

Registration No:  
Co.0839 Et/2012

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


**CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019**

**PHNOM PENH WATER SUPPLY AUTHORITY**  
**(Incorporated in Cambodia)**

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**PHNOM PENH WATER SUPPLY AUTHORITY**  
**(Incorporated in Cambodia)**

**STATEMENT BY THE DIRECTORS**

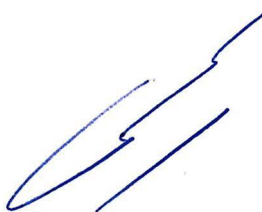
In the opinion of Directors, the accompanying condensed statement of financial position of Phnom Penh Water Supply Authority ("PPWSA") as at 30 September 2019, and the related condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the nine-month period 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,



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**Soem Nara**  
Chairman of the Board of Directors



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**Sim Sitha**  
Director General



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

Phnom Penh, Cambodia  
Date: 6 November 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 Phnom Penh Water Supply Authority (“PPWSA”) as at 30 September 2019, and the related condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the nine-month period then ended, and condensed notes to the interim financial information (collectively known as “Condensed Interim Financial Information”). The Directors of the PPWSA are responsible for the preparation of 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) Limited

Phnom Penh, Cambodia  
Date: 6 November 2019

**PHNOM PENH WATER SUPPLY AUTHORITY**  
**(Incorporated in Cambodia)**

**CONDENSED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2019**

	Note	Unaudited 30.9.2019 KHR'000	Audited 31.12.2018 KHR'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	1,254,973,178	1,215,679,824
Intangible assets		<u>13,890,490</u>	<u>14,326,092</u>
		<u>1,268,863,668</u>	<u>1,230,005,916</u>
<b>Current assets</b>			
Inventories		106,765,098	97,014,178
Trade and other receivables		19,037,833	18,468,010
Contract assets	10	57,788,376	46,041,769
Loan to Pursat Water Supply		-	112,365
Loan to employees		8,034,913	5,478,350
Short-term investments	5	17,997,165	33,622,417
Other tax receivables		5,312,052	5,312,052
Cash and bank balances		<u>17,686,762</u>	<u>13,353,758</u>
		<u>232,622,199</u>	<u>219,402,899</u>
<b>TOTAL ASSETS</b>		<u><u>1,501,485,867</u></u>	<u><u>1,449,408,815</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		541,227,282	541,227,282
Reserves	6	339,185,444	284,503,636
Retained earnings		<u>39,324,346</u>	<u>73,607,168</u>
<b>TOTAL EQUITY</b>		<u>919,737,072</u>	<u>899,338,086</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	7	295,713,665	285,635,901
Deferred government and other grants	8	21,526,234	23,131,029
Deferred tax liabilities		57,630,558	45,580,070
Other payables	9	<u>63,547,738</u>	<u>56,848,623</u>
		<u>438,418,195</u>	<u>411,195,623</u>
<b>Current liabilities</b>			
Trade and other payables	9	96,892,818	82,250,223
Borrowings	7	31,682,817	42,118,629
Contract liabilities	10	3,033,434	36,645
Current tax liabilities		<u>11,721,531</u>	<u>14,469,609</u>
		<u>143,330,600</u>	<u>138,875,106</u>
<b>TOTAL LIABILITIES</b>		<u>581,748,795</u>	<u>550,070,729</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>1,501,485,867</u></u>	<u><u>1,449,408,815</u></u>

*The Condensed Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to this interim financial report.*

