Registration No:
Co.0839 Et/2012

PHNOM PENH WATER SUPPLY AUTHORITY
(INCORPORATED IN CAMBODIA)

AUDITED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
31 DECEMBER 2015

Registration No:
Co.0839 Et/2012

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

CORPORATE INFORMATION

DIRECTORS:	H.E. Soem Nara H.E. Mey Vann H.E. Khuong Sreng H.E. Sim Sitha Ms. Ngin Chantrea Mr. Om Sengbora Mr. Zhang Yun Feng
REGISTERED OFFICE:	No. 45, St.106, Sangkat Srah Chork, Khan Daun Penh Phnom Penh Cambodia
PRINCIPAL BANKERS:	Canadia Bank Plc. RHB Indochina Bank Limited Vattanac Bank Foreign Trade Bank of Cambodia ACLEDA Bank Plc. National Treasury Municipal Treasury Takmao Treasury
AUDITORS:	BDO (Cambodia) Limited

Registration No:
Co.0839 Et/2012

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

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PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Phnom Penh Water Supply Authority ("PPWSA") for the financial year ended 31 December 2015.

Principal activities

The principal activities of the PPWSA are processing and supplying water to Phnom Penh and surrounding areas, including Takmao and carrying out other water supply related activities. There have been no significant changes in the nature of these activities during the financial year.

Results of operations

	KHR'000
Profit for the financial year	56,949,131

Dividend

Dividend paid since the end of the previous financial year was as follows:

	KHR'000
In respect of financial year ended 31 December 2014:	
First and final dividend of KHR105 per ordinary share paid in April 2015	9,149,577

Reserves and provisions

There was a transfer of KHR36,598,335,000 from retained earnings to legal, general and development reserves, as approved during the Board of Directors meeting on 25 March 2015.

Bad and doubtful debts

Before the statement of profit or loss and other comprehensive income and statement of financial position were made out, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and satisfied themselves that there were no known bad debts and that allowance need not be made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances which would render it necessary to write off bad debts or to make allowance for doubtful debts in the financial statements of the PPWSA.

Current assets

Before the statement of profit or loss and other comprehensive income and statement of financial position were made out, the Directors took reasonable steps to ensure that for any current assets which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the PPWSA have been written down to an amount expected if realised.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the PPWSA misleading.

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

DIRECTORS' REPORT (continued)

Valuation methods

At the date of this report, the Directors are not aware of any circumstances, which have arisen and which may render adherence to the existing method of valuation of assets or liabilities of the PPWSA misleading or inappropriate.

Contingent and other liabilities

At the date of this report, there does not exist:

(i) any charge on the assets of the PPWSA which has arisen since the end of the financial year which secures the liabilities of any other person, or

(ii) any contingent liability of the PPWSA which has arisen since the end of the financial year.

No contingent or other liability has become enforceable, or is likely to become enforceable, within the period of 12 months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the PPWSA to meet its obligations when they fall due.

Change of circumstances

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or in the financial statements of the PPWSA, which would render any amount stated in the financial statements as misleading.

Items of an unusual nature

The results of the operations of the PPWSA during the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the PPWSA for the financial year for which this report is made.

Share capital

The PPWSA did not issue any shares during the current financial year.

No option to take up unissued shares in the PPWSA was granted during the financial year and there were no shares under options at the end of the financial year in respect of shares in the PPWSA.

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

DIRECTORS' REPORT (continued)

Directors

The Directors who have held for office since the date of the last report are:

H.E. Soem Nara
H.E. Mey Vann
H.E. Khuong Sreng
H.E. Sim Sitha
Ms. Ngin Chantrea
Mr. Om Sengbora
Mr. Zhang Yun Feng

Directors' benefits

During and at the end of the financial year, no arrangements subsisted to which the PPWSA is a party, with the object or objects of enabling the Directors of the PPWSA to acquire benefits by means of the acquisition of shares in or debentures of the PPWSA or any other corporate body.

Since the end of the previous financial year, the Directors have not received or become entitled to receive any benefit by reason of a contract made by the PPWSA or a related corporation with the Director or with a firm of which the Director is a member, or with a PPWSA in which the Director has a substantial financial interest.

Directors' responsibility in respect of the financial statements

The Directors are responsible to ascertain that the financial statements give a true and fair view of the financial position of the PPWSA as at 31 December 2015, and of its financial performance and cash flows for the financial year then ended. In preparing these financial statements, the Directors are required to:

(a) adopt appropriate accounting policies which are supported by reasonable judgements and estimates and then apply them consistently;

(b) comply with the disclosure requirements of the Cambodian International Financial Reporting Standards ("CIFRSs") or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;

(c) maintain adequate accounting records and an effective system of internal controls;

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

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

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

Significant event subsequent to the end of the reporting period

The significant event subsequent to the end of the reporting period is disclosed in Note 39 to the financial statements.

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

DIRECTORS' REPORT (continued)

Statement by the Directors

In the opinion of the Directors, the financial statements set out on pages 7 to 56 have been drawn up in accordance with Cambodian International Financial Reporting Standards so as to give a true and fair view of the financial position of the PPWSA as at 31 December 2015, and of its financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors,

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

H.E. Sim Sitha
General Director

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

Phnom Penh, Cambodia
Date: 23 March 2016

BDO

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Kingdom of Cambodia

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)
(Registration No: Co.0839 Et/2012)

Report on the Financial Statements

We have audited the accompanying financial statements of the Phnom Penh Water Supply Authority ("PPWSA"), which comprise statement of financial position as at 31 December 2015, and statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 7 to 56.

Directors' Responsibility for the Financial Statements

The Directors of the PPWSA are responsible for the preparation and fair presentation of these financial statements in accordance with Cambodian International Financial Reporting Standards, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Cambodian International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)
(Registration No: Co.0839 Et/2012) (continued)

Report on the Financial Statements (continued)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the PPWSA as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards.

BDO

BDO (Cambodia) Limited

Phnom Penh, Cambodia
Date: 23 March 2016

Registration No:
Co.0839 Et/2012

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note	2015 KHR'000	2014 KHR'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	936,711,937	874,742,665
Intangible assets	8	2,263,493	2,857,617
Loan to Pursat Water Supply	9	379,074	492,540
		939,354,504	878,092,822
Current assets			
Inventories	10	53,718,237	40,501,860
Trade and other receivables	11	34,315,104	30,624,905
Loan to Pursat Water Supply	9	110,445	97,365
Loan to employees	12	5,608,787	5,440,649
Short-term investments	13	194,457,564	196,331,331
Cash and bank balances	14	12,555,435	14,962,141
		300,765,572	287,958,251
TOTAL ASSETS		1,240,120,076	1,166,051,073
EQUITY AND LIABILITIES			
Equity			
Share capital	15	541,227,282	541,227,282
Reserves	16	185,791,772	149,193,437
Retained earnings		56,949,128	45,747,909
TOTAL EQUITY		783,968,182	736,168,628
LIABILITIES			
Non-current liabilities			
Borrowings	17	256,360,862	251,256,517
Retirement benefit obligations	18	29,852,391	30,246,160
Deferred government and other grants	19	30,210,946	32,570,918
Deferred tax liabilities	20	33,974,749	25,572,968
Other payables	21	46,255,251	36,979,375
		396,654,199	376,625,938
Current liabilities			
Trade and other payables	21	27,308,000	21,509,970
Borrowings	17	28,540,601	28,837,249
Current tax liabilities		3,649,094	2,909,288
		59,497,695	53,256,507
TOTAL LIABILITIES		456,151,894	429,882,445
TOTAL EQUITY AND LIABILITIES		1,240,120,076	1,166,051,073

The accompanying notes form an integral part of the financial statements.

