

Registration No:
Co.0839 Et/2012

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

**CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2018**

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

CONTENTS	PAGE
STATEMENT BY THE DIRECTORS	1
REPORT ON THE REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION	2
CONDENSED STATEMENT OF FINANCIAL POSITION	3
CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	4
CONDENSED STATEMENT OF CHANGES IN EQUITY	5
CONDENSED STATEMENT OF CASH FLOWS	6
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION	7 - 17

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

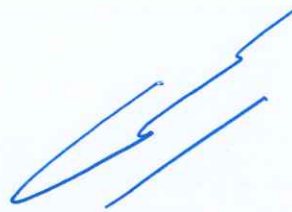
STATEMENT BY THE DIRECTORS

In the opinion of Directors, the accompanying condensed statement of financial position of Phnom Penh Water Supply Authority ("PPWSA") as at 30 September 2018, and the related condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the nine-month period then ended, and condensed notes to the interim financial information (collectively known as "Condensed Interim Financial Information") are presented fairly, in all material respects, in accordance with Cambodia International Accounting Standard 34 *Interim Financial Reporting*.

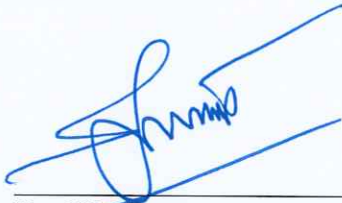
Signed on behalf of the Board of Directors,



Soem Nara
Chairman of the Board of Directors



Sim Sitha
Director General



Ros Kimleang
Deputy Director General in
charge of Finance & Stock Exchange

Phnom Penh, Cambodia
Date: 31 October 2018

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 30 September 2018, and the related condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the nine-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 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



BDO (Cambodia) Limited

Phnom Penh, Cambodia
Date: 31 October 2018

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018

	Note	Unaudited 30.9.2018 KHR'000	Audited 31.12.2017 KHR'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	1,189,977,201	1,124,172,183
Intangible assets		14,807,070	5,211,406
Loan to Pursat Water Supply		-	112,896
		<u>1,204,784,271</u>	<u>1,129,496,485</u>
Current assets			
Inventories		92,729,750	64,526,124
Trade and other receivables		74,862,933	44,804,172
Loan to Pursat Water Supply		151,602	141,849
Loan to employees		4,226,156	5,034,864
Short-term investments	5	34,157,966	96,703,704
Other tax receivables		5,312,052	5,312,052
Cash and bank balances		14,692,151	15,992,527
		<u>226,132,610</u>	<u>232,515,292</u>
TOTAL ASSETS		<u>1,430,916,881</u>	<u>1,362,011,777</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		541,227,282	541,227,282
Reserves	6	284,503,636	264,829,678
Retained earnings		34,810,203	33,067,826
TOTAL EQUITY		<u>860,541,121</u>	<u>839,124,786</u>
LIABILITIES			
Non-current liabilities			
Borrowings	7	290,105,034	258,286,903
Retirement benefit obligations	8	43,168,055	40,133,717
Deferred government and other grants	9	23,721,022	25,491,001
Deferred tax liabilities		38,716,574	35,207,359
Other payables	10	55,225,418	49,699,898
		<u>450,936,103</u>	<u>408,818,878</u>
Current liabilities			
Trade and other payables	10	51,822,909	51,145,134
Borrowings	7	43,734,841	49,350,684
Dividend payable	11	11,384,787	-
Current tax liabilities		12,497,120	13,572,295
		<u>119,439,657</u>	<u>114,068,113</u>
TOTAL LIABILITIES		<u>570,375,760</u>	<u>522,886,991</u>
TOTAL EQUITY AND LIABILITIES		<u>1,430,916,881</u>	<u>1,362,011,777</u>

The Condensed Statement of Financial Position should be read in conjunction with the audited financial information for the financial year ended 31 December 2017 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
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2018

