

Registration No:
Co.0839 Et/2012

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

**CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2018**

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

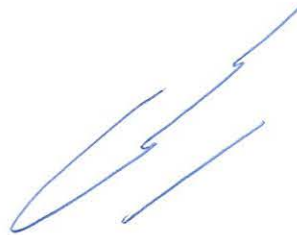
STATEMENT BY THE DIRECTORS

In the opinion of Directors, the accompanying condensed statement of financial position of Phnom Penh Water Supply Authority (“PPWSA”) as at 31 December 2018, and the related condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the nine-month period then ended, and condensed notes to the interim financial information (collectively known as “Condensed Interim Financial Information”) are presented fairly, in all material respects, in accordance with Cambodia International Accounting Standard 34 *Interim Financial Reporting*.

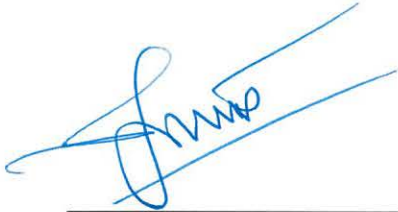
Signed on behalf of the Board of Directors,



Soem Nara
Chairman of the Board of Directors



Sim Sitha
Director General



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

Phnom Penh, Cambodia
Date: 22 February 2019

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

Introduction

We have reviewed the accompanying condensed statement of financial position of the Phnom Penh Water Supply Authority (“PPWSA”) as at 31 December 2018, and the related condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the twelve-month period then ended, and condensed notes to the interim financial information (collectively known as “Condensed Interim Financial Information”). The Directors of the PPWSA are responsible for the preparation and presentation of the Condensed Interim Financial Information. Our responsibility is to express a conclusion on this Condensed Interim Financial Information based on our review.

Scope of review

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

Conclusion

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

BDO Cambodia

BDO (Cambodia) Limited

Phnom Penh, Cambodia
Date: 22 February 2019

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	Unaudited 31.12.2018 KHR'000	Audited 31.12.2017 KHR'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	1,215,475,823	1,124,172,183
Intangible assets		14,326,092	5,211,406
Loan to Pursat Water Supply		-	112,896
		<u>1,229,801,915</u>	<u>1,129,496,485</u>
Current assets			
Inventories		97,014,178	64,526,124
Trade and other receivables		18,468,010	44,804,172
Contract assets		46,041,769	-
Loan to Pursat Water Supply		112,365	141,849
Loan to employees		5,478,350	5,034,864
Short-term investments	5	33,622,417	96,703,704
Other tax receivables		5,312,052	5,312,052
Cash and bank balances		13,353,758	15,992,527
		<u>219,402,899</u>	<u>232,515,292</u>
TOTAL ASSETS		<u>1,449,204,814</u>	<u>1,362,011,777</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		541,227,282	541,227,282
Reserves	6	284,503,636	264,829,678
Retained earnings		77,391,285	33,067,826
TOTAL EQUITY		<u>903,122,203</u>	<u>839,124,786</u>
LIABILITIES			
Non-current liabilities			
Borrowings	7	285,635,901	258,286,903
Retirement benefit obligations	8	-	40,133,717
Deferred government and other grants	9	23,131,029	25,491,001
Deferred tax liabilities		47,155,595	35,207,359
Other payables	10	56,848,623	49,699,898
		<u>412,771,148</u>	<u>408,818,878</u>
Current liabilities			
Trade and other payables	10	69,890,443	51,145,134
Borrowings	7	42,118,629	49,350,684
Contract liabilities		36,645	-
Dividend payable	11	6,884,787	-
Current tax liabilities		14,380,959	13,572,295
		<u>133,311,463</u>	<u>114,068,113</u>
TOTAL LIABILITIES		<u>546,082,611</u>	<u>522,886,991</u>
TOTAL EQUITY AND LIABILITIES		<u>1,449,204,814</u>	<u>1,362,011,777</u>

The Condensed Statement of Financial Position should be read in conjunction with the audited financial information for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to this interim financial report.