Registration No:
Co.0839 Et/2012

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	2015 KHR'000	2014 KHR'000
Revenue:			
Sales	22	162,028,095	146,857,348
Construction service fees	23	17,968,799	200,631
Other income	24	11,351,352	9,484,870
		191,348,246	156,542,849
Expenses:			
Depreciation and amortisation charges		(34,647,703)	(34,043,756)
Electricity costs		(29,988,212)	(28,647,334)
Salaries, wages and related expenses	25	(30,651,497)	(24,570,300)
Raw materials for water treatment	26	(5,770,574)	(4,691,063)
Raw materials for household water connections	27	(7,160,078)	(6,829,865)
Repairs and maintenance		(6,211,236)	(4,536,708)
Construction service expenses		(14,091,154)	(94,034)
Other operating expenses		(5,127,489)	(10,626,010)
Foreign exchange (loss)/gain – net	28	(3,057,665)	2,147,799
		(136,705,608)	(111,891,271)
Operating profit		54,642,638	44,651,578
Finance income	29	33,210,466	23,067,802
Finance costs	29	(19,869,858)	(11,663,042)
Profit before tax		67,983,246	56,056,338
Tax expense	30	(14,051,176)	(10,051,811)
Profit for the financial year		53,932,070	46,004,527
Other comprehensive income, net of tax			
Items that will not be reclassified to profit or loss:			
Actuarial gain/(losss) on retirement benefit obligation	18	3,017,061	(256,616)
Total comprehensive income for the financial year		56,949,131	45,747,911

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

	Note	2015	2014
Basic earnings per share	31	654.79	526.00
Diluted earnings per share	31	654.79	526.00

The accompanying notes form an integral part of the financial statements.

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	Share capital KHR'000	Reserves KHR'000	Retained earnings KHR'000	Total KHR'000
Balance as at 1 January 2014		**541,227,282**	**115,866,320**	**38,088,028**	**695,181,630**
Profit for the financial year		-	-	46,004,527	46,004,527
Actuarial loss on retirement benefit obligation		-	-	(256,616)	(256,616)
Total comprehensive income		-	-	45,747,911	45,747,911
Transactions with owners					
Transfer to reserves	16	-	33,327,117	(33,327,117)	-
Dividend paid	32	-	-	(4,760,913)	(4,760,913)
Total transactions with owners		-	33,327,117	(38,088,030)	(4,760,913)
Balance as at 31 December 2014/ 1 January 2015		**541,227,282**	**149,193,437**	**45,747,909**	**736,168,628**
Profit for the financial year		-	-	53,932,070	53,932,070
Actuarial gain on retirement benefit obligation		-	-	3,017,061	3,017,061
Total comprehensive income		-	-	56,949,131	56,949,131
Transactions with owners					
Transfer to reserves	16	-	36,598,335	(36,598,335)	-
Dividend paid	32	-	-	(9,149,577)	(9,149,577)
Total transactions with owners		-	36,598,335	(45,747,912)	(9,149,577)
Balance as at 31 December 2015		**541,227,282**	**185,791,772**	**56,949,128**	**783,968,182**

The accompanying notes form an integral part of the financial statements.

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	2015 KHR'000	2014 KHR'000
Cash flows from operating activities			
Profit before tax		67,983,246	56,056,338
Adjustments for:			
Amortisation of intangible assets	8	786,117	1,284,709
Amortisation of deferred government and other grants	19	(2,359,972)	(2,359,972)
Depreciation of property, plant and equipment	7	33,861,586	32,759,045
Finance income	29	(33,210,466)	(23,067,802)
Finance costs	29	19,869,858	11,663,042
Impairment on loans to employees	12	-	2,608,738
Loss on disposal of property, plant and equipment		4,476,313	2,099,699
Property, plant and equipment written off	7	-	2,922,711
Retirement benefit obligation expense	18	3,623,473	2,493,968
Operating profit before working capital changes		95,030,155	86,460,476
Changes in working capital:			
Inventories		(13,216,377)	(5,418,497)
Trade and other receivables		(3,882,135)	(63,839)
Trade and other payables		3,256,436	2,310,992
Refundable water deposits		3,641,535	5,068,672
Cash generated from operations		84,829,614	88,357,804
Income tax paid		(4,909,589)	(3,286,678)
Retirement benefit paid	18	(1,000,181)	(866,648)
Net cash from operating activities		78,919,844	84,204,478
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(91,843,530)	(86,569,181)
Interest capitalisation on qualifying assets	7	(287,706)	(367,649)
Purchase of intangible assets	8	(191,993)	(849,995)
Loan repayments from Pursat Water Supply		100,386	82,384
Proceeds from disposal/(Additions) of short-term investments		1,873,767	(22,053,313)
Interest received		8,686,061	8,669,949
Net cash used in investing activities		(81,663,015)	(101,087,805)

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (continued)

	Note	2015 KHR'000	2014 KHR'000
Cash flows from financing activities			
Dividend paid	32	(9,149,577)	(4,760,913)
Proceeds from borrowings		44,161,741	62,585,766
Interest paid		(9,978,968)	(12,526,207)
Repayments of borrowings		(24,696,731)	(24,021,893)
Net cash from financing activities		336,465	21,276,753
Net (decrease)/increase in cash and cash equivalents		(2,406,706)	4,393,426
Cash and cash equivalents at beginning of financial year		14,962,141	10,568,715
Cash and cash equivalents at end of financial year	14	12,555,435	14,962,141

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2015

1. CORPORATE INFORMATION

The Phnom Penh Water Supply Authority ("PPWSA") is under the technical supervision of the Ministry of Industry and Handicraft ("MIH") and the financial supervision of the Ministry of the Economy and Finance ("MoEF"), and has its headquarter in Phnom Penh. The PPWSA is acknowledged as having the economic characteristics of a public enterprise by the Ministry of Commerce under the registration number Co.0839 Et/2012, dated 27 March 2012.

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

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

The financial statements were authorised for issue by the Board of the Directors on 23 March 2016.

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 financial statements of the PPWSA have been prepared in accordance with Cambodian International Financial Reporting Standards ("CIFRSs") as issued by the National Accounting Council of the Ministry of Economy and Finance.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of accounting

The financial statements of the PPWSA have been prepared under the historical cost convention except as otherwise stated in the financial statements.

The preparation of financial statements in conformity with CIFRSs requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 6 to the financial statements. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Property, plant and equipment

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

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

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

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

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

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

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

At the end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 4.4 to the financial statements on impairment of non-financial assets).

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Intangible assets

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

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

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

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

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

4.4 Impairment of non-financial assets

The carrying amount of assets, except for financial assets and inventories, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Intangible assets that have an indefinite useful life are tested annually for impairment or more frequently if events or changes in circumstances indicate that the intangible asset might be impaired.

The recoverable amount of an asset is estimated for an individual asset. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ("CGU") to which the asset belongs.