	Note	Unaudited			
		Three-month period ended 30.9.2018 ⁽¹⁾ KHR'000	Three-month period ended 30.9.2017 ⁽²⁾ KHR'000	Nine-month period ended 30.9.2018 ⁽¹⁾ KHR'000	Nine-month period ended 30.9.2017 ⁽²⁾ KHR'000
Revenue:					
Sales		53,619,684	48,416,545	152,912,698	146,294,326
Construction service fee		990,775	1,952,475	7,401,561	9,484,404
Other income		3,424,441	3,877,751	13,532,624	12,831,062
		<u>58,034,900</u>	<u>54,246,771</u>	<u>173,846,883</u>	<u>168,609,792</u>
Expenses:					
Depreciation and amortisation charges		(12,098,485)	(9,190,342)	(31,102,453)	(27,813,420)
Electricity costs		(9,459,667)	(9,218,480)	(29,673,845)	(27,364,998)
Salaries, wages and related expenses		(12,192,039)	(10,057,405)	(36,721,566)	(29,828,890)
Raw materials for water treatment		(1,989,082)	(1,876,857)	(5,377,248)	(4,953,620)
Raw materials for household water connections		(1,021,501)	(1,832,623)	(2,581,512)	(6,918,568)
Repairs and maintenance		(2,444,971)	(2,688,364)	(5,192,076)	(6,318,153)
Construction service expense		(808,769)	(1,419,683)	(6,039,103)	(6,977,201)
Impairment on loan to employees		195,655	-	(808,709)	(573,922)
Foreign exchange (loss)/gain – net		(446,605)	(708,671)	(439,527)	156,493
Other operating expenses		(3,670,756)	(1,827,424)	(6,659,215)	(5,222,643)
Operating profit		14,098,680	15,426,922	49,251,629	52,794,870
Finance income	12	349,163	1,385,906	9,294,045	5,107,152
Finance costs	12	(4,407,907)	(6,374,486)	(14,216,368)	(28,810,678)
Profit before tax		10,039,936	10,438,342	44,329,306	29,091,344
Tax expense	13	(2,832,727)	(2,220,986)	(9,637,717)	(6,320,358)
Profit for the financial period		7,207,209	8,217,356	34,691,589	22,770,986
Other comprehensive income, net of tax					
Items that will not be reclassified to profit or loss:					
Actuarial gain on retirement benefit obligation		29,979	11,980	118,614	27,504
Total comprehensive income for the financial period		<u>7,237,188</u>	<u>8,229,336</u>	<u>34,810,203</u>	<u>22,798,490</u>
Earnings per share attributable to equity holders:					
Basic earnings per share	14	83.21	94.62	400.24	262.13
Diluted earnings per share	14	83.21	94.62	400.24	262.13

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 2017 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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2018

	Note	Share capital KHR'000	Reserves KHR'000	Retained earnings KHR'000	Total KHR'000
Unaudited					
Balance as at 1.1.2018		541,227,282	264,829,678	33,067,826	839,124,786
Profit for the financial period		-	-	34,691,589	34,691,589
Actuarial gain on retirement benefit obligation		-	-	118,614	118,614
Total comprehensive income for the period		-	-	34,810,203	34,810,203
Transactions with owners					
Transfer to reserves	6	-	19,673,958	(19,673,958)	-
Dividend	11	-	-	(13,393,868)	(13,393,868)
Total transactions with owners		-	19,673,958	(33,067,826)	(13,393,868)
Balance as at 30.9.2018⁽¹⁾		541,227,282	284,503,636	34,810,203	860,541,121
Balance as at 1.1.2017					
Balance as at 1.1.2017		541,227,282	229,471,410	49,273,104	819,971,796
Profit for the financial period		-	-	22,770,986	22,770,986
Actuarial gain on retirement benefit obligation		-	-	27,504	27,504
Total comprehensive income for the period		-	-	22,798,490	22,798,490
Transactions with owners					
Transfer to reserves	6	-	35,358,268	(35,358,268)	-
Dividend		-	-	(13,914,836)	(13,914,836)
Total transactions with owners		-	35,358,268	(49,273,104)	(13,914,836)
Balance as at 30.9.2017⁽²⁾		541,227,282	264,829,678	22,798,490	828,855,450

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 2017 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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2018**

