

# Interim condensed financial statements

Phnom Penh Water Supply Authority  
31 December 2016

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# Report on the review of interim condensed financial statements

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

We have reviewed the accompanying interim condensed financial statements of Phnom Penh Water Supply Authority (“PPWSA”) which comprise the interim condensed statement of financial position as at 31 December 2016, and the related interim condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the twelve-month period then ended, and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with Cambodian International Accounting Standard 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on these interim condensed 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 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.

## **Certified Public Accountants and Auditors**

A member of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered independently by the member firms.



**Conclusion**

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

Grant Thornton



**GRANT THORNTON (CAMBODIA) LIMITED**

Certified Public Accountants

Registered Auditors

**Ronald C. Almera**

Partner - Audit and Assurance

Phnom Penh, Kingdom of Cambodia

3 February 2017

**Certified Public Accountants and Auditors**

A member of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered independently by the member firms.

# Interim condensed statement of financial position

|                                      | Notes | Unaudited<br>31 December 2016<br>KHR'000 | Audited (Restated)<br>31 December 2015<br>KHR'000 |
|--------------------------------------|-------|--|---|
| <b>Assets</b>                        |       |  |   |
| <b>Non-current</b>                   |       |  |   |
| Property, plant and equipment        | 6     | 1,036,243,966                            | 936,711,937                                       |
| Intangible assets                    | 7     | 1,974,184                                | 2,263,493   |
| Loan to Pursat Water Supply          |       | 254,745                                  | 379,074   |
| <b>Non-current assets</b>            |       | <b>1,038,472,895</b>                     | <b>939,354,504</b>                                |
| <b>Current</b>                       |       |  |   |
| Consumable inventories               |       | 48,578,403                               | 53,718,237  |
| Trade and other receivables          | 8     | 34,816,295                               | 34,315,104  |
| Loan to Pursat Water Supply          |       | 123,112                                  | 110,445   |
| Loan to employees                    |       | 5,608,787                                | 5,608,787   |
| Short-term investments               | 9     | 148,271,384                              | 194,457,564                                       |
| Other tax receivables                |       | 7,470,625                                | 5,312,052   |
| Cash and cash equivalents            |       | 16,565,102                               | 12,555,435  |
| <b>Current assets</b>                |       | <b>261,433,708</b>                       | <b>306,077,624</b>                                |
| <b>Total assets</b>                  |       | <b>1,299,906,603</b>                     | <b>1,245,432,128</b>                              |
| <b>Equity and liabilities</b>        |       |  |   |
| <b>Equity</b>                        |       |  |   |
| Share capital                        |       | 541,227,282                              | 541,227,282                                       |
| Reserves                             | 10    | 229,471,413                              | 185,791,772                                       |
| Retained earnings                    |       | 50,484,119                               | 56,949,128  |
| <b>Total equity</b>                  |       | <b>821,182,814</b>                       | <b>783,968,182</b>                                |
| <b>Liabilities</b>                   |       |  |   |
| <b>Non-current</b>                   |       |  |   |
| Borrowings                           | 11    | 251,616,219                              | 256,360,862                                       |
| Retirement benefit obligations       | 12    | 32,790,889                               | 29,852,391  |
| Deferred government and other grants | 13    | 27,850,974                               | 30,210,946  |
| Deferred tax liabilities             |       | 33,500,930                               | 33,974,749  |
| Refundable water deposits            |       | 45,484,978                               | 39,925,380  |
| Performance guarantee                |       | 9,437,338                                | 6,329,871   |
| <b>Non-current liabilities</b>       |       | <b>400,681,328</b>                       | <b>396,654,199</b>                                |
| <b>Current</b>                       |       |  |   |
| Trade and other payables             | 14    | 33,384,270                               | 27,308,000  |
| Borrowings                           | 11    | 34,695,758                               | 28,540,601  |
| Current tax liabilities              |       | 9,962,433                                | 8,961,146   |
| <b>Current liabilities</b>           |       | <b>78,042,461</b>                        | <b>64,809,747</b>                                 |
| <b>Total liabilities</b>             |       | <b>478,723,789</b>                       | <b>461,463,946</b>                                |
| <b>Total equity and liabilities</b>  |       | <b>1,299,906,603</b>                     | <b>1,245,432,128</b>                              |