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2018

	Note	Unaudited Three-month period ended 31.12.2018 ⁽¹⁾ KHR'000	Unaudited Three-month period ended 31.12.2017 ⁽²⁾ KHR'000	Unaudited Twelve-month period ended 31.12.2018 ⁽¹⁾ KHR'000	Audited Twelve-month period ended 31.12.2017 ⁽²⁾ KHR'000
Revenue:					
Sales		52,928,800	47,062,119	205,841,498	193,356,445
Construction service fee		690,542	1,257,132	8,092,103	10,741,536
Other income		37,627,068	15,964,046	51,159,692	28,795,108
		<u>91,246,410</u>	<u>64,283,297</u>	<u>265,093,293</u>	<u>232,893,089</u>
Expenses:					
Depreciation and amortisation charges		(11,967,071)	(9,164,512)	(43,069,524)	(36,977,932)
Electricity costs		(9,152,887)	(9,329,189)	(38,826,732)	(36,694,187)
Salaries, wages and related expenses		(12,003,894)	(10,951,602)	(48,725,460)	(40,780,492)
Raw materials for water treatment		(2,125,419)	(1,802,003)	(7,502,667)	(6,755,623)
Raw materials for household water connections		(975,393)	(2,137,114)	(3,556,905)	(9,055,682)
Repairs and maintenance		(3,121,203)	(1,574,818)	(8,313,279)	(7,892,971)
Construction service expense		366,764	(70,823)	(5,672,339)	(7,048,024)
Impairment on loan to employees		1,252,194	(39,131)	443,485	(613,053)
Foreign exchange (loss)/gain – net		(502,295)	(419,964)	(941,822)	(263,471)
Other operating expenses		(2,126,612)	(2,102,412)	(8,785,827)	(7,325,056)
Operating profit		50,890,594	26,691,729	100,142,223	79,486,598
Finance income	12	7,520,209	1,037,774	16,814,254	6,144,926
Finance costs	12	(1,960,459)	(3,994,061)	(16,176,827)	(32,804,739)
Profit before tax		56,450,344	23,735,442	100,779,650	52,826,785
Tax expense	13	(10,857,111)	(13,194,021)	(20,494,828)	(16,892,582)
Profit for the financial period		45,593,233	10,541,421	80,284,822	35,934,203
Other comprehensive income, net of tax					
Items that will not be reclassified to profit or loss:					
Actuarial loss on retirement benefit obligation		(3,012,151)	(27,625)	(2,893,537)	(2,866,377)
Total comprehensive income for the financial period		<u>42,581,082</u>	<u>10,513,796</u>	<u>77,391,285</u>	<u>33,067,826</u>
Earnings per share attributable to equity holders:					
Basic earnings per share	14	489.59	120.89	889.83	380.21
Diluted earnings per share	14	489.59	120.89	889.83	380.21

Notes:

(1) The Condensed Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to this interim financial report.

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

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2018

	Note	Share capital KHR'000	Reserves KHR'000	Retained earnings KHR'000	Total KHR'000
Unaudited					
Balance as at 1.1.2018		541,227,282	264,829,678	33,067,826	839,124,786
Profit for the financial period		-	-	80,284,822	80,284,822
Actuarial loss on retirement benefit obligation		-	-	(2,893,537)	(2,893,537)
Total comprehensive income for the period		-	-	77,391,285	77,391,285
Transactions with owners					
Transfer to reserves	6	-	19,673,958	(19,673,958)	-
Dividend	11	-	-	(13,393,868)	(13,393,868)
Total transactions with owners		-	19,673,958	(33,067,826)	(13,393,868)
Balance as at 31.12.2018⁽¹⁾		541,227,282	284,503,636	77,391,285	903,122,203
Audited					
Balance as at 1.1.2017		541,227,282	229,471,410	49,273,104	819,971,796
Profit for the period		-	-	35,934,203	35,934,203
Actuarial loss on retirement benefit obligation		-	-	(2,866,377)	(2,866,377)
Total comprehensive income for the period		-	-	33,067,826	33,067,826
Transactions with owners					
Transfer to reserves	6	-	35,358,268	(35,358,268)	-
Dividend	11	-	-	(13,914,836)	(13,914,836)
Total transactions with owners		-	35,358,268	(49,273,104)	(13,914,836)
Balance as at 31.12.2017⁽²⁾		541,227,282	264,829,678	33,067,826	839,124,786