	Note	Unaudited	
		30.9.2018 ⁽¹⁾ KHR'000	30.9.2017 ⁽²⁾ KHR'000
Cash flows from operating activities			
Profit before tax		44,329,306	29,091,344
Adjustments for:			
Amortisation of intangible assets		1,254,446	585,822
Amortisation of deferred government and other grants		(1,769,979)	(1,769,979)
Depreciation of property, plant and equipment		29,848,007	27,227,598
Finance income		(9,294,045)	(5,107,152)
Finance costs		14,216,368	28,810,678
Impairment on loan to employees		808,709	534,792
Property, plant and equipment written-off		3,144,538	440,411
Retirement benefit obligation expense	8	4,061,953	3,353,866
Operating profit before working capital changes		86,599,303	83,167,380
Changes in working capital:			
Inventories		(28,203,626)	2,170,165
Trade and other receivables		(31,780,713)	(16,443,788)
Trade and other payables		9,800,877	8,685,913
Refundable water deposits		3,572,005	3,094,317
Cash generated from operations		39,987,846	80,673,987
Income tax paid		(7,203,677)	(8,851,662)
Retirement benefit paid		(909,001)	(863,374)
Net cash from operating activities		31,875,168	70,958,951
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(114,764,319)	(104,744,377)
Interest capitalisation on qualifying assets		(2,052,941)	(91,424)
Loan repayments from Pursat Water Supply		103,143	87,892
Proceeds from disposal of short-term investments		62,545,738	47,320,957
Interest received		2,574,627	2,339,586
Net cash used in investing activities		(51,593,752)	(55,087,366)
Cash flows from financing activities			
Dividend paid		(2,009,081)	(13,914,836)
Drawdown of borrowings		66,924,019	17,348,591
Interest paid		(8,517,779)	(9,166,389)
Repayments of borrowings		(37,978,951)	(17,830,227)
Net cash from/(used in) financing activities		18,418,208	(23,562,861)
Net decrease cash and cash equivalents		(1,300,376)	(7,691,276)
Cash and cash equivalents at beginning of financial period		15,992,527	16,386,849
Cash and cash equivalents at end of financial period		14,692,151	8,695,573

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 2017 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
30 SEPTEMBER 2018**

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 31 October 2018.

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 2017 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 2017.

3. BASIS OF PREPARATION (continued)

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 2017 except for the adoption of the following accounting standards, amendments and interpretations:

	Effective Date
Amendments to CIFRS 1 <i>Annual Improvements to IFRS Standards 2014 - 2016 Cycle</i>	1 January 2018
CIFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
Clarification to CIFRS 15	1 January 2018
CIFRS 9 <i>Financial Instruments (issued by IASB in July 2014)</i>	1 January 2018
Amendments to CIFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to CIAS 28 <i>Annual Improvements to CIFRS Standards 2014 - 2016 Cycle</i>	1 January 2018
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Amendments to CIAS 40 <i>Transfers of Investment Property</i>	1 January 2018
Amendments to CIFRS 4 <i>Applying CIFRS 9 Financial Instruments with CIFRS 4 Insurance Contracts</i>	See CIFRS 4 Paragraphs 46 and 48

There is no material impact upon the adoption of the above accounting standards, amendments and interpretations during the financial period.

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

	Effective Date
CIFRS 16 <i>Leases</i>	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to CIAS 28 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to CIFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
CIFRS 17 <i>Insurance Contracts</i>	1 January 2021
Amendments to CIFRS 10 and CIAS 28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

The PPWSA is in the process of making an assessment of the potential impact from the adoption of these accounting standards, amendments and interpretations hence the Directors are not yet in a position to conclude on the potential impact on the results and the financial position of the Company.

The possible effects from the adoption of the above accounting standards, amendments and interpretations are as follows:

CIFRS 16 Leases

CIFRS 16, which upon the effective date will supersede CIAS 17 *Leases and related interpretations* introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under CIFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

3. BASIS OF PREPARATION (continued)

The possible effects from the adoption of the above accounting standards, amendments and interpretations are as follows: (continued)

CIFRS 16 Leases (continued)

Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, CIAS 17.