# Interim condensed statement of profit or loss and other comprehensive income

|  | Notes | Unaudited<br>3 months to<br>31 December<br>2016<br>KHR'000 | 31 December<br>2015<br>KHR'000 | Unaudited<br>12 months to<br>31 December<br>2016<br>KHR'000 | Audited<br>12 months to<br>31 December<br>2015<br>KHR'000 |
|--|-------|--|--------------------------------|---|---|
| <b>Revenue</b>                                   |       |  |                                |   |   |
| Sales  |       | 44,215,777   | 43,285,393                     | 179,006,501   | 162,028,095   |
| Construction service fee                         |       | 202,177  | 3,154,707                      | 5,420,860   | 17,968,799  |
| Finance income                                   | 15    | 13,499,959   | 7,608,208                      | 20,193,599  | 33,210,466  |
| Other income                                     |       | 2,508,249  | 3,462,559                      | 13,752,513  | 11,351,352  |
| <b>Total revenue</b>                             |       | <b>60,426,162</b>  | <b>57,510,867</b>              | <b>218,373,473</b>  | <b>224,558,712</b>  |
| <b>Expenses</b>                                  |       |  |                                |   |   |
| Depreciation and amortisation                    |       | (9,129,711)  | (8,829,435)                    | (35,995,371)  | (34,647,703)  |
| Electricity costs                                |       | (7,715,660)  | (7,215,600)                    | (32,301,974)  | (29,988,212)  |
| Salaries, wages and related expenses             |       | (9,635,468)  | (8,439,903)                    | (36,109,121)  | (30,651,497)  |
| Raw materials for water treatment                |       | (1,624,784)  | (1,564,485)                    | (6,514,416)   | (5,770,574)   |
| Raw materials for household water connections    |       | (2,903,434)  | (1,984,797)                    | (9,689,064)   | (7,160,078)   |
| Repairs and maintenance                          |       | (2,183,200)  | (2,197,944)                    | (7,067,669)   | (6,211,236)   |
| Construction service expense                     |       | (1,985,831)  | (2,334,904)                    | (6,526,550)   | (14,091,154)  |
| Finance costs                                    | 15    | 868,826  | (2,608,105)                    | (17,071,783)  | (19,869,858)  |
| Other operating expenses                         |       | (2,390,181)  | (1,775,347)                    | (7,329,320)   | (5,127,489)   |
| Foreign exchange gains/(losses) - net            |       | (976,206)  | (1,280,395)                    | 875,084   | (3,057,665)   |
| <b>Total expenses</b>                            |       | <b>(37,675,649)</b>  | <b>(38,230,915)</b>            | <b>(157,730,184)</b>  | <b>(156,575,466)</b>                                      |
| <b>Profit before income tax</b>                  |       | <b>22,750,513</b>  | <b>19,279,952</b>              | <b>60,643,289</b>   | <b>67,983,246</b>   |
| Income tax expense                               | 16    | (2,529,036)  | (3,028,390)                    | (10,159,170)  | (14,051,176)  |
| <b>Profit for the period</b>                     |       | <b>20,221,477</b>  | <b>16,251,562</b>              | <b>50,484,119</b>   | <b>53,932,070</b>   |
| Other comprehensive income-                      |       |  |                                |   |   |
| Actuarial gain on retirement benefit obligation  |       | -  | (2,420,528)                    | -   | 3,017,061   |
| <b>Total comprehensive income for the period</b> |       | <b>20,221,477</b>  | <b>13,831,034</b>              | <b>50,484,119</b>   | <b>56,949,131</b>   |