Notes:

(1) *The Condensed Statement of Change in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to this interim financial report.*

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

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

CONDENSED STATEMENT OF CASH FLOWS
FOR THE TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2018

	Note	Twelve-month period ended	
		Unaudited 31.12.2018 ⁽¹⁾ KHR'000	Audited 31.12.2017 ⁽²⁾ KHR'000
Cash flows from operating activities			
Profit before tax		100,779,650	52,826,785
Adjustments for:			
Amortisation of intangible assets		1,762,210	953,402
Amortisation of deferred government and other grants		(2,359,972)	(2,359,973)
Depreciation of property, plant and equipment		41,307,314	36,024,530
Finance income		(16,814,254)	(6,144,926)
Finance costs		16,176,827	32,804,739
Impairment on loan to employees		(443,485)	573,923
Gain on settlement of retirement benefit obligation	8	(32,928,143)	-
Property, plant and equipment written-off		3,822,107	450,875
Retirement benefit obligation expense	8	5,415,937	4,471,822
Operating profit before working capital changes		116,718,191	119,601,177
Changes in working capital:			
Inventories		(32,488,054)	(16,131,721)
Trade and other receivables		24,964,499	(9,820,168)
Trade and other payables		23,909,856	(3,731,910)
Contract assets		(46,041,769)	-
Contract liabilities		36,645	-
Refundable water deposits		4,848,065	4,071,703
Cash generated from operations		91,947,433	93,989,081
Income tax paid		(7,737,928)	(9,417,718)
Retirement benefit paid		(1,302,664)	(1,187,959)
Net cash from operating activities		82,906,841	83,383,404
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(161,639,283)	(115,447,420)
Interest capitalisation on qualifying assets		(2,720,159)	(755,019)
Purchase of intangible assets		(26,786)	(27,581)
Loan repayments from Pursat Water Supply		142,380	123,112
Proceeds from withdrawal of short-term investments		63,081,287	51,567,680
Interest received		2,553,613	4,415,347
Net cash used in investing activities		(98,608,948)	(60,123,881)

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

CONDENSED STATEMENT OF CASH FLOWS
FOR THE TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2018 (continued)

	Twelve-month period ended	
	Unaudited	Audited
Note	31.12.2018 ⁽¹⁾	31.12.2017 ⁽²⁾
	KHR'000	KHR'000
Cash flows from financing activities		
Dividend paid	(6,509,081)	(13,914,836)
Drawdown of borrowings	73,339,211	24,665,566
Interest paid	(7,994,981)	(8,741,495)
Repayments of borrowings	<u>(45,771,811)</u>	<u>(25,663,080)</u>
Net cash from/(used in) financing activities	<u>13,063,338</u>	<u>(23,653,845)</u>
Net decrease in cash and cash equivalents	(2,638,769)	(394,322)
Cash and cash equivalents at beginning of financial period	<u>15,992,527</u>	<u>16,386,849</u>
Cash and cash equivalents at end of financial period	<u>13,353,758</u>	<u>15,992,527</u>

Notes:

(1) The Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to this interim financial report.

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

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
31 DECEMBER 2018

1. CORPORATE INFORMATION

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

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

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

The condensed interim financial information were authorised for issue by the Board of the Directors on 22 February 2019.

2. PRINCIPAL ACTIVITIES

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

- Invest in, build, enlarge, operate, repair and maintain the means of water sanitation and distribution;
- Manage devices to increase water productions, and improve services and water quality to meet demand;
- Operate the business, services and related duties for water supply in accordance with the Board of Director’s resolutions and the laws of Cambodia;
- Cooperate with local and external development partners on technology, trade and finance in order to improve and develop the PPWSA in accordance with government policy; and
- Ensure sustainable production processes, business and finance for the public interest.