In respect of the lessor accounting, CIFRS 16 substantially carries forward the lessor accounting requirements in CIAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IC Interpretation 23 Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of CIAS 12 *Income Taxes* by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the “most likely amount” or the “expected value” approach, whichever better predicts the resolution of the uncertainty.

Amendments to CIAS 28 Long-term Interests in Associates and Joint Ventures

The amendments clarify that the companies account for long-term interests in an associate or joint venture, to which equity method is not applied, using CIFRS 9.

Amendments to CIFRS 9 Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

CIFRS 17 Insurance Contracts

CIFRS 17 replaces CIFRS 4 and requires a current measurement model where estimates are re-measured each reporting period.

3. BASIS OF PREPARATION (continued)

The possible effects from the adoption of the above accounting standards, amendments and interpretations are as follows: (continued)

CIFRS 17 Insurance Contracts (continued)

Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows
- an explicit risk adjustment, and
- a contractual service margin (“CSM”) representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the income statement or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under CIFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the “variable fee approach” for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach the entity’s share of the fair value changes of the underlying items is included in the contractual service margin. The results of insurers using this model are therefore likely to be less volatile than under the general model.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

Amendments to CIFRS 10 and CIAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors’ interests in the joint venture or associate.

4. PROPERTY, PLANT AND EQUIPMENT

	Unaudited 30.9.2018 KHR'000	Audited 31.12.2017 KHR'000
Cost		
Balance at the beginning of financial period/year	1,494,791,632	1,371,004,458
Additions	109,647,673	128,401,092
Transfers to intangible assets	(10,850,110)	(4,163,043)
Written-off	<u>(7,211,744)</u>	<u>(450,875)</u>
Balance at the end of financial period/year	<u>1,586,377,451</u>	<u>1,494,791,632</u>
Accumulated depreciation		
Balance at the beginning of financial period/year	(370,619,449)	(334,594,919)
Depreciation for financial period/year	(29,848,007)	(36,024,530)
Written-off	<u>4,067,206</u>	<u>-</u>
Balance at the end of financial period/year	<u>(396,400,250)</u>	<u>(370,619,449)</u>
Carrying amounts		
Balance at the end of financial period/year	<u>1,189,977,201</u>	<u>1,124,172,183</u>

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

	Unaudited Nine-month period ended	
	30.9.2018 KHR'000	30.9.2017 KHR'000
Additions	109,647,673	101,361,380
Increase in payables and performance guarantee	7,169,587	3,474,421
Interest capitalised on qualifying assets	<u>(2,052,941)</u>	<u>(91,424)</u>
Cash payment for purchase of property, plant and equipment	<u>114,764,319</u>	<u>104,744,377</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 4.00% to 5.50% (2016: 4.00% to 5.00%) per annum.

Short-term investments include deposits amounting to KHR34.2 billion (2017: KHR96.7 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 1.1.2018	1,648,435	20,702,042	20,702,042	221,777,159	264,829,678
Transfer from retained earnings	<u>-</u>	<u>1,653,391</u>	<u>1,653,391</u>	<u>16,367,176</u>	<u>19,673,958</u>
As at 30.9.2018 (Unaudited)	<u>1,648,435</u>	<u>22,355,433</u>	<u>22,355,433</u>	<u>238,144,335</u>	<u>284,503,636</u>
As at 1.1.2017	1,648,435	18,238,388	18,238,388	191,346,199	229,471,410
Transfer from retained earnings	<u>-</u>	<u>2,463,654</u>	<u>2,463,654</u>	<u>30,430,960</u>	<u>35,358,268</u>
As at 31.12.2017 (Audited)	<u>1,648,435</u>	<u>20,702,042</u>	<u>20,702,042</u>	<u>221,777,159</u>	<u>264,829,678</u>

