

# Condensed interim financial statements

Phnom Penh Water Supply Authority  
For the six-month period ended 30 June 2016

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# Report on the review of condensed interim financial statements

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## **To the Shareholders of Phnom Penh Water Supply Authority**

We have reviewed the accompanying condensed interim financial statements of Phnom Penh Water Supply Authority (“PPWSA”) which comprise the condensed interim statement of financial position as at 30 June 2016, and the related condensed interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and the notes to the condensed interim financial statements. Management is responsible for the preparation and fair presentation of these condensed interim financial statements in accordance with Cambodian International Accounting Standard 34 *Interim Financial Reporting*, and for such internal control as Management determines is necessary to enable the preparation of the condensed interim financial statements that are free from material misstatement, whether due to fraud or error. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

## **Scope of review**

We conducted our review in accordance with Cambodian International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial statements 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.

### **Certified Public Accountants and Auditors**

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### Conclusion

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

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GRANT THORNTON (CAMBODIA) LIMITED

Certified Public Accountants

Registered Auditors

Phnom Penh, Kingdom of Cambodia

04 August 2016

# Condensed interim statement of financial position

	Notes	Unaudited 30 June 2016 KHR'000	Audited (Restated) 31 December 2015 KHR'000
<b>Assets</b>			
<b>Non-current</b>			
Property, plant and equipment	5	1,002,154,413	936,711,937
Intangible assets	6	1,879,218	2,263,493
Loan to Pursat Water Supply		322,583	379,074
<b>Non-current assets</b>		<b>1,004,356,214</b>	<b>939,354,504</b>
<b>Current</b>			
Inventories		50,933,728	53,718,237
Trade and other receivables		35,125,538	34,315,104
Loan to Pursat Water Supply		116,661	110,445
Loan to employees		5,608,787	5,608,787
Short-term investments	7	154,520,393	194,457,564
Other tax receivables		6,399,185	5,312,052
Cash and cash equivalents		12,197,879	12,555,435
<b>Current assets</b>		<b>264,902,171</b>	<b>306,077,624</b>
<b>Total assets</b>		<b>1,269,258,385</b>	<b>1,245,432,128</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital		541,227,282	541,227,282
Reserves	8	229,471,413	185,791,772
Retained earnings		20,027,769	56,949,128
<b>Total equity</b>		<b>790,726,464</b>	<b>783,968,182</b>
<b>Liabilities</b>			
<b>Non-current</b>			
Borrowings	9	265,904,560	256,360,862
Retirement benefit obligations	10	31,321,640	29,852,391
Deferred government and other grants	11	29,030,959	30,210,946
Deferred tax liabilities		33,500,933	33,974,749
Refundable water deposits		42,361,684	39,925,380
Performance guarantee		8,554,333	6,329,871
<b>Non-current liabilities</b>		<b>410,674,109</b>	<b>396,654,199</b>
<b>Current</b>			
Trade and other payables	12	33,871,178	27,308,000
Borrowings	9	28,880,396	28,540,601
Current tax liabilities		5,106,238	8,961,146
<b>Current liabilities</b>		<b>67,857,812</b>	<b>64,809,747</b>
<b>Total liabilities</b>		<b>478,531,921</b>	<b>461,463,946</b>
<b>Total equity and liabilities</b>		<b>1,269,258,385</b>	<b>1,245,432,128</b>