**PHNOM PENH WATER SUPPLY AUTHORITY**  
**(Incorporated in Cambodia)**

**CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019**

	Note	Unaudited			
		Three-month period ended		Nine-month period ended	
		30.9.2019 <sup>(1)</sup>	30.9.2018 <sup>(2)</sup>	30.9.2019 <sup>(1)</sup>	30.9.2018 <sup>(2)</sup>
		KHR'000	KHR'000	KHR'000	KHR'000
<b>Revenue:</b>					
Sales		55,762,111	53,619,684	159,810,884	152,912,698
Construction service fee		1,857,667	990,775	3,218,042	7,401,561
Foreign exchange gains - net		1,858,558	-	1,679,581	-
Other income		4,452,863	3,424,441	11,556,991	13,532,624
		<u>63,931,199</u>	<u>58,034,900</u>	<u>176,265,498</u>	<u>173,846,883</u>
<b>Expenses:</b>					
Depreciation and amortisation charges		(12,510,210)	(12,098,485)	(37,119,078)	(31,102,453)
Electricity costs		(9,957,062)	(9,459,667)	(27,293,260)	(29,673,845)
Salaries, wages and related expenses		(11,804,148)	(12,192,039)	(35,989,400)	(36,721,566)
Raw materials for water treatment		(2,339,931)	(1,989,082)	(5,499,582)	(5,377,248)
Raw materials for household water connections		(757,832)	(1,021,501)	(2,439,004)	(2,581,512)
Repairs and maintenance		(1,727,860)	(2,444,971)	(4,917,958)	(5,192,076)
Construction service expense		(1,275,613)	(808,769)	(2,172,402)	(6,039,103)
Reversal of impairment/(Impairment) on loan to employees		208,699	195,655	2,556,563	(808,709)
Other operating expenses		(1,575,718)	(3,670,756)	(5,751,096)	(6,659,215)
Foreign exchange losses - net		-	(446,605)	-	(439,527)
		<u>22,191,524</u>	<u>14,098,680</u>	<u>57,640,281</u>	<u>49,251,629</u>
Operating profit		22,191,524	14,098,680	57,640,281	49,251,629
Finance income	12	4,434,097	349,163	7,371,505	9,294,045
Finance costs	12	447,298	(4,407,907)	(8,645,512)	(14,216,368)
		<u>27,072,919</u>	<u>10,039,936</u>	<u>56,366,274</u>	<u>44,329,306</u>
Profit before tax		27,072,919	10,039,936	56,366,274	44,329,306
Tax expense	13	(5,405,040)	(2,832,727)	(17,041,928)	(9,637,717)
		<u>21,667,879</u>	<u>7,207,209</u>	<u>39,324,346</u>	<u>34,691,589</u>
Profit for the financial period		21,667,879	7,207,209	39,324,346	34,691,589
<b>Other comprehensive income, net of tax</b>					
<b>Items that will not be reclassified to profit or loss:</b>					
Actuarial gain on retirement benefit obligation		-	29,979	-	118,614
		<u>-</u>	<u>29,979</u>	<u>-</u>	<u>118,614</u>
Total comprehensive income for the financial period		<u>21,667,879</u>	<u>7,237,188</u>	<u>39,324,346</u>	<u>34,810,203</u>
<b>Earnings per share attributable to equity holders:</b>					
Basic earnings per share	14	249.13	83.21	452.14	400.24
Diluted earnings per share	14	249.13	83.21	452.14	400.24

**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 2018 and the accompanying explanatory notes attached to this interim financial report.*

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

**PHNOM PENH WATER SUPPLY AUTHORITY**  
**(Incorporated in Cambodia)**

**CONDENSED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019**

	Note	Share capital KHR'000	Reserves KHR'000	Retained earnings KHR'000	Total KHR'000
<b>Unaudited</b>					
<b>Balance as at 1.1.2019</b>		<b>541,227,282</b>	<b>284,503,636</b>	<b>73,607,168</b>	<b>899,338,086</b>
Profit for the financial period, representing total comprehensive income for the period		-	-	39,324,346	39,324,346
<b>Transactions with owners</b>					
Transfer to reserves	6	-	54,681,808	(54,681,808)	-
Dividend	11	-	-	(18,925,360)	(18,925,360)
Total transactions with owners		-	54,681,808	(73,607,168)	(18,925,360)
<b>Balance as at 30.9.2019<sup>(1)</sup></b>		<b>541,227,282</b>	<b>339,185,444</b>	<b>39,324,346</b>	<b>919,737,072</b>
<b>Balance as at 1.1.2018</b>		<b>541,227,282</b>	<b>264,829,678</b>	<b>33,067,826</b>	<b>839,124,786</b>
Profit for the financial period		-	-	34,691,589	34,691,589
Actuarial gain on retirement benefit obligation		-	-	118,614	118,614
Total comprehensive income for the period		-	-	34,810,203	34,810,203
<b>Transactions with owners</b>					
Transfer to reserves	6	-	19,673,958	(19,673,958)	-
Dividend		-	-	(13,393,868)	(13,393,868)
Total transactions with owners		-	19,673,958	(33,067,826)	(13,393,868)
<b>Balance as at 30.9.2018<sup>(2)</sup></b>		<b>541,227,282</b>	<b>284,503,636</b>	<b>34,810,203</b>	<b>860,541,121</b>

*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 2018 and the accompanying explanatory notes attached to this interim financial report.*
- (2) *The comparative figures for the corresponding period were reviewed but not audited.*