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

|                            |    |     |     |     |     |
|----------------------------|----|-----|-----|-----|-----|
| Basic earnings per share   | 17 | 233 | 159 | 580 | 655 |
| Diluted earnings per share | 17 | 233 | 159 | 580 | 655 |

# Interim condensed statement of changes in equity

|  | Notes | Share capital<br>KHR'000 | Reserves<br>KHR'000 | Retained earnings<br>KHR'000 | Total equity<br>KHR'000 |
|--|-------|--------------------------|---------------------|------------------------------|-------------------------|
| <b>Balance as at 1 January 2016</b>            |       | <b>541,227,282</b>       | <b>185,791,772</b>  | <b>56,949,131</b>            | <b>783,968,185</b>      |
| Transfer to reserves                           | 10    | -                        | 43,679,641          | (43,679,641)                 | -                       |
| Dividends                                      | 18    | -                        | -                   | (13,269,490)                 | (13,269,490)            |
| Transactions with owners                       |       | -                        | 43,679,641          | (56,949,131)                 | (13,269,490)            |
| Profit for the period                          |       | -                        | -                   | 50,484,119                   | 50,484,119              |
| Other comprehensive income                     |       | -                        | -                   | -                            | -                       |
| Total comprehensive income for the year        |       | -                        | -                   | 50,484,119                   | 50,484,119              |
| <b>Balance at 31 December 2016 (Unaudited)</b> |       | <b>541,227,282</b>       | <b>229,471,413</b>  | <b>50,484,119</b>            | <b>821,182,814</b>      |
| Balance as at 1 January 2015                   |       | 541,227,282              | 149,193,437         | 45,747,909                   | 736,268,628             |
| Transfer to reserves                           |       | -                        | 36,598,335          | (36,598,335)                 | -                       |
| Dividends                                      |       | -                        | -                   | (9,149,577)                  | (9,149,577)             |
| Transactions with owners                       |       | -                        | 36,598,335          | (45,747,912)                 | (9,149,577)             |
| Profit for the period                          |       | -                        | -                   | 53,932,070                   | 53,932,070              |
| Other comprehensive income                     |       | -                        | -                   | 3,017,061                    | 3,017,061               |
| Total comprehensive income for the year        |       | -                        | -                   | 56,949,131                   | 56,949,131              |
| Balance at 31 December 2015 (Audited)          |       | 541,227,282              | 185,791,772         | 56,949,128                   | 783,968,182             |

