period of between four and twelve months and earn interest at rates ranging from 4% to 5% per annum.

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

6. RESERVES

	Capital reserve KHR'000	Legal reserve KHR'000	General reserve KHR'000	Development reserve KHR'000	Total KHR'000
As at 1.1.2015	1,648,435	13,103,537	13,103,536	121,337,928	149,193,437
Transfer from retained earnings	-	2,287,396	2,287,396	32,023,542	36,598,334
As at 31.3.2015	<u>1,648,435</u>	<u>15,390,933</u>	<u>15,390,932</u>	<u>153,361,470</u>	<u>185,791,771</u>

On 25 March 2015, the Board of Directors approved the transfer of retained earnings to reserves amounting to KHR36,598 million.

In accordance with the PPWSA's Articles of Incorporation, article 44, dated 27 June 2012, the PPWSA's profit, after offsetting with losses carried forward (if any), can be used as follows:

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

7. BORROWINGS

	Unaudited 31.3.2015 KHR'000	Audited 31.12.2014 KHR'000
Borrowings from:		
Agence Francaise De Development (“AfD”) – Credit No.1075 03 S	56,884,654	64,719,905
MoEF – Japanese International Cooperation Agency (“JICA”)	112,201,532	112,000,290
AfD – Credit No. 6000 01 G	22,208,206	25,228,717
MoEF – Asian Development Bank (“ADB”)	35,066,622	34,502,635
AfD – Credit No. 1121 01 F	43,321,770	43,642,219
	<u>269,682,784</u>	<u>280,093,766</u>

7. BORROWINGS (continued)

The maturity dates of these borrowings are as follows:

	Unaudited 31.3.2015 KHR'000	Audited 31.12.2014 KHR'000
Current		
Not later than one year	<u>29,931,400</u>	<u>28,837,249</u>
Non-current		
Later than one year but not later than two years	24,949,777	27,101,361
Later than two year but not later than five years	82,851,986	88,592,619
Later than five years	<u>131,949,621</u>	<u>135,562,537</u>
	<u>239,751,384</u>	<u>251,256,517</u>
	<u>269,682,784</u>	<u>280,093,766</u>

8. RETIREMENT BENEFIT OBLIGATIONS

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

	Unaudited 31.3.2015 KHR'000	Audited 31.12.2014 KHR'000
Present value of defined benefit obligation	30,688,492	30,246,160
Fair value of plan asset	<u>-</u>	<u>-</u>
Unfunded status	<u>30,688,492</u>	<u>30,246,160</u>
Liability recognised in statement of financial position	<u>30,688,492</u>	<u>30,246,160</u>

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

	Unaudited Three-month period ended	
	31.3.2015 KHR'000	31.3.2014 KHR'000
Balance at 1 January	30,246,160	28,362,224
Current service cost	341,307	294,287
Interest cost	351,071	329,204
Benefit paid	(230,479)	(216,661)
Actuarial gain	<u>(19,567)</u>	<u>-</u>
Balance at 31 March	<u>30,688,492</u>	<u>28,769,054</u>

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

	Unaudited Three-month period ended	
	31.3.2015 KHR'000	31.3.2014 KHR'000
Current service cost	341,307	294,287
Interest cost	<u>351,071</u>	<u>329,204</u>
	<u>692,378</u>	<u>623,491</u>

9. DEFERRED GOVERNMENT AND OTHER GRANTS

	Government grant KHR'000	JICA grant KHR'000	Other grants KHR'000	Total KHR'000
Balance at 1.1.2015	5,318,855	26,421,781	830,282	32,570,918
Amortisation charges	<u>(56,724)</u>	<u>(527,170)</u>	<u>(6,099)</u>	<u>(589,993)</u>
Balance at 31.3.2015	<u>5,262,131</u>	<u>25,894,611</u>	<u>824,183</u>	<u>31,980,925</u>
Balance at 1.1.2014	5,545,754	28,530,460	854,676	34,930,890
Amortisation charges	<u>(56,724)</u>	<u>(527,170)</u>	<u>(6,099)</u>	<u>(589,993)</u>
Balance at 31.3.2014	<u>5,489,030</u>	<u>28,003,290</u>	<u>848,577</u>	<u>34,340,897</u>

10. TRADE AND OTHER PAYABLES

	Unaudited 31.3.2015 KHR'000	Audited 31.12.2014 KHR'000
Current		
Trade payables	21,188,885	11,176,434
Performance guarantee	340,770	227,999
Accrued staff incentive	4,184,694	3,797,399
Amount due to Phnom Penh Municipality	6,098,951	3,732,133
Unearned income	650,330	871,434
Deferred income	5,278	5,278
Other taxes payable	667,552	167,284
Other payables	<u>2,347,239</u>	<u>1,532,009</u>
	<u>35,483,699</u>	<u>21,509,970</u>
Non-current		
Refundable water deposits	37,194,096	36,283,845
Performance guarantee	<u>2,414,730</u>	<u>695,530</u>
	<u>39,608,826</u>	<u>36,979,375</u>

11. DIVIDEND PAYABLE

On 25 March 2015, Board of Directors proposed and approved the dividend in respect of the year ended 31 December 2014 of KHR105.20 per share, amounting to a total dividend of KHR9,149 million.