3. BASIS OF PREPARATION

The interim financial report is unaudited and has been prepared in accordance with Cambodian International Accounting Standard 34 *Interim Financial Reporting*. The interim financial report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached herein.

The explanatory notes provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the PPWSA since the year ended 31 December 2017.

3. BASIS OF PREPARATION (continued)

The accounting policies and methods of computation adopted are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2017 except for the adoption of the following accounting standards, amendments and interpretations:

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

Adoption of the above amendments, accounting standards and interpretations did not have any material effect on the financial performance or position of the PPWSA except for the adoption of CIFRS 15 and CIFRS 9 described in the following sections.

(a) CIFRS 9 *Financial Instruments*

CIFRS 9 replaces CIAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, encompassing all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The PPWSA applied CIFRS 9 prospectively, with an initial application date of 1 January 2018. The PPWSA has not restated the comparative information, which continues to be reported under CIAS 39. Differences arising from the adoption of CIFRS 9 have been recognised directly in retained earnings and other components of equity.

(i) Classification of financial assets and financial liabilities

The PPWSA classify their financial assets into the following measurement categories depending on the business model of the PPWSA for managing the financial assets and the terms of contractual cash flows of the financial assets:

- Those to be measured at amortised cost; and
- Those to be measured subsequently at fair value either through other comprehensive income or through profit or loss.

The following summarises the key changes:

- The Available-For-Sale ("AFS"), Held-To-Maturity ("HTM") and Loans and Receivables ("L&R") financial asset categories were removed.
- A new financial asset category measured at Amortised Cost ("AC") was introduced. This applies to financial assets with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by collecting contractual cash flows.

3. BASIS OF PREPARATION (continued)

(a) CIFRS 9 *Financial Instruments* (continued)

(i) Classification of financial assets and financial liabilities (continued)

The following summarises the key changes: (continued)

- A new financial asset category measured at Fair Value Through Other Comprehensive Income ("FVTOCI") was introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- A new financial asset category for non-traded equity investments measured at FVTOCI was introduced.

CIFRS 9 largely retains the existing requirements in CIAS 39 for the classification of financial liabilities.

However, under CIAS 39 all fair value changes of liabilities designated as FVTPL are recognised in profit or loss, whereas under CIFRS 9 these fair value changes are generally presented as follows:

- Amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in Other Comprehensive Income; and
- The remaining amount of change in the fair value is presented in profit or loss.

(ii) Impairment of financial assets

The adoption of CIFRS 9 has fundamentally changed the accounting for impairment losses for financial assets of the PPWSA by replacing the incurred loss approach of CIAS 39 with a forward-looking expected credit loss approach. CIFRS 9 requires the PPWSA to record an allowance for expected credit losses for all debt financial assets not held at fair value through profit or loss.

Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the PPWSA expects to receive. The estimate of expected cash shortfall shall reflect the cash flows expected from collateral and other credit enhancements that are part of the contractual terms. The shortfall is then discounted at an approximation to the asset's original effective interest rate of the asset.

Impairment for trade receivables and contract assets that do not contain a significant financing component are recognised based on the simplified approach within CIFRS 9 using the lifetime expected credit losses.

During this process, the probability of non-payment by the trade receivables is adjusted by forward looking information and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within administrative expenses in the statement of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

3. BASIS OF PREPARATION (continued)

(a) CIFRS 9 *Financial Instruments* (continued)

(ii) Impairment of financial assets (continued)

Impairment for receivables from related parties are recognised based on the general approach within CIFRS 9 using the forward looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

(iii) Classification and measurement

The following table summarises the reclassification and measurement of the financial assets and financial liabilities of the PPWSA as at 1 January 2018:

	Classification		Carrying amount	
	Existing under CIAS 39 KHR'000	New under CIFRS 9 KHR'000	Existing under CIAS 39 KHR'000	New under CIFRS 9 KHR'000
Financial assets				
Short-term investments	L&R	AC	96,703,704	96,703,704
Trade and other receivables	L&R	AC	44,804,172	44,804,172
Cash and bank balances	L&R	AC	15,992,527	15,992,527
Loans to employees	L&R	AC	5,034,864	5,034,864
Loan to Pursat Water Supply	L&R	AC	141,849	141,849
Financial liabilities				
Trade and other payables	OFL	AC	100,845,032	100,845,032
Borrowings	OFL	AC	307,637,587	307,637,587

(b) CIFRS 15 *Revenue from Contracts with Customers*

The following table summarises the impact of adopting CIFRS 15 on the statement of financial position of the PPWSA as at 31 December 2018 for each of the line items affected.