# Interim condensed statement of cash flows

|  | Notes | Unaudited<br>12 months to<br>31 December 2016<br>KHR'000 | Audited<br>12 months to<br>31 December 2015<br>KHR'000 |
|--|-------|--|--|
| <b>Operating activities</b>                            |       |  |  |
| Profit before income tax                               |       | 60,643,289   | 67,983,246   |
| <b>Adjustments for:</b>                                |       |  |  |
| Amortisation of intangible assets                      | 7     | 729,362  | 786,117  |
| Amortisation of deferred government and other grants   | 13    | (2,359,972)  | (2,359,972)  |
| Depreciation of property, plant and equipment          | 6     | 35,266,009   | 33,861,586   |
| Finance income   |       | (20,193,599)   | (33,210,466)   |
| Finance costs  |       | 17,071,783   | 19,869,858   |
| Retirement benefit obligation expense                  | 12    | 4,036,058  | 3,623,473  |
| Loss on disposal of property, plant and equipment      |       | 686,377  | 4,476,313  |
| <b>Operating profit before working capital changes</b> |       | <b>95,879,307</b>  | <b>95,030,155</b>                                      |
| <b>Changes in working capital:</b>                     |       |  |  |
| Change in consumable inventories                       |       | 5,139,836  | (13,216,377)   |
| Change in trade and other receivables                  |       | (2,132,353)  | (3,882,135)  |
| Change in trade and other payables                     |       | 9,183,737  | 11,432,371   |
| Change in payables and performance guarantee           |       | 165,978  | (8,175,935)  |
| Change in refundable water deposits                    |       | 5,559,598  | 3,641,535  |
| <b>Cash generated from operating activities</b>        |       | <b>113,796,103</b>                                       | <b>84,829,614</b>                                      |
| Income tax paid  |       | (11,790,275)   | (4,909,589)  |
| Retirement benefit paid                                |       | (1,097,560)  | (1,000,181)  |
| <b>Net cash from operating activities</b>              |       | <b>100,908,268</b>                                       | <b>78,919,844</b>                                      |
| <b>Investing activities</b>                            |       |  |  |
| Purchases of property, plant and equipment             | 6     | (135,267,049)  | (91,843,530)   |
| Interest capitalised on qualifying assets              |       | (383,344)  | (287,706)  |
| Purchase of intangible assets                          |       | (440,053)  | (191,993)  |
| Loan repayments from Pursat Water Supply               |       | 111,662  | 100,386  |
| Short-term investments                                 |       | 46,186,181   | 1,873,767  |
| Interest received                                      |       | 14,929,031   | 8,686,061  |
| <b>Net cash used in investing activities</b>           |       | <b>(74,863,572)</b>                                      | <b>(81,663,015)</b>                                    |
| <b>Financing activities</b>                            |       |  |  |
| Proceeds from borrowings                               |       | 33,774,959   | 44,161,741   |
| Dividends paid   |       | (13,269,490)   | (9,149,577)  |
| Interest paid  |       | (17,319,687)   | (9,978,968)  |
| Repayments of borrowings                               |       | (25,220,811)   | (24,696,731)   |
| <b>Net cash (used in) from financing activities</b>    |       | <b>(22,035,029)</b>                                      | <b>336,465</b>   |
| <b>Net change in cash and cash equivalents</b>         |       | <b>4,009,667</b>   | <b>(2,406,706)</b>                                     |
| Cash and cash equivalents, at the beginning of year    |       | 12,555,435   | 14,962,141   |
| <b>Cash and cash equivalents, at the end of year</b>   |       | <b>16,565,102</b>  | <b>12,555,435</b>                                      |



# Notes to the interim condensed 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 interim condensed financial statements have been approved for issuance by the Board of Directors on 3 February 2017.

## 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 interim condensed financial statements are for the twelve months ended 31 December 2016 and are presented in Khmer Riel (“KHR”), which is the functional currency of the PPWSA. They have been prepared in accordance with Cambodian International Accounting Standard 34 ‘*Interim Financial Reporting*’ (“CIAS 34”). They do not include all of the information required in annual financial statements in accordance with CIFRSs, and should be read in conjunction with the audited financial statements for the year ended 31 December 2015. The comparative figures for the corresponding periods were audited and reviewed by another auditor.

#### **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.

#### **5 Estimates**

When preparing the interim condensed financial statements, Management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by Management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim condensed financial statements, including the key sources of estimation uncertainty, were the same as those applied in the PPWSA's last annual audited financial statements for the year ended 31 December 2015. The only exception is the estimate of income tax liabilities which is determined in the interim condensed financial statements using the estimated annual effective tax rate applied to the pre-tax income of the interim period.