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

In estimating the value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. An impairment loss is recognised in profit or loss when the carrying amount of the asset or the CGU exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated to reduce the carrying amount of the assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU. The impairment loss is recognised in profit or loss immediately.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Impairment of non-financial assets (continued)

An impairment loss is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Such reversals are recognised as income immediately in profit or loss.

4.5 Inventories

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

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

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

4.6 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the PPWSA.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or a contractual obligation to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially unfavourable to the PPWSA.

Financial instruments are recognised on the statement of financial position when the PPWSA has become a party to the contractual provisions of the instrument. At initial recognition, a financial instrument is recognised at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial instrument.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Financial instruments (continued)

An embedded derivative is separated from the host contract and accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative is not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative meets the definition of a derivative, and the hybrid instrument is not measured at fair value through profit or loss.

(a) Financial assets

A financial asset is classified into the following four categories after initial recognition for the purpose of subsequent measurement:

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise financial assets that are held for trading (i.e. financial assets acquired principally for the purpose of resale in the near term), derivatives (both, freestanding and embedded) and financial assets that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial assets classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as at fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial assets classified as at fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in profit or loss as components of other income or other operating losses.

However, derivatives that is linked to and must be settled by delivery of unquoted equity instruments that do not have a quoted market price in an active market are recognised at cost.

(ii) Held-to-maturity investments

Financial assets classified as held-to-maturity comprise non-derivative financial assets with fixed or determinable payments and fixed maturity that the PPWSA has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, financial assets classified as held-to-maturity are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as held-to-maturity are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Financial instruments (continued)

(a) Financial assets

(iii) Loans and receivables

Financial assets classified as loans and receivables comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent to initial recognition, financial assets classified as loans and receivables are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as loans and receivables are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

(iv) Available-for-sale financial assets

Financial assets classified as available-for-sale comprise non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Subsequent to initial recognition, financial assets classified as available-for-sale are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. However, interest calculated using the effective interest method is recognised in profit or loss whilst dividends on available-for-sale equity instruments are recognised in profit or loss when the PPWSA's right to receive payment is established.

Cash and cash equivalents consist of cash on hand, bank balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the PPWSA in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

A financial asset is derecognised when the contractual right to receive cash flows from the financial asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised directly in other comprehensive income shall be recognised in profit or loss.

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or marketplace convention.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Financial instruments (continued)

(b) Financial liabilities

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. A financial liability is classified into the following two categories after initial recognition for the purpose of subsequent measurement:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise financial liabilities that are held for trading, derivatives (both, freestanding and embedded) and financial liabilities that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial liabilities classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial liabilities classified as at fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial liabilities classified as at fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in profit or loss as components of other income or other operating losses.

(ii) Other financial liabilities

Financial liabilities classified as other financial liabilities comprise non-derivative financial liabilities that are neither held for trading nor initially designated as at fair value through profit or loss.

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains or losses on other financial liabilities are recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

A financial liability is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Any difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Financial instruments (continued)

(c) Equity

An equity instrument is any contract that evidences a residual interest in the assets of the PPWSA after deducting all of its liabilities. Ordinary shares are classified as equity instruments.

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit. Otherwise, they are charged to profit or loss.

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

4.7 Impairment of financial assets

The PPWSA assesses whether there is any objective evidence that a financial asset is impaired at the end of each reporting period.

(a) Loans and receivables

The PPWSA collectively considers factors such as the probability of bankruptcy or significant financial difficulties of the receivables, and default or significant delay in payments to determine whether there is objective evidence that an impairment loss on loans and receivables has occurred. Other objective evidence of impairment include historical collection rates determined on an individual basis and observable changes in national or local economic conditions that are directly correlated with the historical default rates of receivables.

If any such objective evidence exists, the amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of loans and receivables is reduced through the use of an allowance account.

If in a subsequent period, the amount of the impairment loss decreases and it objectively relates to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of impairment reversed is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Income taxes

Income taxes include all taxes on taxable profit. Taxes in the statement of profit or loss and other comprehensive income comprise current tax and deferred tax.

(a) Current tax

Current tax expenses are determined according to the tax laws and include all taxes based upon the taxable profits.

(b) Deferred tax

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the statement of financial position and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. If it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profit will be available, such reductions will be reversed to the extent of the taxable profit.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes related to the same taxation authority on either:

(i) The same taxable entity; or

(ii) Different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amount of deferred liabilities or assets are expected to be settled or recovered.

Deferred tax will be recognised as income or expense and included in profit or loss for the period unless the tax relates to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax will be charged or credited directly to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply for the year when the asset is realised or the liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the effect of the time value of money is material, the amount of a provision will be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision will be reversed.

Provisions are not recognised for future operating losses. If the PPWSA has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

4.10 Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the PPWSA or a present obligation that is not recognised because it is not probable that an outflow of resources would be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The PPWSA does not recognise a contingent liability but discloses its existence in the financial statements

4.11 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of discounts and rebates.

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

(a) Sales of water

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

(b) Household water connection revenue

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

(c) Water meter replacement charge

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 Revenue recognition (continued)

(d) Construction service fee

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

4.12 Employee benefits

(a) Short term employee benefits

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

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

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

(b) Retirement benefits

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.12 Employee benefits (continued)

(b) Retirement benefits (continued)

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

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

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

(iii) Staff who resign before their retirement age will receive a one-time lump sum payment as follow:

(a) For staff who have work for PPWSA for 10 years, 120% of their accumulated contributions and an additional 1% of the accumulated contributions for every year worked from the 11th year to the 20th year.

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.12 Employee benefits (continued)

(c) Bonus plan

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

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

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

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

4.13 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of the PPWSA are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The PPWSA transacts its business and maintains its accounting records primarily in Khmer Riel ("KHR"), management have determined Khmer Riel to be the PPWSA's functional and presentation currency as it reflects the economic substance of the underlying events and circumstances of the PPWSA.

(b) Foreign currency translations and balances

Transactions in foreign currencies are converted into functional currency at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the end of the reporting period are translated into functional currency at rate of exchange ruling at that date. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in profit or loss in the period in which they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition, and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

4.14 Borrowing costs

Borrowing costs that are directly attributable to the acquisition or production of a qualified asset is capitalised as part of the cost of the asset until when substantially all the activities necessary to prepare the asset for its intended use or sale are complete, after which such expense is charged to profit or loss. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing cost is suspended during extended periods in which active development is interrupted.

The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on the borrowing during the period less any investment income on the temporary investment of the borrowing.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.15 Fair value measurements

The fair value of an asset or a liability, (except for share-based payment and lease transactions) is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

The PPWSA measures the fair value of an asset or a liability by taking into account the characteristics of the asset or liability if market participants would take these characteristics into account when pricing the asset or liability. The PPWSA has considered the following characteristics when determining fair value:

(a) The condition and location of the asset; and

(b) Restrictions, if any, on the sale or use of the asset.

The fair value measurement for a non-financial asset takes into account the ability of the market participant to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value of a financial or non-financial liability or an entity's own equity instrument assumes that:

(a) A liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date; and

(b) An entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.

4.16 Deferred grants and amortisation

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

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

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

4.17 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources to and assessing the performance of the operating segments, has been identified as the management team (including the director general and all deputy director generals), which makes strategic decision.