# Condensed interim statements of profit or loss and other comprehensive income

	Notes	Unaudited			
		Three-month period ended 30 June 2016 KHR'000	30 June 2015 KHR'000	Six-month period ended 30 June 2016 KHR'000	30 June 2015 KHR'000
<b>Revenue</b>					
Sales		45,232,921	39,875,628	88,420,851	78,363,568
Construction service fee		37,109	4,439,450	3,372,957	9,004,677
Finance income	13	1,644,161	2,038,511	4,900,803	22,805,930
Other income		2,748,283	2,488,477	5,467,789	5,068,461
<b>Total revenue</b>		<b>49,662,474</b>	<b>48,842,066</b>	<b>102,162,400</b>	<b>115,242,636</b>
<b>Expenses</b>					
Depreciation and amortization		(8,928,102)	(8,645,027)	(17,823,124)	(17,082,446)
Electricity costs		(8,202,262)	(8,012,872)	(16,346,328)	(15,282,559)
Salaries, wages and related expenses		(8,721,176)	(6,956,297)	(17,356,648)	(14,213,758)
Raw materials for water treatment		(1,091,649)	(1,002,929)	(2,993,752)	(2,276,254)
Raw materials for household water connections		(2,233,694)	(1,553,038)	(4,587,666)	(3,520,488)
Repairs and maintenance		(1,703,234)	(1,064,690)	(3,240,557)	(2,244,092)
Construction service expense		(606,963)	(3,407,126)	(2,808,413)	(7,097,767)
Finance costs	13	(4,332,329)	(11,821,030)	(10,760,148)	(14,537,262)
Other operating expenses		(2,204,894)	(1,480,447)	(3,074,501)	(2,206,428)
Foreign exchange gains/(losses) - net		4,120,541	4,128,878	2,121,825	(614,110)
<b>Total expenses</b>		<b>(33,903,762)</b>	<b>(39,814,578)</b>	<b>(76,869,312)</b>	<b>(79,075,164)</b>
<b>Profit before income tax</b>		<b>15,758,712</b>	<b>9,027,488</b>	<b>25,293,088</b>	<b>36,167,472</b>
Income tax expense	14	(3,311,832)	(1,976,413)	(5,265,319)	(7,447,656)
<b>Profit for the period</b>		<b>12,446,880</b>	<b>7,051,075</b>	<b>20,027,769</b>	<b>28,719,816</b>
Other comprehensive income- Actuarial gain on retirement benefit obligation		-	(11,537)	-	8,030
<b>Total comprehensive income for the period</b>		<b>12,446,880</b>	<b>7,039,538</b>	<b>20,027,769</b>	<b>28,727,846</b>

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

Basic earnings per share	15	143	81	230	330
Diluted earnings per share	15	143	81	230	330

# Condensed interim statement of changes in equity

	Notes	Share capital KHR'000	Reserves KHR'000	Retained earnings KHR'000	Total KHR'000
<b>Balance as at 1 January 2016</b>		541,227,282	185,791,772	56,949,131	783,968,185
Profit for the period		-	-	20,027,769	20,027,769
Total comprehensive income for the period		-	-	20,027,769	20,027,769
<i>Transactions with owners</i>					
Transfer to reserves	8	-	43,679,641	(43,679,641)	-
Dividends paid	16	-	-	(13,269,490)	(13,269,490)
<b>Balance as at 30 June 2016 (unaudited)</b>		<b>541,227,282</b>	<b>229,471,413</b>	<b>20,027,769</b>	<b>790,726,464</b>
<b>Balance as at 1 January 2015</b>		541,227,282	149,193,437	45,747,909	736,168,628
Profit for the period		-	-	28,727,846	28,727,846
Actuarial gain on retirement benefit obligation		-	-	8,030	8,030
Total comprehensive income for the period		-	-	28,735,876	28,735,876
<i>Transactions with owners</i>					
Transfer to reserves		-	36,598,335	(36,598,335)	-
Dividends paid		-	-	(9,149,577)	(9,149,577)
<b>Balance as at 30 June 2015 (unaudited)</b>		<b>541,227,282</b>	<b>185,791,772</b>	<b>28,735,873</b>	<b>755,754,927</b>