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## 6 Property, plant and equipment

|   | Unaudited<br>31 December 2016<br>KHR'000 |   | Audited<br>31 December 2015<br>KHR'000 |
|---|--|---|--|
| <b>Gross carrying amount</b>              |  | <b>Gross carrying amount</b>              |  |
| Balance at 1 January 2016                 | 1,239,755,952                            | Balance at 1 January 2015                 | 1,143,925,094                          |
| Additions                                 | 135,101,071                              | Additions                                 | 100,019,465                            |
| Interest capitalized on qualifying assets | 383,344                                  | Interest capitalized on qualifying assets | 287,706                                |
| Written-off                               | (4,401,483)                              | Written-off                               | (4,476,313)                            |
| <b>Balance 31 December 2016</b>           | <b>1,370,838,884</b>                     | <b>Balance 31 December 2015</b>           | <b>1,239,755,952</b>                   |
| <b>Depreciation</b>                       |  | <b>Depreciation</b>                       |  |
| Balance 1 January 2016                    | (303,044,015)                            | Balance 1 January 2015                    | (269,182,429)                          |
| Depreciation                              | (35,266,009)                             | Depreciation                              | (33,861,586)                           |
| Disposals                                 | 3,715,106                                | Disposals                                 | -                                      |
| <b>Balance 31 December 2016</b>           | <b>(334,594,918)</b>                     | <b>Balance 31 December 2015</b>           | <b>(303,044,015)</b>                   |
| <b>Carrying amount 31 December 2016</b>   | <b>1,036,243,966</b>                     | <b>Carrying amount 31 December 2015</b>   | <b>936,711,937</b>                     |

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

|   | Unaudited<br>12 months to<br>31 December 2016<br>KHR'000 | Audited<br>12 months to<br>31 December 2015<br>KHR'000 |
|---|--|--|
| Additions   | 135,484,415  | 100,307,169  |
| Decrease / (Increase) in payables and performance guarantee       | 165,978  | (8,175,935)  |
| Interest capitalized on qualifying assets                         | (383,344)  | (287,706)  |
| <b>Cash payment for purchase of property, plant and equipment</b> | <b>135,267,049</b>                                       | <b>91,843,528</b>                                      |

## 7 Intangible assets

|   | Unaudited<br>31 December 2016<br>KHR'000 |
|---|--|
| <b>Gross carrying amount</b>            |  |
| Balance at 1 January 2016               | 5,858,579                                |
| Additions                               | 440,053                                  |
| Written-off                             | (644,019)                                |
| Balance at 31 December 2016             | 5,654,613                                |
| <b>Amortisation</b>                     |  |
| Balance at 1 January 2016               | (3,595,086)                              |
| Amortisation                            | (729,362)                                |
| Disposals                               | 644,019                                  |
| Balance at 31 December 2016             | (3,680,429)                              |
| <b>Carrying amount 31 December 2016</b> | <b>1,974,184</b>                         |
|   | Audited<br>31 December 2015<br>KHR'000   |
| <b>Gross carrying amount</b>            |  |
| Balance at 1 January 2015               | 5,666,586                                |
| Additions                               | 191,993                                  |
| Balance at 31 December 2015             | 5,858,579                                |
| <b>Amortisation</b>                     |  |
| Balance at 1 January 2015               | (2,808,969)                              |
| Amortisation                            | (786,117)                                |
| Balance at 31 December 2015             | (3,595,086)                              |
| <b>Carrying amount 31 December 2015</b> | <b>2,263,493</b>                         |

## 8 Trade and other receivables

|                                   | Unaudited<br>31 December 2016<br>KHR'000 | Audited<br>31 December 2015<br>KHR'000 |
|-----------------------------------|--|--|
| <b>Trade receivables</b>          |  |  |
| Household receivables             | 4,373,378                                | 3,847,143                              |
| Commercial receivables            | 3,538,097                                | 3,188,098                              |
| Public administration receivables | 1,983,778                                | 2,413,006                              |
| Water wholesalers                 | 445,730                                  | 284,932                                |
|                                   | <b>10,340,983</b>                        | <b>9,733,179</b>                       |
| <b>Other receivables</b>          |  |  |
| Accrued water revenue             | 20,302,899                               | 17,106,446                             |
| Interest receivables              | 2,609,388                                | 4,240,550                              |
| VAT receivables – net             | 330,370                                  | 196,450                                |
| Advance to suppliers              | 35,994                                   | -                                      |
| Other receivables                 | 1,196,661                                | 3,038,479                              |
|                                   | <b>24,475,312</b>                        | <b>24,581,925</b>                      |
|                                   | <b>34,816,295</b>                        | <b>34,315,104</b>                      |

## 9 Short-term investments

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

Short-term investments include deposits amounting to KHR'000 22,880,492 set up specifically for the purpose of paying retirement benefits to retirees who are entitled to retirement benefits under PPWSA's pension scheme.