5. ADOPTION OF NEW CIFRSs

5.1 New CIFRSs adopted during the current financial year

The PPWSA adopted the following amendments during the financial year.

	Effective Date
Amendments to CIAS 19 *Defined Benefit Plans: Employee Contributions*	1 July 2014
Amendments to CIFRSs *Annual Improvements 2010 – 2012 Cycle*	1 July 2014
Amendments to CIFRSs *Annual Improvements 2011 – 2013 Cycle*	1 July 2014

There is no material impact upon the adoption of the above amendments during the financial year.

5.2 New CIFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2016

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

	Effective Date
CIFRS 14 *Regulatory Deferral Accounts*	1 January 2016
Amendments to CIFRS 10 and CIAS 28 *Sale or Contribution of Assets between an Investor and its Associates or Joint Venture*	Deferred
Amendments to CIFRS 10, CIFRS 12 and CIAS 28 *Investment Entities: Applying the Consolidation Exception*	1 January 2016
Amendments to CIAS 1 *Disclosure Initiative*	1 January 2016
Amendments to CIAS 16 and CIAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to CIFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
Amendments to CIAS 16 and CIAS 41 *Agriculture: Bearer Plants*	1 January 2016
Amendments to CIAS 27 *Equity Method in Separate Financial Statements*	1 January 2016
Amendments to CIFRSs *Annual Improvements 2012 – 2014 Cycle*	1 January 2016
CIFRS 9 *Financial Instruments* (issued by IASB in July 2014)	1 January 2018
CIFRS 15 *Revenue from Contracts with Customers*	1 January 2018

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

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

6.1 Changes in estimates

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Directors are of the opinion that there are no significant changes in estimates during the reporting period end and as at the end of the reporting period.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

6.2 Critical judgements made in applying accounting policies

There are no critical judgements made by the management in the process of applying the PPWSA's accounting policies that have the most significant effect on the amount recognised in these financial statements apart from those involving estimates, which are dealt with below.

6.3 Key sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment based on historical experience, the expected usage, wear and tear of the assets and technical obsolescence arising from changes in market demands or service output of the assets. Changes in these factors could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(b) Tax expense

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

(c) Impairment of receivables

The PPWSA determines the adequacy impairment of receivables based on an assessment of the recoverability of receivables. Impairment is applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses historical bad debt, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of impairment of receivables. Where expectations differ from the original estimates, the differences would impact the carrying amount of receivables.

(d) Write down for obsolete or slow moving inventories

The PPWSA determines the adequacy of the write down of its obsolete or slow moving inventories based on an assessment of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses trend and current economic trends when making a judgement to evaluate the adequacy of the write down for obsolete or slow moving inventories. Where expectations differ from the original estimates, the differences will impact the carrying amount of inventories.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

6.3 Key sources of estimation uncertainty (continued)

(e) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that future taxable profits would be available against which the deductible temporary differences could be utilised. Significant management judgement is required to determine the amount of deferred tax assets that could be recognised, based on the likely timing and extent of future taxable profits together with future tax planning strategies.

(f) Retirement benefit obligation

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

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

(g) Accrued water revenue

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

(h) Fair value measurement

The financial and non-financial assets and liabilities that are measured subsequent to initial recognition at fair value are grouped into Level 1 to Level 3 based on the degree to which the fair value inputs are observable.

(i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
(ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
(iii) Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The classification of an item into the above levels is based on the lowest level of the inputs used in the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

7. PROPERTY, PLANT AND EQUIPMENT

	Freehold land KHR'000	Building KHR'000	Machinery KHR'000	Fluid equipment KHR'000	Laboratory equipment KHR'000	Office furniture and equipment KHR'000	Electricity equipment KHR'000	Motor vehicles KHR'000	Valves and tools KHR'000	Water meters KHR'000	Construction in progress KHR'000	Total KHR'000
Cost												
Balance at 1.1.2014	73,643,184	236,041,675	70,596,759	447,539,875	913,118	10,669,314	126,906,329	20,651,055	12,841,195	4,533,496	71,780,553	1,076,116,553
Additions	-	-	951,307	-	-	1,167,217	-	2,372,820	1,451,255	130,420	70,898,411	76,971,430
Transfers	-	3,018,589	142,975	44,147,479	-	212,188	-	1,702,329	67,994	50,391	(49,341,945)	-
Disposals	-	(313,724)	(191,989)	(2,706,004)	(68,043)	(1,699,650)	(306,742)	(555,032)	(27,726)	(371,268)	-	(6,240,178)
Written-off	-	-	-	-	-	-	-	-	-	-	(2,922,711)	(2,922,711)
Balance at 31.12.2014	73,643,184	238,746,540	71,499,052	488,981,350	845,075	10,349,069	126,599,587	24,171,172	14,332,718	4,343,039	90,414,308	1,143,925,094
Additions	-	113,534	3,823,542	-	11,222	1,778,877	185,023	7,219,148	507,025	66,099	86,602,701	100,307,171
Transfers	2,713,495	1,711,913	-	33,717,618	-	-	-	-	92,253	134,613	(38,369,892)	-
Written-off	-	-	-	-	-	-	-	-	-	-	(4,476,313)	(4,476,313)
Balance at 31.12.2015	76,356,679	240,571,987	75,322,594	522,698,968	856,297	12,127,946	126,784,610	31,390,320	14,931,996	4,543,751	134,170,804	1,239,755,952
Accumulated depreciation												
Balance at 1.1.2014	-	36,873,905	31,262,855	95,957,185	849,968	5,745,620	52,693,096	9,811,238	3,524,049	3,845,947	-	240,563,863
Depreciation for the year	-	6,292,456	3,783,500	11,599,039	30,553	1,034,440	6,182,420	2,444,848	1,124,622	267,167	-	32,759,045
Disposals	-	(27,712)	(190,632)	(910,030)	(68,043)	(1,697,353)	(306,742)	(555,032)	(27,726)	(357,209)	-	(4,140,479)
Balance at 31.12.2014	-	43,138,649	34,855,723	106,646,194	812,478	5,082,707	58,568,774	11,701,054	4,620,945	3,755,905	-	269,182,429
Depreciation for the year	-	6,277,176	4,029,817	11,468,151	23,750	1,319,814	6,085,891	3,129,881	1,284,758	242,348	-	33,861,586
Disposals	-	-	-	-	-	-	-	-	-	-	-	-
Balance at 31.12.2015	-	49,415,825	38,885,540	118,114,345	836,228	6,402,521	64,654,665	14,830,935	5,905,703	3,998,253	-	303,044,015
Carrying amounts												
Balance at 31.12.2015	76,356,679	191,156,162	36,437,054	404,584,623	20,069	5,725,425	62,129,945	16,559,385	9,026,293	545,498	134,170,804	936,711,937
Balance at 31.12.2014	73,643,184	195,607,891	36,643,329	382,335,156	32,597	5,266,362	68,030,813	12,470,118	9,711,773	587,134	90,414,308	874,742,665

7. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	2015 KHR'000	2014 KHR'000
Additions	100,307,171	76,971,430
(Increase)/Decrease in payables to suppliers and performance guarantee	(8,175,935)	9,965,400
Interest capitalised on qualifying assets	(287,706)	(367,649)
	91,843,530	86,569,181

8. INTANGIBLE ASSETS

	KHR'000
Cost	
Balance as at 1.1.2014	4,816,591
Additions	849,995
Balance as at 31.12.2014	5,666,586
Additions	191,993
Balance as at 31.12.2015	5,858,579
Accumulated amortisation	
Balance as at 1.1.2014	1,524,260
Amortisation for the year	1,284,709
Balance as at 31.12.2014	2,808,969
Amortisation for the year	786,117
Balance as at 31.12.2015	3,595,086
Carrying amounts	
Balance as at 31.12.2015	**2,263,493**
Balance as at 31.12.2014	2,857,617

Intangible assets comprise accounting software as well as network software and are amortised over seven years.