# Condensed interim statement of cash flows

	Notes	Unaudited	
		Six-month period ended	
		30 June 2016	30 June 2015
		KHR'000	KHR'000
<b>Operating activities</b>			
Profit before income tax		25,293,088	36,167,472
<b>Adjustments for:</b>			
Amortisation of intangible assets	6	384,275	334,361
Amortisation of deferred government and other grants		(1,179,987)	(1,179,986)
Depreciation of property, plant and equipment	5	17,438,850	16,691,822
Finance income		(4,900,803)	(22,028,533)
Finance costs		10,760,148	14,537,262
Property, plant and equipment written off		512,724	38,140,731
Retirement benefit obligation expense	10	2,018,029	1,384,756
<b>Operating profit before working capital changes</b>		<b>50,326,324</b>	<b>84,047,885</b>
<b>Changes in working capital:</b>			
Change in inventories		2,784,509	(7,555,469)
Change in trade and other receivables		(67,479)	(3,208,434)
Change in trade and other payables		7,911,608	9,657,449
Change in refundable water deposits		2,436,304	1,707,324
<b>Cash generated from operating activities</b>		<b>63,391,266</b>	<b>84,648,755</b>
Income tax paid		(10,681,176)	(3,810,734)
Retirement benefit paid		(548,780)	(492,061)
<b>Net cash from operating activities</b>		<b>52,161,310</b>	<b>80,345,960</b>
<b>Investing activities</b>			
Purchases of property, plant and equipment	5	(82,328,355)	(86,914,992)
Interest capitalised on qualifying assets		(189,663)	(107,325)
Loan repayments from Pursat Water Supply		50,275	43,797
Short-term investments		39,937,171	5,184,551
Interest received		4,157,848	2,514,139
<b>Net cash used in investing activities</b>		<b>(38,372,724)</b>	<b>(79,279,830)</b>
<b>Financing activities</b>			
Proceeds from borrowings		18,240,173	21,034,037
Dividends paid		(13,269,488)	(9,149,577)
Interest paid		(6,329,626)	(4,498,852)
Repayments of borrowings		(12,787,202)	(11,828,125)
<b>Net cash used in financing activities</b>		<b>(14,146,143)</b>	<b>(4,442,517)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(357,556)</b>	<b>(3,376,387)</b>
Cash and cash equivalents, at the beginning of period		12,555,435	14,962,141
<b>Cash and cash equivalents, at the end of period</b>		<b>12,197,879</b>	<b>11,585,754</b>



# Notes to the condensed interim financial statements

## 1. Corporate information

Phnom Penh Water Supply Authority (“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. 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 City.

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

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

The condensed interim financial statements for the period ended 30 June 2016 were approved by the Board of Directors on 04 August 2016.

## 2. Principal activities

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 the PPWSA in accordance with government policy; and
- Ensure sustainable production processes, business and finance for the public interest.

## 3. Basis of preparation

The condensed interim financial statements as at 30 June 2016 and for the three-month period then ended is unaudited and has been prepared in accordance with Cambodian International Accounting Standard 34 *Interim Financial Reporting*. The condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached herein. The comparative figures for the corresponding period were reviewed by another auditor but not audited.

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 PPWSA since the year ended 31 December 2015.

#### 4. Significant accounting policies

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 2015.

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

	<b>Effective Date</b>
CIFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
CIFRS 9 <i>Financial Instruments</i> (issued by IASB in July 2014)	1 January 2018

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.

#### 5. Property, plant and equipment

	<b>Unaudited 30 June 2016 KHR'000</b>	<b>Audited 31 December 2015 KHR'000</b>
<b>Carrying amounts</b>		
Balance at beginning of period	1,238,480,506	1,143,925,094
Additions	83,394,027	100,307,171
Written-off	(2,491,851)	(4,476,313)
Balance end of period	<b>1,319,382,682</b>	1,239,755,952
<b>Accumulated depreciation</b>		
Balance at beginning of period	301,768,543	269,182,429
Depreciation charged	17,438,850	33,861,586
Disposals	(1,979,124)	-
Balance end of the period	<b>317,228,269</b>	303,044,015
<b>Carrying amounts, end of period</b>	<b>1,002,154,413</b>	936,711,937

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

	<b>Unaudited Six-month period ended</b>	
	<b>30 June 2016 KHR'000</b>	<b>30 June 2015 KHR'000</b>
Additions	83,394,027	92,688,987
(Increase)/Decrease in payables and performance guarantee	(876,009)	(5,666,670)
Interest capitalized on qualifying assets	(189,663)	(107,325)
Cash payment for purchase of property, plant and equipment	<b>82,328,355</b>	<b>86,914,992</b>

#### 6. Intangible assets

	<b>Unaudited 30 June 2016 KHR'000</b>	<b>Audited 31 December 2015 KHR'000</b>
<b>Carrying amounts</b>		
Balance at beginning of period	5,079,348	5,666,586
Additions	-	191,993
Balance end of period	<b>5,079,348</b>	5,858,579
<b>Accumulated amortisation</b>		
Balance at beginning of period	2,815,855	2,808,969
Amortisation charged	384,275	786,117
Balance end of the period	<b>3,200,130</b>	3,595,086
<b>Carrying amounts, end of period</b>	<b>1,879,218</b>	2,263,493

## 7. 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 KHR15.4 billion set up specifically for the purpose of paying retirement benefits to retirees who are entitled to retirement benefits under PPWSA's pension scheme.