## 10 Reserves

|  | Capital<br>reserve<br>KHR'000 | Legal<br>reserve<br>KHR'000 | General<br>reserve<br>KHR'000 | Development<br>reserve<br>KHR'000 | Total<br>KHR'000   |
|--|-------------------------------|-----------------------------|-------------------------------|-----------------------------------|--------------------|
| Balance at 1 January 2016                          | 1,648,435                     | 15,390,933                  | 15,390,933                    | 153,361,471                       | 185,791,772        |
| Transfer from retained earnings                    | -                             | 2,847,456                   | 2,847,456                     | 37,984,729                        | 43,679,641         |
| <b>Balance at 31 December 2016<br/>(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> |
| Balance 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<br>(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.

## 11 Borrowings

|  | Unaudited<br>31 December 2016<br>KHR'000 | Audited<br>31 December 2015<br>KHR'000 |
|--|--|--|
| <b>Non-current</b>                                     |  |  |
| Loan – Agence Francaise de Developpement (“AFD”)       | 139,959,489                              | 133,659,740                            |
| Loan – Japan International Cooperation Agency (“JICA”) | 80,322,596                               | 90,061,399                             |
| Loan – Asian Development Bank (“ADB”)                  | 31,334,134                               | 32,639,723                             |
|  | <b>251,616,219</b>                       | <b>256,360,862</b>                     |
| <b>Current</b>   |  |  |
| Current portion of loan - AFD                          | 20,963,189                               | 14,529,698                             |
| Current portion of loan - JICA                         | 9,449,717                                | 9,480,147                              |
| Accrued interest expense                               | 2,977,263                                | 3,225,167                              |
| Current portion of loan - ADB                          | 1,305,589                                | 1,305,589                              |
|  | <b>34,695,758</b>                        | <b>28,540,601</b>                      |
| <b>Total</b>   | <b>286,311,977</b>                       | <b>284,901,463</b>                     |

The maturity dates of these borrowings are as follows:

|  | Unaudited<br>31 December 2016<br>KHR'000 | Audited<br>31 December 2015<br>KHR'000 |
|--|--|--|
| <b>Current</b>                                     |  |  |
| Not later than one year                            | 34,695,757                               | 28,540,602                             |
| <b>Non-current</b>                                 |  |  |
| 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                              | 117,428,845                              | 140,633,181                            |
|  | <b>286,311,977</b>                       | <b>284,901,463</b>                     |

## 12 Retirement benefit obligations

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

|   | <b>Unaudited</b><br><b>31 December 2016</b><br><b>KHR'000</b> | Audited<br>31 December 2015<br>KHR'000 |
|---|---|--|
| Present value of defined benefit obligation                   | <b>32,790,889</b>   | 29,852,391                             |
| Fair value of plan assets                                     | -   | -                                      |
| <b>Liability recognised for retirement benefit obligation</b> | <b>32,790,889</b>   | 29,852,391                             |

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

|                                       | <b>Unaudited</b><br><b>31 December 2016</b><br><b>KHR'000</b> | Audited<br>31 December 2015<br>KHR'000 |
|---------------------------------------|---|--|
| <b>Balance at beginning of period</b> | <b>29,852,391</b>   | 30,246,160                             |
| Current service cost                  | <b>1,603,964</b>  | 1,485,152                              |
| Interest cost                         | <b>2,432,094</b>  | 2,138,321                              |
| Benefit paid                          | <b>(1,097,560)</b>  | (1,000,181)                            |
| Actuarial gain                        | -   | (3,017,061)                            |
| <b>Balance at end of period</b>       | <b>32,790,889</b>   | 29,852,391                             |