9. LOAN TO PURSAT WATER SUPPLY

	2015 KHR'000	2014 KHR'000
Current		
Not later than one year	110,445	97,365
Non-current		
Later than one year and not later than two years	123,508	111,126
Later than two years and not later than five years	255,566	381,414
	379,074	492,540
	489,519	589,905

(a) The loan to Pursat Water Supply was made in US$ in accordance with the loan agreement signed between the PPWSA and Pursat Water Supply on 4 June 2008 that amounted to KHR1,156 million (US$283,192). The purpose of the loan was to finance the construction of the main water supply network in Kandiang district, Pursat province, which was constructed and completed by the PPWSA in April 2009. The loan is unsecured and subject to interest at the rate of 5% (2014: 5%) per annum.

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

10. INVENTORIES

	2015 KHR'000	2014 KHR'000
At cost		
Distribution pipes and fittings	39,431,558	29,952,721
Water meters	4,113,643	3,196,036
Spare parts and tools	2,466,447	1,581,890
Chemicals	517,594	836,712
Drums and other packages	100,216	100,216
Inventories in transit*	2,333,635	1,910,507
Other materials	4,755,144	2,923,778
	53,718,237	40,501,860

* Inventories in transit are main pipes which arrived at the port of Cambodia.

During the financial year, inventories of the PPWSA recognised as expenses amounted to KHR12,090 million (2014: KHR10,853 million).

11. TRADE AND OTHER RECEIVABLES

	2015 KHR'000	2014 KHR'000
Trade receivables (a)		
Household receivables	3,847,143	2,881,692
Commercial receivables	3,188,098	2,333,076
Public administration receivables (b)	2,413,006	917,874
Water wholesalers	284,932	7,568
	9,733,179	6,140,210
Other receivables		
Accrued water revenue (c)	17,106,446	18,239,927
Interest receivables	4,240,550	4,432,486
Advances to suppliers	-	1,620
VAT receivables – net	196,450	310,877
Other receivables	3,038,479	1,499,785
	24,581,925	24,484,695
Loans and receivables	34,315,104	30,624,905

(a) Trade receivables are non-interest bearing and the normal trade credit terms granted by the PPWSA to households and businesses is one month (2014: one month) and to government departments is one year (2014: one year). Management believes that receivables are recoverable.

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

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

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

(d) Trade receivables are denominated in KHR and other receivables are mainly denominated in KHR.

12. LOAN TO EMPLOYEES

On 15 February 2012, the Board of Directors approved the motion that 10% of the floating shares be reserved for the PPWSA's staff. The number of shares to be allotted to each employee was finalised on 3 April 2012. This date is therefore regarded as the grant date for the employee share option plan. The total loans, paid on 6 April 2012, amounted to KHR8,218 million. The PPWSA provided interest-free loans with a term of three year to employees and senior officers to purchase these shares. On the due date the loans must be repaid in full to the PPWSA. According to the minutes of the Board of Directors meeting dated 20 December 2012, the employees are allowed to trade their shares if the loans have been paid.

12. LOAN TO EMPLOYEES (continued)

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

On the granted date, the fair value adjustment to the loan balance of KHR2,729 million was reconginsed in salaries, wages and related expenses. This was because the fair value of the loans has been reduced through a preferential rate (interest-free) and a benefit was provided to the employees.

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

13. SHORT-TERM INVESTMENTS

The represents fixed deposits placed with financial institutions for a period of between four and twelve months, earning interest at rate of between 4.00% and 6.00% (2014: 4.00% and 5.00%) per annum.

The short-term investments include deposits amounting to KHR19 billion (2014: KHR18 billion) set up specially for the purpose of paying retirement benefits to retirees who are entitled to retirement benefits under the pension scheme. There is no restriction for the PPWSA to use these short-term investments for other purposes.

Short-term investments are denominated in US$.

14. CASH AND BANK BALANCES

	2015 KHR'000	2014 KHR'000
Cash on hand	557,070	1,460,600
Cash at bank	11,998,365	13,501,541
	12,555,435	14,962,141

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

	2015 KHR'000	2014 KHR'000
Khmer Riel	8,725,168	10,804,849
United States Dollar	3,830,267	4,157,292
	12,555,435	14,962,141

(b) For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and cash at bank.

15. SHARE CAPITAL

	Ordinary shares		Class A shares		Share premium	Total
	Number	KHR'000	Number'000	KHR'000	KHR'000	KHR'000
As at 31.12.15	86,973,162	86,973,162	391,101	391,100,942	63,153,178	541,227,282
As at 31.12.14	86,973,162	86,973,162	391,101	391,100,942	63,153,178	541,227,282

(a) On 15 February 2012, the Board of Directors approved the split of the existing capital of KHR465,028,000 into 73,927,187 ordinary shares and 391,100,942 Class A shares with a par value of KHR1,000 per share. Class A shares are not eligible for interest or dividend and have rights and conditions as detailed in article 12.2 of the Articles of Incorporation dated 27 June 2012.

(b) On 18 April 2012, the PPWSA was successfully listed on the Cambodia Securities Exchange ("CSX"). It is the first company on the CSX. The total number of ordinary shares is 86,973,162 share with a par value of KHR1,000 per share. The costs of issuing 13,045,975 new shares amounting to KHR6,000 million have been offset with the share premium. All issued ordinary shares are fully paid. The details of ordinary share are as follows:

Shareholders

	Number of shares	%
MoEF (one-year lock-up)	73,927,187	85%
Other shareholders	11,741,606	14%
Employee share option scheme (three-year lock-up)*	1,304,369	1%
	86,973,162	100%

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

16. RESERVES

	Capital reserve KHR'000	Legal reserve KHR'000	General reserve KHR'000	Development reserve KHR'000	Total KHR'000
As at 1.1.2014	1,648,435	11,199,136	11,199,136	91,819,613	115,866,320
Transfer from retained earnings	-	1,904,401	1,904,401	29,518,315	33,327,117
As at 31.12.2014/ 1.1.2015	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 31.12.2015	1,648,435	15,390,933	15,390,933	153,361,471	185,791,772

(a) In accordance with the PPWSA's status dated 22 February 1999, article 29 the PPWSA's profit, after offsetting with losses carried forward (if any), can be used as follows:
- for management and staff bonuses
- for legal reserve – 5%
- for general reserve – 5%
- the remaining balance for development reserve