	Amounts without adoption of CIFRS 15 KHR'000	Adjustments KHR'000	As reported KHR'000
Assets			
Accrued water revenue	45,526,155	(45,526,155)	-
Construction service receivable	515,614	(515,614)	-
Contract assets	-	46,041,769	46,041,769
Liabilities			
Unearned income	31,367	(31,367)	-
Deferred income	5,278	(5,278)	-
Contract liabilities	-	36,645	36,645

3. BASIS OF PREPARATION (continued)

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

	Effective Date
CIFRS 16 <i>Leases</i>	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to CIAS 28 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to CIFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to CIFRS 3 <i>Annual Improvements to CIFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to CIFRS 11 <i>Annual Improvements to CIFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to CIAS 12 <i>Annual Improvements to CIFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to CIAS 23 <i>Annual Improvements to CIFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to CIAS 19 <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019
Amendments to <i>References to the Conceptual Framework in CIFRS Standards</i>	1 January 2020
CIFRS 17 <i>Insurance Contracts</i>	1 January 2021
Amendments to CIFRS 10 and CIAS 28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

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

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

CIFRS 16 *Leases*

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

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

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

3. BASIS OF PREPARATION (continued)

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

IC Interpretation 23 *Uncertainty over Income Tax Treatments*

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

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

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

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

Amendments to CIFRS 9 *Prepayment Features with Negative Compensation*

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

Amendments to CIFRS 3 *Annual Improvements to CIFRS Standards 2015 - 2017 Cycle*

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to CIFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value. CIFRS 17 *Insurance Contracts*.

Amendments to CIFRS 11 *Annual Improvements to CIFRS Standards 2015 - 2017 Cycle*

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to CIFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

Amendments to CIAS 12 *Annual Improvements to CIFRS Standards 2015 - 2017 Cycle*

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to CIAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

3. BASIS OF PREPARATION (continued)

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

Amendments to CIAS 19 Plan Amendment, Curtailment or Settlement

The amendments clarify that:

- on amendment, curtailment or settlement of a defined benefit plan, a company should use updated actuarial assumptions to determine its current service cost and net interest for the period; and
- the effect of the asset ceiling cost is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

Amendments to References to the Conceptual Framework in CIFRS Standards

Together with the revised *Conceptual Framework*, the IASB issued *Amendments to References to the Conceptual Framework in CIFRS Standards*, which contains amendments to CIFRS 2, CIFRS 6, CIFRS 14, CIAS 1, CIAS 8, CIAS 34, CIAS 37, CIAS 38, IC Interpretations 12, 19, 20 and 22 as well Standard Interpretations Committee-32.

CIFRS 17 Insurance Contracts

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

Contracts are measured using the building blocks of:

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

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

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

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

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

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

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

4. PROPERTY, PLANT AND EQUIPMENT

	Unaudited 31.12.2018 KHR'000	Audited 31.12.2017 KHR'000
<i>Cost</i>		
Balance at the beginning of financial year	1,494,791,632	1,371,004,458
Additions	147,283,171	128,401,092
Transfer to intangible assets	(10,850,110)	(4,163,043)
Written-off	(9,708,354)	(450,875)
	<u>1,621,516,339</u>	<u>1,494,791,632</u>
<i>Accumulated depreciation</i>		
Balance at the beginning of financial year	(370,619,449)	(334,594,919)
Depreciation for financial year	(41,307,314)	(36,024,530)
Written-off	5,886,247	-
	<u>(406,040,516)</u>	<u>(370,619,449)</u>
<i>Carrying amounts</i>		
Balance at the end of financial year	<u>1,215,475,823</u>	<u>1,124,172,183</u>