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

|                      | <b>Unaudited</b><br><b>12 months to</b><br><b>31 December 2016</b><br><b>KHR'000</b> | Audited<br>12 months to<br>31 December 2015<br>KHR'000 |
|----------------------|--|--|
| Current service cost | <b>1,603,964</b>   | 1,485,152  |
| Interest cost        | <b>2,432,094</b>   | 2,138,321  |
|                      | <b>4,036,058</b>   | 3,623,473  |

## 13 Deferred government and other grants

|  | <b>Government<br/>grant<br/>KHR'000</b> | <b>JICA<br/>grant<br/>KHR'000</b> | <b>Other<br/>grants<br/>KHR'000</b> | <b>Total<br/>KHR'000</b> |
|--|---|-----------------------------------|-------------------------------------|--------------------------|
| <b>Balance at 1 January 2016</b>               | <b>5,091,956</b>                        | <b>24,313,102</b>                 | <b>805,888</b>                      | <b>30,210,946</b>        |
| Amortisation charges                           | <b>(226,897)</b>                        | <b>(2,108,679)</b>                | <b>(24,396)</b>                     | <b>(2,359,972)</b>       |
| <b>Balance at 31 December 2016 (Unaudited)</b> | <b>4,865,059</b>                        | <b>22,204,423</b>                 | <b>781,492</b>                      | <b>27,850,974</b>        |
| Balance as at 1 January 2015                   | 5,318,855                               | 26,421,781                        | 830,282                             | 32,570,918               |
| Amortisation charges                           | (226,899)                               | (2,108,679)                       | (24,394)                            | (2,359,972)              |
| Balance at 31 December 2015 (Audited)          | 5,091,956                               | 24,313,102                        | 805,888                             | 30,210,946               |

## 14 Trade and other payables

|                                       | Unaudited<br>31 December 2016<br>KHR'000 | Audited<br>31 December 2015<br>KHR'000 |
|---------------------------------------|--|--|
| Amount due to Phnom Penh Municipality | 11,144,116                               | 5,836,540                              |
| Trade payables                        | 12,742,740                               | 14,826,156                             |
| Accrued staff incentive               | 5,583,208                                | 4,541,388                              |
| Unearned income                       | 1,386,346                                | 214,109                                |
| Deferred income                       | 5,278                                    | 5,278                                  |
| Performance guarantee                 | 107,351                                  | 134,090                                |
| Other taxes payable                   | 182,846                                  | 361,808                                |
| Other payables                        | 2,232,385                                | 1,388,631                              |
|                                       | <b>33,384,270</b>                        | <b>27,308,000</b>                      |

## 15 Finance income/costs

|   | Unaudited<br>3 months to<br>31 December<br>2016<br>KHR'000 |                    | Unaudited<br>12 months to<br>31 December<br>2016<br>KHR'000 |                     | Audited<br>12 months to<br>31 December<br>2015<br>KHR'000 |
|---|--|--------------------|---|---------------------|---|
| <b>Finance income:</b>                            |  |                    |   |                     |   |
| Interest income on bank deposits (a)              | 6,599,382  | 2,138,876          | 13,276,311  | 8,467,224           |   |
| Interest income from customers                    | -  | -                  | -   | 68                  |   |
| Unwind concessional loan discount to employees    | -  | -                  | -   | 168,138             |   |
| Net foreign exchange gain on borrowings           | 6,895,730  | 5,463,100          | 6,895,730   | 24,548,203          |   |
| Interest income on loans to Pursat Water Supply   | 4,847  | 6,232              | 21,558  | 26,833              |   |
|   | <b>13,499,959</b>  | <b>7,608,208</b>   | <b>20,193,599</b>   | <b>33,210,466</b>   |   |
| <b>Finance costs:</b>                             |  |                    |   |                     |   |
| Interest adjustment (expense) on borrowings (b)   | 6,689,477  | (2,895,811)        | (17,455,127)  | (11,103,159)        |   |
| Net foreign exchange losses on borrowings         | (5,913,130)  | -                  | -   | (9,054,405)         |   |
| Interest expense capitalized on qualifying assets | 92,479   | 287,706            | 383,344   | 287,706             |   |
|   | <b>868,826</b>   | <b>(2,608,105)</b> | <b>(17,071,783)</b>   | <b>(19,869,858)</b> |   |