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

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

1. Compensation for losses incurred in previous years
2. After the compensation for losses, the remaining profit, if any, shall be distributed as follows:
   i. Reward to management and employees as follows:
      - One month's salary for all employees if the net profit is between 5% and 10% of operating expenses
      - Two months' salary for all employees if the net profit is between 10% and 20% of operating expenses
      - Three months' salary for all employees if the net profit is more than 20% of operating expense
   ii. 2% for retirement benefits and disability benefits
   iii. 5% for legal reserve
   iv. 5% for general reserve
   v. 5% for social fund, which shall be recorded as an expense in the year of the transition
3. The remaining amount after the above allocations shall be allocated to:
   i. Reserve for future investments (retained earnings) subject to the Board of Director's approval
   ii. The remaining balance after investment reserve is allocated to the MoEF and public investors at the ratio of 85% and 15%, respectively

16. RESERVES (continued)

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

17. BORROWINGS

	2015 KHR'000	2014 KHR'000
Non-current		
Agence Francaise De Developmen ("AfD") – Credit No. 1075 03 S	40,016,242	54,721,530
MoEF – Japan International Cooperation Agency ("JICA")	90,061,399	101,617,821
AfD – Credit No. 6000 01 G	11,274,400	18,921,538
MoEF – Asian Development Bank ("ADB")	32,639,723	32,489,340
AfD – Credit No. 1121 01F	82,369,098	43,506,288
	256,360,862	251,256,517
Current		
AfD – Credit No. 1075 03 S	8,929,560	9,998,375
MoEF – JICA	11,566,429	10,382,468
AfD – Credit No. 6000 01 G	5,637,200	6,307,179
MoEF – ADB	2,316,876	2,013,295
AfD – Credit No. 1121 01F	90,536	135,932
	28,540,601	28,837,249
Total borrowings		
AfD – Credit No. 1075 03 S	48,945,802	64,719,905
MoEF – JICA	101,627,828	112,000,289
AfD – Credit No. 6000 01 G	16,911,600	25,228,717
MoEF – ADB	34,956,599	34,502,635
AfD – Credit No. 1121 01F	82,459,634	43,642,220
	284,901,463	280,093,766

(a) AfD – Credit No. 1075 03 S

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

The purpose of the credit facility is to finance the construction of the first tranche of a new water production facility in Niroth and extension of transmission and distribution network corresponding to the additional water production (Sub-package A).

The annual interest is EURIBOR minus 1.35%. In no case is the rate to be less than 0.25% nor to exceed 5.21%. The floating rate was converted into a fixed rate at the end of the disbursement period of 0.88% starting from 1 December 2013.

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

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

17. BORROWINGS (continued)

(b) MoEF – JICA

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

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

The annual interest is 7.35% per annum.

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

(c) AfD – Credit No. 6000 01 G

With reference to the credit facility agreement No.CKH 1075 03S dated 30 November 2006, amended on 25 March 2009 and 2 July 2010, the PPWSA was provided with a credit facility in a maximum amount of EUR30,000,000 from AfD.

The purpose of the credit facility is to finance the extension of Chrouy Changwar Water Treatment Plant (Phase II) and extension of PPWSA's Distribution Network Project.

The annual interest is EURIBOR minus 1.35%. In no case is the rate to be less than 0.25% nor to exceed 5.21%. The floating rate was converted into a fixed rate at the end of the disbursement period of 1.49% starting from 1 January 2011.

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

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

(d) MoEF – ADB

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

The purpose of the loan is to finance the Provincial and Peri-urban Water and Sanitation Project.

The annual interest is 6.5% per annum.

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

17. BORROWINGS (continued)

(e) AfD – Credit No. 1121 01F

With reference to the credit facility agreement No.CKH 1075 03S dated 8 May 2009, the PPWSA was provided with a credit facility in a maximum amount of EUR30,000,000 AfD.

The purpose of the credit facility is to finance the construction of the second tranche of the water production facility in Niroth and for the extension and optimization of the Phnom Penh transmission and distribution system.

The annual interest is EURIBOR six-month rate minus 0.59%, capped at 5.19% per annum and with a minimum of 0.25% per annum.

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

(f) The currency exposure profile of borrowings is as follows:

	2015 KHR'000	2014 KHR'000
Khmer Riel	34,956,600	34,502,635
United States Dollar	101,627,827	112,000,290
Euro	148,317,036	133,590,841
	284,901,463	280,093,766

18. RETIREMENT BENEFIT OBLIGATIONS

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

	2015 KHR'000	2014 KHR'000
Present value of funded defined benefit obligations	29,852,391	30,246,160
Fair value of plan assets	-	-
Net liability recognised in statement of financial position	29,852,391	30,246,160

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

	2015 KHR'000	2014 KHR'000
Balance as at 1.1.2015	30,246,160	28,362,224
Current service cost	1,485,152	1,177,150
Interest cost	2,138,321	1,316,818
Benefits paid	(1,000,181)	(866,648)
Actuarial (gain)/loss	(3,017,061)	256,616
Balance as at 31.12.2015	29,852,391	30,246,160

18. RETIREMENT BENEFIT OBLIGATIONS (continued)

The amounts recognised in the statement of profit or loss and other comprehensive income are as follows:

	2015 KHR'000	2014 KHR'000
Current service cost	1,485,152	1,177,150
Interest cost	2,138,321	1,316,818
Total included in salaries, wages and related expenses	3,623,473	2,493,968

The amounts anticipated to be paid within 12 months of the years ended 31 December 2015 and 31 December 2014 were KHR1,098 million and KHR1,070 million respectively.

The principal actuarial assumptions are as follows:

	2015	2014
Discount rates	8.00%	4.64%
Salary growth rate (a)		
Withdrawal rates (b)		
Mortality rates (c)		

(a) Salary growth rate

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

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

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

Salary increment = Inflation + Real Salary Growth

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

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

18. RETIREMENT BENEFIT OBLIGATIONS (continued)

(a) Salary growth rate (continued)

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

(b) Withdrawal rates

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

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

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

(c) Mortality rates

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

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

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

19. DERFERRED GOVERNMENT AND OTHER GRANTS

	Government grant KHR'000	JICA grant KHR'000	Other grant KHR'000	Total KHR'000
Balance 1.1.2014	5,545,754	28,530,460	854,676	34,930,890
Amortisation	(226,899)	(2,108,679)	(24,394)	(2,359,972)
Balance 31.12.2014	5,318,855	26,421,781	830,282	32,570,918
Balance 1.1.2015	5,318,855	26,421,781	830,282	32,570,918
Amortisation	(226,899)	(2,108,679)	(24,394)	(2,359,972)
Balance 31.12.2015	5,091,956	24,313,102	805,888	30,210,946

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

(a) Government Grant

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

(b) JICA grants

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

(c) Other grants

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

20. DEFFERD TAX LIABILITIES

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

	At 1.1.2015 KHR'000	Recognised in profit or loss (Note 30) KHR'000	Recognised in other comprehensive income KHR'000	At 31.12.2015 KHR'000
Property, plant and equipment	(35,695,137)	(5,176,745)	-	(40,871,882)
Retirement benefit obligation	6,049,232	(78,754)	-	5,970,478
Allowance for inventory obsolesce	30,493	(16,648)	-	13,845
Allowance for doubtful debts	522,858	-	-	522,858
Bonus	613,947	(345,833)	-	268,114
Unrealised exchange	2,905,639	(2,783,800)	-	121,839
	(25,572,968)	(8,401,780)	-	(33,974,749)