**PHNOM PENH WATER SUPPLY AUTHORITY  
(Incorporated in Cambodia)**

**CONDENSED STATEMENT OF CASH FLOWS  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019**

	Note	Unaudited	
		30.9.2019 <sup>(1)</sup>	30.9.2018 <sup>(2)</sup>
		KHR'000	KHR'000
<b>Cash flows from operating activities</b>			
Profit before tax		56,366,274	44,329,306
Adjustments for:			
Amortisation of intangible assets		1,615,153	1,254,446
Amortisation of deferred government and other grants	8	(1,604,795)	(1,769,979)
Depreciation of property, plant and equipment	4	35,503,925	29,848,007
Finance income		(7,371,505)	(9,294,045)
Finance costs		10,640,882	14,216,368
Property, plant and equipment written off	4	479,548	3,144,538
Retirement benefit obligation expense		-	4,061,953
(Reversal of impairment)/Impairment on loans to employees		(2,556,563)	808,709
Operating profit before working capital changes		93,072,919	86,599,303
Changes in working capital:			
Inventories		(9,750,920)	(28,203,626)
Trade and other receivables		(1,249,551)	(31,780,713)
Trade and other payables		(8,953,505)	9,800,877
Contract assets		(11,746,607)	-
Contract liabilities		3,033,434	-
Refundable water deposits		4,855,209	3,572,005
Cash generated from operations		69,260,979	39,987,846
Income tax paid		(7,739,518)	(7,203,677)
Retirement benefit paid		-	(909,001)
Net cash from operating activities		61,521,461	31,875,168
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(65,042,469)	(114,764,319)
Purchase of intangible assets		(101,734)	-
Interest capitalised on qualifying assets		(1,995,370)	(2,052,941)
Loan repayments from Pursat Water Supply		112,365	103,143
Proceeds from disposal of short-term investments		15,625,252	62,545,738
Interest received		1,170,511	2,574,627
Net cash used in investing activities		(50,231,445)	(51,593,752)
<b>Cash flows from financing activities</b>			
Dividend paid		(2,838,804)	(2,009,081)
Drawdown of borrowings		35,288,041	66,924,019
Interest paid		(7,290,079)	(8,517,779)
Repayments of borrowings		(32,116,170)	(37,978,951)
Net cash (used in)/from financing activities		(6,957,012)	18,418,208



**PHNOM PENH WATER SUPPLY AUTHORITY  
(Incorporated in Cambodia)**

**CONDENSED STATEMENT OF CASH FLOWS  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019 (continued)**

	<b>Unaudited</b>	
	<b>Nine-month period ended 30.9.2019<sup>(1)</sup> KHR'000</b>	<b>30.9.2018<sup>(2)</sup> KHR'000</b>
<b>Net increase/(decrease) cash and cash equivalents</b>	4,333,004	(1,300,376)
<b>Cash and cash equivalents at the beginning of financial period</b>	<u>13,353,758</u>	<u>15,992,527</u>
<b>Cash and cash equivalents at the end of financial period</b>	<u>17,686,762</u>	<u>14,692,151</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 2018 and the accompanying explanatory notes attached to this interim financial report.*

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

**PHNOM PENH WATER SUPPLY AUTHORITY  
(Incorporated in Cambodia)**

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION  
30 SEPTEMBER 2019**

**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 functional currency of the PPWSA.

The condensed interim financial information was authorised for issue by the Board of Directors on 6 November 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 2018 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 financial year ended 31 December 2018.

### 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 2018 except for the adoption of the following accounting standards, amendments and interpretations:

	<b>Effective Date</b>
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

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

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

	<b>Effective Date</b>
Amendments to <i>References to the Conceptual Framework in CIFRS Standards</i>	1 January 2020
Amendments to CIFRS 3 <i>Definition of a Business</i>	1 January 2020
Amendments to CIAS 1 and CIAS 8 <i>Definition of Material</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 Company.

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

#### 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.

#### Amendments to *CIFRS 3 Definition of a Business*

The amendments change the definition of a business to help companies determine whether an acquisition made is of a business or a group of assets.

The new definition of business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities.

### 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 CIFRS 3 *Definition of a Business* (continued)

This emphasises that the output of a business is to provide goods and services to customers. This contrasts with the previous definition which focused on economic benefits to investors and others.

The amendments also clarify that, to be considered a business, an acquisition must include an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include a framework to assist when evaluating when an input and substantive process are present – including for early stage companies that have not yet generated outputs.