6. RESERVES (continued)

On 29 March 2018, the Board of Directors approved the transfer of retained earnings to reserves amounting to KHR19,673 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 30.9.2018 KHR'000	Audited 31.12.2017 KHR'000
Non-current		
Agence Francaise De Development (“Afd”) – Credit No.1075 03 S	19,077,616	24,199,143
MoEF – Japanese International Cooperation Agency (“JICA”)	62,107,838	70,872,878
MoEF – Asian Development Bank (“ADB”)	28,722,956	30,028,546
AfD – Credit No. 1121 01 F	104,959,496	125,874,653
AfD - Credit No. 1174 01 P	75,237,128	7,311,683
	<u>290,105,034</u>	<u>258,286,903</u>
Current		
AfD-Credit No. 1075 03 S	9,624,148	9,705,330
MoEF –JICA	9,702,305	11,133,191
AfD – Credit No. 6000 01 G	3,034,969	6,136,201
MoEF –ADB	1,712,225	2,239,085
AfD – Credit No. 1121 01 F	19,096,466	19,473,283
AfD - Credit No. 1174 01 P	564,728	663,594
	<u>43,734,841</u>	<u>49,350,684</u>
	<u>333,839,875</u>	<u>307,637,587</u>

The maturity dates of these borrowings are as follows:

	Unaudited 30.9.2018 KHR'000	Audited 31.12.2017 KHR'000
Current		
Not later than one year	<u>43,734,841</u>	<u>49,350,684</u>
Non-current		
Later than one year but not later than two years	39,482,994	39,800,294
Later than two year but not later than five years	99,371,365	104,881,398
Later than five years	151,250,675	113,605,211
	<u>290,105,034</u>	<u>258,286,903</u>
	<u>333,839,875</u>	<u>307,637,587</u>

8. RETIREMENT BENEFIT OBLIGATIONS

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

	Unaudited 30.9.2018 KHR'000	Audited 31.12.2017 KHR'000	Unaudited 30.9.2017 KHR'000
Present value of defined benefit obligation	43,168,055	40,133,717	36,446,465
Fair value of plan asset	-	-	-
Liability recognised in statement of financial position	<u>43,168,055</u>	<u>40,133,717</u>	<u>36,446,465</u>

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

	Unaudited Nine-month period ended	
	30.9.2018 KHR'000	30.9.2017 KHR'000
Balance at 1 January	40,133,717	33,983,477
Current service cost	1,695,035	1,350,493
Interest cost	2,366,918	2,003,373
Benefit paid	(909,001)	(863,374)
Actuarial loss	(118,614)	(27,504)
Balance at 30 September	<u>43,168,055</u>	<u>36,446,465</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 Nine-month period ended	
	30.9.2018 KHR'000	30.9.2017 KHR'000
Current service cost	1,695,035	1,350,493
Interest cost	2,366,918	2,003,373
	<u>4,061,953</u>	<u>3,353,866</u>

9. DEFERRED GOVERNMENT AND OTHER GRANTS

	Government grant KHR'000	JICA grant KHR'000	Other grants KHR'000	Total KHR'000
Balance at 1.1.2018	4,638,162	20,095,741	757,098	25,491,001
Amortisation charges	(170,173)	(1,581,509)	(18,297)	(1,769,979)
Balance at 30.9.2018 (Unaudited)	<u>4,467,989</u>	<u>18,514,232</u>	<u>738,801</u>	<u>23,721,022</u>
Balance at 1.1.2017	4,865,059	22,204,422	781,493	27,850,974
Amortisation charges	(226,897)	(2,108,681)	(24,395)	(2,359,973)
Balance at 31.12.2017 (Audited)	<u>4,638,162</u>	<u>20,095,741</u>	<u>757,098</u>	<u>25,491,001</u>

10. TRADE AND OTHER PAYABLES

	Unaudited 30.9.2018 KHR'000	Audited 31.12.2017 KHR'000
Other payables - non-current		
Refundable water deposits	53,128,686	49,556,681
Performance guarantee	2,096,732	143,217
	<u>55,225,418</u>	<u>49,699,898</u>
Trade payable - current		
Third parties	<u>25,468,591</u>	<u>34,235,326</u>
Other payable - current		
Accrued staff incentive	5,973,157	6,739,936
Amount due to Phnom Penh Municipality	16,677,723	6,814,055
Performance guarantee	67,353	76,832
Unearned income	245,239	476,987
Deferred income	5,278	5,278
Other taxes payable	222,242	253,745
Other payables	<u>3,163,326</u>	<u>2,542,975</u>
	<u>26,354,318</u>	<u>16,909,808</u>
	<u>51,822,909</u>	<u>51,145,134</u>
	<u>107,048,327</u>	<u>100,845,032</u>