	At 1.1.2014 KHR'000	Recognised in profit or loss (Note 30) KHR'000	Recognised in other comprehensive income KHR'000	At 31.12.2014 KHR'000
Property, plant and equipment	(31,848,293)	(3,846,844)		(35,695,137)
Retirement benefit obligation	5,655,112	394,120	-	6,049,323
Allowance for inventory obsolesce	147,493	(117,000)	-	30,493
Allowance for doubtful debts	1,111	521,747	-	522,858
Bonus	464,484	149,463	-	613,947
Unrealised exchange	1,107,266	1,798,373	-	2,905,639
	(24,472,827)	(1,100,141)	-	(25,572,968)

21. TRADE AND OTHER PAYABLES

	2015 KHR'000	2014 KHR'000
Other payables - non-current		
Refundable water deposits (a)	39,925,380	36,283,845
Performance guarantee	6,329,871	695,530
	46,255,251	36,979,375
Trade payables - current		
Third parties	14,826,156	11,176,434
Other payables - current		
Accrued staff incentive	4,541,388	3,797,399
Amount due to Phnom Penh Municipality	5,836,540	3,732,133
Unearned income (b)	214,109	871,434
Deferred income (c)	5,278	5,278
Other taxes payable	361,808	167,284
Other payables	1,388,631	1,532,009
Performance guarantee	134,090	227,999
	12,481,844	10,333,536
	27,308,000	21,509,970
	73,563,251	58,489,345

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

(b) This is the cash received in advance for the construction services provided in relation to the expansion of the water distribution system to a construction company at Kampong Cham and Battambang provinces.

(c) This is the cash received in advance from the World Bank (WB) and Maris de Paris for new household connection for the poor.

(d) Trade payables and performance guarantee are mainly denominated in US$ and other payables are mainly denominated in KHR.

22. REVENUE

	2015 KHR'000	2014 KHR'000
Water sales:		
- households	71,862,368	68,805,868
- commercial	67,703,270	61,559,620
- public administration institution	6,802,151	6,805,631
- autonomous state authorities	373,775	362,665
- wholesalers	5,101,555	179,287
Rounding difference on water sales revenue	34,942	32,693
Less: Invoice cancellations	(372,046)	(727,701)
	151,506,015	137,018,063
Water connection revenue	7,572,567	7,160,850
Water meter replacement charges	2,619,332	2,430,499
Spare parts and meter sales	330,181	247,936
	162,028,095	146,857,348

23. CONSTRUCTION SERVICE FEES

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

24. OTHER INCOME

	2015 KHR'000	2014 KHR'000
Government and other grants	2,359,972	2,359,972
Spare parts and meter sales	7,110,452	5,578,424
Penalty revenues	156,244	288,712
Other revenues	1,724,684	1,257,762
	11,351,352	9,484,870

25. SALARY, WAGES AND RELATED EXPENSES

	2015 KHR'000	2014 KHR'000
Employee salaries	11,218,807	10,106,353
Incentives	7,537,915	5,164,774
Bonuses	3,522,650	3,069,733
Retirement benefit costs	3,623,473	2,493,968
Wages for contractors	717,408	924,572
Other employee-related expense	4,031,244	2,810,900
	30,651,497	24,570,300

26. RAW MATERIALS FOR WATER THREATMENT

	2015 KHR'000	2014 KHR'000
Chlorine	3,131,327	2,412,130
Poly Aluminium Chloride	2,386,128	2,056,756
Alum	10,127	16,813
Lime	-	1,392
Other materials	242,992	203,972
	5,770,574	4,691,063

27. RAW MATERIALS FOR HOUSEHOLD WATER CONNECTIONS

	2015 KHR'000	2014 KHR'000
Materials for house connection	3,874,513	3,778,776
Consumer water meter replacement	2,522,076	2,434,008
Pipe costs	166,780	154,098
Other costs	596,709	462,983
	7,160,078	6,829,865

28. FOREIGN EXCHANGE (LOSS)/GAIN – NET

	2015 KHR'000	2014 KHR'000
Foreign exchange gains	5,810,405	4,856,918
Foreign exchange losses	(8,868,070)	(2,709,119)
	(3,057,665)	2,147,799

29. FINANCE INCOME/(COSTS)

	2015 KHR'000	2014 KHR'000
Finance income:		
- Interest income on bank deposits (a)	8,467,224	9,441,231
- Interest income from customer	68	-
- Unwind concessional loan discount to employees	168,138	1,034,374
- Foreign exchange gain on borrowings	24,548,203	12,561,006
- Interest income on loan to Pursat Water Supply	26,833	31,191
	33,210,466	23,067,802
Finance costs:		
- Interest expense on borrowing (b)	(11,103,159)	(12,030,691)
- Foreign exchange loss on borrowings	(9,054,405)	-
- Interest capitalised on qualifying assets	287,706	367,649
	(19,869,858)	(11,663,042)
Finance income net	13,304,608	11,404,760

29. FINANCE INCOME/(COSTS) (continued)

(a) Interest income represents interest earned form 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.

30. TAX EXPENSE

	2015 KHR'000	2014 KHR'000
Income tax expense:		
Current year	5,649,396	8,951,670
Deferred tax expense (Note 20):		
Origination and reversal of temporary differences	8,401,780	1,100,141
Total tax expense	14,051,176	10,051,811

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

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

	2015 KHR'000	2014 KHR'000
Profit before tax	67,983,246	56,056,338
Tax at Cambodian statutory tax rate of 20% (2014: 18%)	13,596,649	10,090,141
Tax effects in respect of:		
Change in tax rate	-	(165,721)
Non-allowable expenses	454,527	127,391
Total tax expense	14,051,176	10,051,811

31. EARNINGS PER SHARE

	2015 KHR'000	2014 KHR'000
Profit attributable to ordinary equity holders	56,949,131	45,747,911
Weighted average number of ordinary shares in issue	86,973,162	86,973,162
Basic earnings per share	654.79	526.00
Diluted earnings per share	654.79	536.00

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.

32. DIVIDEND

	2015		2014	
	Dividend per share KHR	Amount of dividend KHR'000	Dividend per share KHR	Amount of dividend KHR'000
First and final dividend paid	105.20	9,149,577	54.74	4,760,913

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

33. RELATED PARTY DISCLOSURES

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

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

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

	2015 KHR'000	2014 KHR'000
Common control		
MoEF		
Interest on borrowings paid	10,009,758	10,454,365
Pursat Water Suppy		
Interest on loan received	26,833	31,191

33. RELATED PARTY DISCLOSURES (continued)

(c) Compensation of key management personnel

Key management compensation during the financial period is as follows:

	2015 KHR'000	2014 KHR'000
Salaries and other expenses	3,457,770	1,915,600
Retirement benefits	102,876	475,123
	3,560,646	2,390,723

Balances with related parties at the end of the reporting period are disclosed in Note 9 and Note 17 to the financial statements.

The related party transactions described above were carried out on negotiated commercial terms.

34. CAPITAL COMMITMENTS

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

	2015 KHR'000	2014 KHR'000
Construction of water treatment plant	33,890,892	80,541,737
Consultation services	1,313,300	4,214,150
Purchase of iron pipes, fitting and accessories	2,547,962	342,175
Information system	951,904	-
Construction of intake	-	6,519
	38,704,058	85,104,581

35. FINANCIAL INSTRUMENTS

(a) Capital management

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

The PPWSA manages its capital structure and makes adjustments to it, in response to changes in economic conditions. In order to maintain or adjust the capital structure, the PPWSA may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2015 and 31 December 2014.