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

## 16 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.

## 17. Earnings per share

### 17.1. 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.

|   | <b>Unaudited</b><br><b>3 months to</b><br><b>31 December</b><br><b>2016</b> | 31 December<br>2015 | <b>Unaudited</b><br><b>12 months to</b><br><b>31 December</b><br><b>2016</b> | Audited<br>12 months to<br>31 December<br>2015 |
|---|---|---------------------|--|--|
| Profit attributable to equity holders (KHR'000) | <b>20,221,447</b>   | 13,831,034          | <b>50,484,119</b>  | 56,949,131                                     |
| Weighted average number of shares               | <b>86,973,162</b>   | 86,973,162          | <b>86,973,162</b>  | 86,973,162                                     |
|   | <b>233</b>  | 159                 | <b>580</b>   | 655  |

### 17.2 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.

## 18 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.

## 19 Related party transactions

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

|                                | <b>Unaudited</b><br><b>12 months to</b><br><b>31 December 2016</b><br><b>KHR'000</b> | Audited<br>12 months to<br>31 December 2015<br>KHR'000 |
|--------------------------------|--|--|
| <u>Common control</u>          |  |  |
| MoEF:                          |  |  |
| Interest on borrowings expense | <b>9,244,006</b>   | 10,009,758   |
| Pursat Water Supply:           |  |  |
| Interest on loans paid         | <b>21,558</b>  | 26,833   |

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

|                             | <b>Unaudited</b><br><b>12 months to</b><br><b>31 December 2016</b><br><b>KHR'000</b> | Audited<br>12 months to<br>31 December 2015<br>KHR'000 |
|-----------------------------|--|--|
| Salaries and other expenses | <b>2,058,239</b>   | 3,457,770  |
| Retirement benefits         | <b>20,642</b>  | 102,876  |
|                             | <b>2,078,881</b>   | 3,560,646  |

## 20 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.



## 20.1 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 three months and PPWSA seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by Management.

## 20.2 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 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.

## 20.3 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.

## 21 Capital commitments

As at 31 December 2016, PPWSA has commitments on capital expenditure in respect of:

|   | <b>Unaudited</b>        | Audited          |
|---|-------------------------|------------------|
|   | <b>31 December 2016</b> | 31 December 2015 |
|   | <b>KHR'000</b>          | KHR'000          |
| Construction of water treatment plant           | <b>14,022,466</b>       | 33,890,892       |
| Purchase of iron pipes, fitting and accessories | <b>366,049</b>          | 2,547,962        |
| Consultation services                           | <b>6,814</b>            | 1,313,300        |
| Information system                              | -                       | 951,904          |
|   | <b>14,395,329</b>       | 38,704,058       |

## 22 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

|                            | 31 December 2015 |           |            |           | Restated  |
|----------------------------|------------------|-----------|------------|-----------|-----------|
|                            | Audited          |           | Adjustment |           |           |
|                            | Dr               | Cr        | Dr         | Cr        |           |
|                            | KHR'000          | KHR'000   | KHR'000    | KHR'000   | 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 |

## 23 Events after the reporting date

No adjusting or significant non-adjusting events have occurred between the 31 December 2016 reporting date and the date of authorisation of these interim condensed financial statements.