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

	Twelve-month period ended	
	Unaudited 31.12.2018 KHR'000	Audited 31.12.2017 KHR'000
Additions	147,283,171	128,401,092
Increase/(Decrease) in payables and performance guarantee	17,076,271	(12,198,653)
Interest capitalised on qualifying assets	(2,720,159)	(755,019)
	<u>161,639,283</u>	<u>115,447,420</u>

5. SHORT-TERM INVESTMENTS

These represent fixed deposits placed with financial institutions for a period of between four and twelve months and earn interest at rates ranging from 4.00% to 5.50% (2017: 4.00% to 5.00%) per annum.

Short-term investments include deposits amounting to KHR33.6 billion (2017: KHR96.7 billion) set up specifically for the purpose of paying retirement benefits to retirees who are entitled to retirement benefits under the pension scheme.

6. RESERVES

	Capital reserve KHR'000	Legal reserve KHR'000	General reserve KHR'000	Development reserve KHR'000	Total KHR'000
As at 1.1.2018	1,648,435	20,702,042	20,702,042	221,777,159	264,829,678
Transfer from retained earnings	-	1,653,391	1,653,391	16,367,176	19,673,958
	<u>1,648,435</u>	<u>22,355,433</u>	<u>22,355,433</u>	<u>238,144,335</u>	<u>284,503,636</u>
As at 1.1.2017	1,648,435	18,238,388	18,238,388	191,346,199	229,471,410
Transfer from retained earnings	-	2,463,654	2,463,654	30,430,960	35,358,268
	<u>1,648,435</u>	<u>20,702,042</u>	<u>20,702,042</u>	<u>221,777,159</u>	<u>264,829,678</u>
As at 31.12.2017 (Audited)	<u>1,648,435</u>	<u>20,702,042</u>	<u>20,702,042</u>	<u>221,777,159</u>	<u>264,829,678</u>

6. RESERVES (continued)

On 29 March 2018, the Board of Directors approved the transfer of retained earnings to reserves amounting to KHR19.7 billion.

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

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

7. BORROWINGS

	Unaudited	Audited
	31.12.2018	31.12.2017
	KHR'000	KHR'000
Non-current		
Agence Francaise De Development ("AfD") – Credit No.1075 03 S	13,845,207	24,199,143
MoEF – Japanese International Cooperation Agency ("JICA")	61,134,075	70,872,878
MoEF – Asian Development Bank ("ADB")	28,722,956	30,028,546
AfD – Credit No. 1121 01 F	101,563,068	125,874,653
AfD - Credit No. 1174 01 P	<u>80,370,595</u>	<u>7,311,683</u>
	<u>285,635,901</u>	<u>258,286,903</u>
Current		
AfD-Credit No. 1075 03 S	9,247,624	9,705,330
MoEF –JICA	10,883,669	11,133,191
AfD – Credit No. 6000 01 G	-	6,136,201
MoEF –ADB	2,200,189	2,239,085
AfD – Credit No. 1121 01 F	18,555,201	19,473,283
AfD - Credit No. 1174 01 P	<u>1,231,946</u>	<u>663,594</u>
	<u>42,118,629</u>	<u>49,350,684</u>
	<u>327,754,530</u>	<u>307,637,587</u>

The maturity dates of these borrowings are as follows:

	Unaudited	Audited
	31.12.2018	31.12.2017
	KHR'000	KHR'000
Current		
Not later than one year	<u>42,118,629</u>	<u>49,350,684</u>
Non-current		
Later than one year but not later than two years	38,406,982	39,800,294
Later than two year but not later than five years	92,145,601	104,881,398
Later than five years	<u>155,083,318</u>	<u>113,605,211</u>
	<u>285,635,901</u>	<u>258,286,903</u>
	<u>327,754,530</u>	<u>307,637,587</u>