12. FINANCE INCOME/(COSTS)

	Unaudited	
	Three-month period ended	
	31.3.2015	31.3.2014
	KHR'000	KHR'000
Finance income:		
- Interest income on bank deposits (a)	2,228,737	2,027,425
- Unwind concessional loan discount to employees	168,138	255,051
- Net foreign exchange gain on borrowings	18,363,439	-
- Interest income on loans to Pursat Water Supply	7,105	8,208
	<u>20,767,419</u>	<u>2,290,684</u>
Finance costs:		
- Interest expense on borrowings (b)	(2,733,808)	(2,905,429)
- Net foreign exchange losses on borrowings	-	(590,364)
- Interest expense capitalised on qualifying assets	17,576	32,816
	<u>(2,716,232)</u>	<u>(3,462,977)</u>
	<u><u>18,051,187</u></u>	<u><u>(1,172,293)</u></u>

- (a) Interest income represents interest earned from savings and deposit accounts held at local banks during the period.
- (b) Interest expense represents the interest charges on the loan obtained from AfD and the subsidiary loans obtained from the MoEF, which are funded through loans obtained from the ADB and JICA.

13. TAX EXPENSE

Under the Law on Taxation, the PPWSA has an obligation to pay Tax on Profit at 20% (2014: 18%) of taxable profit or minimum tax at 1% of total turnover, whichever is higher. The reduction of 2% to the applicable tax rate in 2014 is an incentive given by the Securities Exchange Commission of Cambodia for three years from 2012 to 2014. The tax rate will revert to 20% for the current financial year ending 31 December 2015.

14. EARNINGS PER SHARE

- (a) Basic earnings per share

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

	Unaudited	
	Three-month period ended	
	31.3.2015	31.3.2014
Profit attributable to equity holders (KHR'000)	21,688,308	5,348,838
Weighted average number of shares	<u>86,973,162</u>	<u>86,973,162</u>
Basic earnings per share (KHR)	<u>249.36</u>	<u>61.50</u>

- (b) Diluted earnings per share

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

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

15. RELATED PARTY TRANSACTIONS

- (a) The PPWSA had the following transactions with related parties during the financial period.

	Unaudited	
	Three-month period ended	
	31.3.2015	31.3.2014
	KHR'000	KHR'000
<u>Common Control</u>		
MoEF		
Interest on borrowings paid	2,515,064	2,503,196
Pursat Water Supply		
Interest on loans paid	<u>7,105</u>	<u>8,208</u>

- (b) Compensation of key management personnel

Key management compensation during the financial period is as follows:

	Unaudited	
	Three-month period ended	
	31.3.2015	31.3.2014
	KHR'000	KHR'000
Salaries and other expenses	863,779	619,508
Retirement benefits	<u>25,719</u>	<u>27,238</u>
	<u>889,498</u>	<u>646,746</u>

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial risk management objective of the 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 the PPWSA. The management 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.

- (a) Credit risk

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

The PPWSA's primary exposure to credit risk arises through its trade receivables from its customers. The credit period is three months and the PPWSA seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by management.

- (b) Liquidity and cash flow risk

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

The 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, the PPWSA maintains a level of cash and cash equivalents deemed adequate to finance the PPWSA's activities.

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(c) Interest rate risk

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

The exposure of the PPWSA to interest rate risk arises primarily from borrowings. The 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. The PPWSA does not use derivative financial instruments to hedge any debt obligations.

17. CAPITAL COMMITMENTS

At the end of the current financial quarter, the PPWSA has commitment on capital expenditure in respect of:

	Unaudited 31.3.2015 KHR'000	Audited 31.12.2014 KHR'000
Construction of water treatment plant	78,592,263	80,541,737
Consultation services	2,837,219	4,214,150
Purchase of iron pipes, fitting and accessories	14,211,623	342,175
Construction of intake	-	6,519
	<u>95,641,105</u>	<u>85,104,581</u>