## 8. Reserves

	Capital reserve KHR'000	Legal reserve KHR'000	General reserve KHR'000	Development reserve KHR'000	Total KHR'000
As at 01 January 2015	1,648,435	15,390,933	15,390,933	153,361,471	185,791,772
Transfer from retained earnings	-	2,847,456	2,847,456	37,984,729	43,679,641
<b>As at 31 June 2016 (Unaudited)</b>	<b>1,648,435</b>	<b>18,238,389</b>	<b>18,238,389</b>	<b>191,346,200</b>	<b>229,471,413</b>
As at 01 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
As at 31 December 2015 (Audited)	1,648,435	15,390,933	15,390,933	153,361,471	185,791,772

In accordance with PPWSA's Articles of Incorporation, article 44, dated 27 June 2012, PPWSA's net profit, after offsetting with losses brought 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.

## 9. Borrowings

	Unaudited 30 June 2016 KHR'000	Audited 31 December 2015 KHR'000
<b>Non-current</b>		
Loan - ADB	31,986,928	32,639,723
Loan - AFD	147,880,032	133,659,740
Loan - JICA	86,037,600	90,061,399
	<b>265,904,560</b>	<b>256,360,862</b>
<b>Current</b>		
Accrued interest expense	3,124,661	3,225,167
Current portion of loan - ADB	1,305,589	1,305,589
Current portion of loan - AFD	14,890,411	14,529,698
Current portion of loan - JICA	9,559,735	9,480,147
	<b>28,880,396</b>	<b>28,540,601</b>
<b>Total</b>	<b>294,784,956</b>	<b>284,901,463</b>

	<b>Unaudited</b> <b>30 June 2016</b> <b>KHR'000</b>	<b>Audited</b> <b>31 December 2015</b> <b>KHR'000</b>
<b>Current</b>		
Not later than one year	28,880,394	28,540,601
<b>Non-current</b>		
Later than one year but not later than two years	25,755,733	25,315,434
Later than two years but not later than five years	94,937,224	90,412,247
Later than five years	145,211,605	140,633,181
	<b>294,784,956</b>	<b>284,901,463</b>

#### 10. Retirement benefit obligations

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

	<b>Unaudited</b> <b>30 June 2016</b> <b>KHR'000</b>	<b>Audited</b> <b>31 December 2015</b> <b>KHR'000</b>
Present value of defined benefit obligation	31,321,640	29,852,391
Fair value of plan assets	-	-
<b>Liability recognized for retirement benefit obligation</b>	<b>31,321,640</b>	<b>29,852,391</b>

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

	<b>Unaudited</b> <b>30 June 2016</b> <b>KHR'000</b>	<b>Audited</b> <b>31 December 2015</b> <b>KHR'000</b>
<b>Balance at beginning of period</b>	<b>29,852,391</b>	<b>30,246,160</b>
Current service cost	801,982	1,485,152
Interest cost	1,216,047	2,138,321
Benefit paid	(548,780)	(1,000,181)
Actuarial gain	-	(3,017,061)
<b>Balance at end of period</b>	<b>31,321,640</b>	<b>29,852,391</b>

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

	<b>Unaudited</b> <b>Six-month period ended</b>	
	<b>30 June 2016</b> <b>KHR'000</b>	<b>30 June 2015</b> <b>KHR'000</b>
Current service cost	801,982	682,613
Interest cost	1,216,047	702,143
	<b>2,018,029</b>	<b>1,384,756</b>

### 11. Deferred government and other grants

	Government grant KHR'000	JICA grant KHR'000	Other grants KHR'000	Total KHR'000
<b>Balance as at 1 January 2016</b>	5,091,956	24,313,102	805,888	30,210,946
Amortisation charges	(113,449)	(1,054,340)	(12,198)	(1,179,986)
<b>Balance as at 31 June 2016 (Unaudited)</b>	<b>4,978,507</b>	<b>23,258,762</b>	<b>793,690</b>	<b>29,030,959</b>
<b>Balance as at 1 January 2015</b>	5,318,855	26,421,781	830,282	32,570,918
Amortisation charges	(226,899)	(2,108,679)	(24,394)	(2,359,972)
<b>Balance at 31 December 2015 (Audited)</b>	<b>5,091,956</b>	<b>24,313,102</b>	<b>805,888</b>	<b>30,210,946</b>