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

35. FINANCIAL INSTRUMENTS (continued)

(b) Categories of financial instruments

	Loans and receivables	
	2015	2014
	KHR'000	KHR'000
Financial assets		
Short-term investments	194,457,564	196,331,331
Trade and other receivables	34,315,104	30,624,905
Cash and bank balances	12,555,435	14,962,141
Loans to employees	5,608,787	5,440,649
Loan to Pursat Water Supply	110,445	589,905
	247,047,335	247,948,931

	Other financial liabilities	
	2015	2014
	KHR'000	KHR'000
Financial liabilities		
Borrowings	284,901,463	280,093,766
Trade and other payables	73,563,251	58,489,345
	358,464,714	338,583,111

(c) Methods and assumptions used to estimate fair value

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

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

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

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

(ii) Fixed rate loans

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

35. FINANCIAL INSTRUMENTS (continued)

(d) Fair value hierarchy

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

	Fair values of financial instruments not carried at fair value				
	Level 1	**Level 2**	**Level 3**	**Total fair value**	**Carrying amount**
	KHR'000	**KHR'000**	**KHR'000**	**KHR'000**	**KHR'000**
At 31.12.2015					
Financial asset					
Loan to Pursat Water Supply	-	437,287	-	437,287	489,519
Financial liability					
Fixed rate loans	-	171,823,775	-	171,823,775	202,441,829
At 31.12.2014					
Financial asset					
Loan to Pursat Water Supply	-	498,911	-	498,911	589,905
Financial liability					
Fixed rate loans	-	207,223,517	-	207,223,517	236,451,546

(e) The PPWSA has established guidelines in respect to the measurement of fair values of financial instruments. The management regularly reviews significant unobservable inputs used in the fair value measurements.

36. 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.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

(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's 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 one month for households and business customers and one year for government departments and the PPWSA seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by the management.

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

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

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

<u>Exposure to credit risk and credit risk concentration profile</u>

The maximum exposure to credit risk for the PPWSA is represented by the carrying amounts of each financial asset.

At the end of the reporting period, approximately:

(i) 40% (2014: 47%) of the PPWSA's trade receivables were due from household customers.
(ii) 32% (2014: 38%) of the PPWSA's trade receivables were due from commercial customers.
(iii) 25% (2014: 15%) of the PPWSA's trade receivables were due from public administrative customers.

(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.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liquidity and cash flow risk (continued)

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

	On demand or within one year KHR'000	One to five years KHR'000	Over five years KHR'000	Total KHR'000
At 31.12.2015				
Borrowings	38,685,085	157,983,997	166,838,219	363,507,301
Trade and other payables	27,180,257	6,329,871	39,879,605	73,389,733
Total	65,865,342	164,313,868	206,717,824	436,897,034
At 31.12.2014				
Borrowings	39,892,057	135,102,029	197,526,706	372,520,792
Trade and other payables	21,509,970	695,530	36,283,845	58,489,345
Total	61,402,027	135,797,559	233,810,551	431,010,137

(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 loans and 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.

Sensitivity analysis for interest rate risk

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

	2015 KHR'000	2014 KHR'000
Profit net of tax		
- Increased by 0.1% (2014: 0.1%)	35,607	46,186
- Decreased by 0.1% (2014: 0.1%)	(35,607)	(46,186)

The sensitivity is lower in 2015 than in 2014 because of repayments of borrowings with higher interest rates during the financial year. The assumed movement in basis points for interest rate sensitivity analysis is based on current observable market environment.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Interest rate risk (continued)

The following tables set out the carrying amounts as at the end of the reporting period and the remaining maturities of the financial instruments of the PPWSA that are exposed to interest rate risk:

	Note	Weighted average effective interest rate %	Within 1 year KHR'000	1 - 2 years KHR'000	2 - 3 years KHR'000	3 – 4 Years KHR'000	4 – 5 Years KHR'000	More than 5 years KHR'000	Total KHR'000
As at 31 December 2015									
Fixed rates									
Loan to Pursat Water Supply	9	5.00%	489,519	-	-	-	-	-	489,519
Short-term investments	13	5.00%	194,457,564	-	-	-	-	-	194,457,564
Loans	17	5.22%	28,450,065	25,315,434	25,315,434	19,678,234	19,678,234	84,004,428	202,441,829
Floating rates									
Loan	17	0.25%	90,536	5,148,069	10,296,137	10,296,137	10,296,137	46,332,618	82,459,634

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Interest rate risk (continued)

The following tables set out the carrying amounts as at the end of the reporting period and the remaining maturities of the financial instruments of the PPWSA that are exposed to interest rate risk: (continued)

	Note	Weighted Average Effective Interest Rate %	Within 1 year KHR'000	1 - 2 years KHR'000	2 - 3 years KHR'000	3 – 4 Years KHR'000	4 – 5 Years KHR'000	More than 5 years KHR'000	Total KHR'000
As at 31 December 2014									
Fixed rates									
Loan to Pursat Water Supply	9	5.00%	589,905	-	-	-	-	-	589,905
Short-term investments	13	4.50%	196,331,331	-	-	-	-	-	196,331,331
Loans	17	4.90%	27,898,141	25,645,390	25,645,390	25,645,390	19,338,211	112,279,025	236,451,547
Floating rates									
Loans	17	0.25%	135,931	-	-	-	3,625,524	39,880,764	43,642,219

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Foreign currency risk

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

The PPWSA hold cash and cash equivalents and short-term investments denominated in foreign currencies. At the end of each reporting period, such foreign currency balances in US$ amounted to KHR3,830 million (2014: KHR4,157 million) and KHR194,457 million (2014: KHR196,331 million) respectively for the PPWSA.

Borrowings of the PPWSA from AfD and JICA denominated in EUR and US$ amounted to KHR148,317 million (2014: KHR133,590 million) and KHR101,627 million (2014: KHR112,000 million) respectively.

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

		2015	2014
Profit after tax		**KHR'000**	**KHR'000**
US$/KHR	- strengthen by 3% (2014: 3%)	2,319,840	2,123,720
	- weaken by 3% (2014: 3%)	(2,319,840)	(2,123,720)
EUR/KHR	- strengthen by 3% (2014: 3%)	(3,559,609)	(3,206,180)
	- weaken by 3% (2014: 3%)	3,559,609	3,206,180

37. SEGMENT INFORMATION

The PPWSA treats water for supply to residents in Phnom Penh and surrounding areas. To support its water distribution business, it needs to provide water meter connection as a supporting service. Revenue from water meter connection (a supporting service for water sales) accounts for less than 10% of the total revenue, while water sales account for 85% of the total revenue of the PPWSA.

The PPWSA has one reportable segment, namely, water sales. The chief operating decision maker (the management team) reviews the internal management report, which reports the performance of the water sales segment as a whole, to assess performance and allocate resources. The chief operating decision-maker accesses the performance of the reportable segment by measuring gross revenue, profit before tax and net profit compared to prior periods.

38. TAXATION CONTINGENCIES

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

39. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

A dividend of KHR152.57 per share, amounting to a total dividend of KHR13,270 million, was proposed and approved during the Board of Directors meeting on 23 March 2016. These financial statements do not reflect this dividend payable.