8. RETIREMENT BENEFIT OBLIGATIONS

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

	Unaudited 31.12.2018 KHR'000	Audited 31.12.2017 KHR'000
Present value of defined benefit obligation	-	40,133,717
Fair value of plan asset	-	-
Liability recognised in statement of financial position	<u>-</u>	<u>40,133,717</u>

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

	Twelve-month period ended	
	Unaudited 31.12.2018 KHR'000	Audited 31.12.2017 KHR'000
Balance at 1 January	40,133,717	33,983,477
Current service cost	2,260,046	1,800,657
Interest cost	3,155,891	2,671,165
Benefit paid	(1,302,664)	(1,187,959)
Actuarial loss	2,893,537	2,866,377
Gain on settlement of retirement benefit obligation	(32,928,143)	-
Reclass to other payables	<u>(14,212,384)</u>	<u>-</u>
Balance at 31 December	<u>-</u>	<u>40,133,717</u>

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

	Twelve-month period ended	
	Unaudited 31.12.2018 KHR'000	Audited 31.12.2017 KHR'000
Current service cost	2,260,046	1,800,657
Interest cost	<u>3,155,891</u>	<u>2,671,165</u>
	<u>5,415,937</u>	<u>4,471,822</u>

9. DEFERRED GOVERNMENT AND OTHER GRANTS

	Government grant KHR'000	JICA grant KHR'000	Other grants KHR'000	Total KHR'000
Balance at 1.1.2018	4,638,162	20,095,741	757,098	25,491,001
Amortisation charges	<u>(226,897)</u>	<u>(2,108,680)</u>	<u>(24,395)</u>	<u>(2,359,972)</u>
Balance at 31.12.2018 (Unaudited)	<u>4,411,265</u>	<u>17,987,061</u>	<u>732,703</u>	<u>23,131,029</u>
Balance at 1.1.2017	4,865,059	22,204,422	781,493	27,850,974
Amortisation charges	<u>(226,897)</u>	<u>(2,108,681)</u>	<u>(24,395)</u>	<u>(2,359,973)</u>
Balance at 31.12.2017 (Audited)	<u>4,638,162</u>	<u>20,095,741</u>	<u>757,098</u>	<u>25,491,001</u>

10. TRADE AND OTHER PAYABLES

	Unaudited 31.12.2018 KHR'000	Audited 31.12.2017 KHR'000
Other payables - non-current		
Refundable water deposits	54,404,746	49,556,681
Performance guarantee	2,443,877	143,217
	<u>56,848,623</u>	<u>49,699,898</u>
Trade payable - current		
Third parties	<u>30,666,885</u>	<u>34,235,326</u>
Other payables - current		
Accrued staff incentive	7,626,015	6,739,936
Amount due to Phnom Penh Municipality	12,671,424	6,814,055
Amount due to employees	14,212,384	-
Performance guarantee	67,285	76,832
Other taxes payable	209,188	253,745
Other payables	4,437,262	2,542,975
	<u>39,223,558</u>	<u>16,909,808</u>
	<u>69,890,443</u>	<u>51,145,134</u>
	<u>126,739,066</u>	<u>100,845,032</u>

11. DIVIDEND PAYABLE

On 29 March 2018, the Board of Directors proposed and approved the dividend in respect of the financial year ended 31 December 2017 of KHR154 per share, amounting to a total dividend of KHR13.4 billion. Dividends amounting to KHR2.0 billion and KHR4.5 billion were paid on 27 April 2018 and on 14 November 2018 respectively.

12. FINANCE INCOME/(COSTS)

	Unaudited Three-month period ended		Unaudited Twelve-month period ended	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	KHR'000	KHR'000	KHR'000	KHR'000
Finance income:				
- Interest income on bank deposits (a)	327,709	710,811	1,172,992	4,389,125
- Net foreign exchange gains on borrowings	7,190,934	323,637	15,632,304	1,740,120
- Interest income on loans to Pursat Water Supply	1,566	3,326	8,958	15,681
	<u>7,520,209</u>	<u>1,037,774</u>	<u>16,814,254</u>	<u>6,144,926</u>
Finance costs:				
- Interest expense on borrowings (b)	(2,627,677)	(2,235,190)	(11,012,600)	(9,269,844)
- Net foreign exchange losses on borrowings	-	(1,758,871)	(7,884,386)	(23,626,319)
- Interest expense capitalised on qualifying assets	667,218	-	2,720,159	91,424
	<u>(1,960,459)</u>	<u>(3,994,061)</u>	<u>(16,176,827)</u>	<u>(32,804,739)</u>
	<u>5,559,750</u>	<u>(2,956,287)</u>	<u>637,427</u>	<u>(26,659,813)</u>