11. DIVIDEND PAYABLE

On 29 March 2018, the Board of Directors proposed and approved the dividend in respect of the financial year ended 31 December 2017 of KHR154 per share, amounting to a total dividend of KHR13.4 billion. On 27 April 2018, the dividend payable amounting to KHR2 billion was paid.

12. FINANCE INCOME/(COSTS)

	Unaudited			
	Three-month period ended 30.9.2018 KHR'000	30.9.2017 KHR'000	Nine-month period ended 30.9.2018 KHR'000	30.9.2017 KHR'000
Finance income:				
- Interest income on bank deposits (a)	347,122	725,554	845,283	3,678,313
- Net foreign exchange gains on borrowings	-	656,588	8,441,370	1,416,484
- Interest income on loans to Pursat Water Supply	2,041	3,764	7,392	12,355
	<u>349,163</u>	<u>1,385,906</u>	<u>9,294,045</u>	<u>5,107,152</u>
Finance costs:				
- Interest expense on borrowings (b)	(2,775,806)	(2,319,114)	(8,384,923)	(7,034,654)
- Net foreign exchange losses on borrowings	(2,301,475)	(4,055,372)	(7,884,386)	(21,867,448)
- Interest expense capitalised on qualifying assets	669,374	-	2,052,941	91,424
	<u>(4,407,907)</u>	<u>(6,374,486)</u>	<u>(14,216,368)</u>	<u>(28,810,678)</u>
	<u>(4,058,744)</u>	<u>(4,988,580)</u>	<u>(4,922,323)</u>	<u>(23,703,526)</u>

12. FINANCE INCOME/(COSTS) (continued)

- (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 Company has an obligation to pay tax on profit at 20% (2017: 20%) of taxable profit or minimum tax at 1% (2017: 1%) of total revenue, whichever is higher. It represents the minimum amount of tax that the Company will pay to tax authorities. The Company has a tax on profit liability that exceeds the minimum tax liability, thus, no minimum tax will be payable. Tax is payable even if the Company is in a tax loss position.

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		Nine-month period ended	
	30.9.2018	30.9.2017	30.9.2018	30.9.2017
Profit attributable to equity holders (KHR'000)	7,237,188	8,229,336	34,810,203	22,798,490
Weighted average number of shares	<u>86,973,162</u>	<u>86,973,162</u>	<u>86,973,162</u>	<u>86,973,162</u>
Basic earnings per share (KHR)	<u>83.21</u>	<u>94.62</u>	<u>400.24</u>	<u>262.13</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 DISCLOSURES

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

	Unaudited	
	Nine-month period ended	Nine-month period ended
	30.9.2018	30.9.2017
	KHR'000	KHR'000
<u>Common control</u>		
MoEF		
Interest on borrowings paid	10,018,283	10,245,067
Pursat Water Supply		
Interest on loans received	<u>7,392</u>	<u>12,467</u>

15. RELATED PARTY DISCLOSURES (continued)

(b) Compensation of key management personnel

Key management compensation during the financial period is as follows:

	Unaudited Nine-month period ended	
	30.9.2018	30.9.2017
	KHR'000	KHR'000
Salaries and other expenses	1,710,204	1,607,140
Retirement benefits	21,645	20,242
	<u>1,731,849</u>	<u>1,627,382</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.

(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 period, the PPWSA has commitment on capital expenditure in respect of:

	Unaudited	Audited
	30.9.2018	31.12.2017
	KHR'000	KHR'000
Construction of water treatment plant	43,687,178	95,288,664
Consultation services	4,887,724	5,662,296
Purchase of iron pipes, fitting and accessories	<u>8</u>	<u>23,123,540</u>
	<u>48,574,910</u>	<u>124,074,500</u>