### 12. Trade and other payables

	Unaudited 30 June 2016 KHR'000	Audited 31 December 2015 KHR'000
Trade payables	16,333,833	14,826,156
Amount due to Phnom Penh Municipality	10,400,372	5,836,540
Accrued staff incentive	2,924,976	4,541,388
Performance guarantee	173,831	134,090
Unearned income	76,533	214,109
Deferred income	5,278	5,278
Other taxes payable	294,543	361,808
Other payables	3,661,812	1,388,631
	<b>33,871,178</b>	<b>27,308,000</b>

### 13. Finance income/costs

	Unaudited			
	Three-month period ended 30 June 2016 KHR'000	Three-month period ended 30 June 2015 KHR'000	Six-month period ended 30 June 2016 KHR'000	Six-month period ended 30 June 2015 KHR'000
<b>Finance income:</b>				
Interest income on bank deposits (a)	1,638,567	1,031,630	4,889,361	4,260,367
Unwind concessional loan discount to employees	-	-	-	168,138
Net foreign exchange gain on borrowings	-	-	-	18,363,439
Interest income on loans to Pursat Water Supply	5,594	6,881	11,442	13,986
	<b>1,644,161</b>	<b>2,038,511</b>	<b>4,900,803</b>	<b>22,805,930</b>
<b>Finance costs:</b>				
Interest expense on borrowings (b)	(6,141,993)	(2,641,724)	(15,480,838)	(5,375,532)
Net foreign exchange losses on borrowings	1,714,973	(9,054,405)	4,531,028	(9,054,405)
Interest expense capitalised on qualifying assets	94,691	(124,901)	189,663	(107,325)
	<b>(4,332,329)</b>	<b>(11,821,030)</b>	<b>(10,760,148)</b>	<b>(14,537,262)</b>

(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 loans obtained from AFD and the subsidiary loans obtained from the MoEF, which are funded through loans obtained from the ADB and JICA.

#### 14. Tax expense

PPWSA has an obligation to pay tax on profits at the rate of 20% of taxable profit or a minimum tax at the rate of 1% of total revenue, whichever is higher. The minimum tax is calculated at the rate of 1% of the annual turnover inclusive of all taxes. It represents the minimum amount of tax that PPWSA will pay to tax authorities. PPWSA has a tax on profit liability that exceeds the minimum tax liability, thus, no minimum tax will be payable. Tax is payable even if PPWSA is in a tax loss position.

#### 15. Earnings per share

##### (a) Basic earnings per share

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

	Unaudited			
	Three-month period ended		Six-month period ended	
	30 June	30 June	30 June	30 June
	2016	2015	2016	2015
	KHR'000	KHR'000	KHR'000	KHR'000
Profit attributable to equity holders	12,446,880	7,039,538	20,027,769	28,727,846
Weighted average number of shares	86,973,162	86,973,162	86,973,162	86,973,162
Basic earnings per share	143	81	230	330

##### (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.

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.

#### 16. Dividends paid

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 paid on 27 April 2016.

#### 17. Related party transactions

##### (a) PPWSA had the following transactions with related parties during the financial period:

	Unaudited	
	Six-month period ended	
	30 June 2016	30 June 2015
	KHR'000	KHR'000
<u>Common control</u>		
MoEF:		
Interest on borrowings paid	4,675,893	5,055,190
Pursat Water Supply:		
Interest on loans paid	11,442	13,986

##### (b) Key management compensation during the financial period is as follows:

	Unaudited	
	Six-month period ended	
	30 June 2016	30 June 2015
	KHR'000	KHR'000
Salaries and other expenses	517,368	863,779
Retirement benefits	5,160	25,719
	522,528	889,498

## 18. 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 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 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 three months and 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 PPWSA's management of working capital. It is the risk that PPWSA will encounter difficulty in meeting its financial obligations when they fall 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 its liquidity risk management strategy, PPWSA maintains a level of cash and cash equivalents deemed adequate to finance PPWSA's activities.

### (c) 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 its 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.

## 19. Capital commitments

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

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June 2016</b>	<b>31 December 2015</b>
	<b>KHR'000</b>	<b>KHR'000</b>
Construction of water treatment plant	<b>23,817,448</b>	33,890,892
Purchase of iron pipes, fitting and accessories	<b>749,023</b>	2,547,962
Consultation services	<b>883,343</b>	1,313,300
Information system	<b>938,410</b>	951,904
	<b>26,388,224</b>	38,704,058

**20. 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. The table below summarises the effects of this restatement:

**Effect on statement of financial position**

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

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