12. FINANCE INCOME/(COSTS) (continued)

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

13. TAX EXPENSE

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

14. EARNINGS PER SHARE

- (a) Basic earnings per share

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

	Unaudited Three-month period ended		Unaudited Twelve-month period ended	
	31.12.2018	31.12.2017	31.12.2018	Audited 31.12.2017
Profit attributable to equity holders (KHR'000)	42,581,082	10,513,796	77,391,285	33,067,826
Weighted average number of shares	<u>86,973,162</u>	<u>86,973,162</u>	<u>86,973,162</u>	<u>86,973,162</u>
Basic earnings per share (KHR)	<u>489.59</u>	<u>120.89</u>	<u>889.83</u>	<u>380.21</u>

- (b) Diluted earnings per share

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

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

15. RELATED PARTY DISCLOSURES

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

	Unaudited Twelve-month period ended 31.12.2018 KHR'000	Audited Twelve-month period ended 31.12.2017 KHR'000
<u>Common control</u>		
MoEF		
Interest on borrowings paid	10,018,283	9,059,241
Pursat Water Supply		
Interest on loans received	<u>9,545</u>	<u>15,681</u>

15. RELATED PARTY DISCLOSURES (continued)

(b) Compensation of key management personnel

Key management compensation during the financial period is as follows:

	Unaudited Twelve-month 31.12.2018 KHR'000	Audited period ended 31.12.2017 KHR'000
Salaries and other expenses	2,247,805	2,147,718
Retirement benefits	<u>27,567</u>	<u>26,989</u>
	<u>2,275,372</u>	<u>2,174,707</u>

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial risk management objective of the PPWSA is to optimise value creation for its shareholders whilst minimising the potential adverse impact arising from volatility of the financial markets.

The Directors are responsible for setting the objectives and underlying principles of financial risk management for the PPWSA. The management then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement and exposure limits in accordance with the objectives and underlying principles approved by the Directors.

(a) Credit risk

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

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

(b) Liquidity and cash flow risk

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

The PPWSA actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all operating, investing and financing needs are met. In liquidity risk management strategy, the PPWSA maintains a level of cash and cash equivalents deemed adequate to finance the PPWSA's activities.

(c) Interest rate risk

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

The exposure of the PPWSA to interest rate risk arises primarily from borrowings. The PPWSA manages its interest rate exposure by closely monitoring the debt market and where necessary, maintaining a prudent mix of fixed and floating rate borrowings. The PPWSA does not use derivative financial instruments to hedge any debt obligations.

17. CAPITAL COMMITMENTS

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

	Unaudited	Audited
	31.12.2018	31.12.2017
	KHR'000	KHR'000
Construction of water treatment plant	34,932,949	95,288,664
Consultation services	4,754,494	5,662,296
Purchase of iron pipes, fitting and accessories	<u>15,567,936</u>	<u>23,123,540</u>
	<u>55,255,379</u>	<u>124,074,500</u>

18. SIGNIFICANT EVENT DURING THE REPORTING PERIOD

On 18 December 2018, pursuant to the credit facility agreement No.CKH 1176 01S, the PPWSA was provided with a credit facility for a maximum amount of US\$247,000,000 from AfD.

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

On 10 January 2019, after obtaining approval from all the employees, the PPWSA terminated its pension scheme effective on 31 December 2018 and will distribute an amount of KHR14.2 billion to all the employees as full settlement. The gain arising from the settlement of retirement benefit obligation amounted to KHR32.9 billion.