In addition, the amendments introduced an optional “concentration test” to permit a simplified assessment of whether or not an acquired set of activities and assets is a business. The test can be applied by choice on a transaction by transaction basis. A transaction will be treated as an acquisition of assets (ie not a business) if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or groups of similar identifiable assets.

#### Amendments to CIAS 1 and CIAS 8 *Definition of Material*

The amendments clarify the definition of material in the context of applying CIFRS. As the concept of what is and is not material is crucial in preparing financial statements in accordance with CIFRS, a change in the definition may fundamentally affect how preparers make judgments in preparing financial statements.

The new definition of material information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

#### 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.

### 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 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

	<b>Unaudited 30.9.2019 KHR'000</b>	<b>Audited 31.12.2018 KHR'000</b>
<i>Cost</i>		
Balance at the beginning of financial period/year	1,621,720,340	1,494,791,632
Additions	76,354,644	147,487,172
Transfers to intangible assets	(1,077,817)	(10,850,110)
Written-off	(479,548)	(9,708,354)
	<u>1,696,517,619</u>	<u>1,621,720,340</u>
<i>Accumulated depreciation</i>		
Balance at the beginning of financial period/year	(406,040,516)	(370,619,449)
Depreciation for financial period/year	(35,503,925)	(41,307,314)
Written-off	-	5,886,247
	<u>(441,544,441)</u>	<u>(406,040,516)</u>
<i>Carrying amounts</i>		
Balance at the end of financial period/year	<u>1,254,973,178</u>	<u>1,215,679,824</u>

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

	<b>Unaudited Nine-month period ended 30.9.2019 KHR'000</b>	<b>30.9.2018 KHR'000</b>
Additions	76,354,644	109,647,673
(Increase)/Decrease in payables and performance guarantee	(9,316,805)	7,169,587
Interest capitalised on qualifying assets	(1,995,370)	(2,052,941)
	<u>65,042,469</u>	<u>114,764,319</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 4.00% (2018: 4.00% to 5.50%) per annum.

Short-term investments include deposits amounting to KHR18 billion (2018: KHR33.6 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
<b>As at 1.1.2019</b>	1,648,435	22,355,433	22,355,433	238,144,335	284,503,636
Transfer from retained earnings	-	3,680,356	3,680,356	47,321,096	54,681,808
<b>As at 30.9.2019 (Unaudited)</b>	<u>1,648,435</u>	<u>26,035,789</u>	<u>26,035,789</u>	<u>285,465,431</u>	<u>339,185,444</u>
<b>As at 1.1.2018</b>	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
<b>As at 31.12.2018 (Audited)</b>	<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>

On 27 March 2019, the Board of Directors approved the transfer of retained earnings to reserves amounting to KHR54.7 million.

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

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

## 7. BORROWINGS

	Unaudited 30.9.2019 KHR'000	Audited 31.12.2018 KHR'000
<b>Non-current</b>		
Agence Francaise De Development (“Afd”) – Credit No.1075 03 S	8,994,390	13,845,207
MoEF – Japanese International Cooperation Agency (“JICA”)	50,081,978	61,134,075
MoEF – Asian Development Bank (“ADB”)	37,914,977	28,722,956
Afd – Credit No. 1121 01 F	80,974,664	101,563,068
Afd - Credit No. 1174 01 P	<u>117,747,656</u>	<u>80,370,595</u>
	<u>295,713,665</u>	<u>285,635,901</u>
<b>Current</b>		
Afd – Credit No. 1075 03 S	9,048,037	9,247,624
MoEF – JICA	1,765,699	10,883,669
MoEF – ADB	2,297,877	2,200,189
Afd – Credit No. 1121 01F	18,004,678	18,555,201
Afd - Credit No. 1174 01 P	<u>566,526</u>	<u>1,231,946</u>
	<u>31,682,817</u>	<u>42,118,629</u>
	<u>327,396,482</u>	<u>327,754,530</u>

**7. BORROWINGS (continued)**

The maturity dates of these borrowings are as follows:

	<b>Unaudited 30.9.2019 KHR'000</b>	<b>Audited 31.12.2018 KHR'000</b>
<b>Current</b>		
- Not later than one year	<u>31,682,817</u>	<u>42,118,629</u>
<b>Non-current</b>		
- Later than one year but not later than two years	31,043,899	38,406,982
- Later than two year but not later than five years	66,148,527	92,145,601
- Later than five years	<u>198,521,239</u>	<u>155,083,318</u>
	<u>295,713,665</u>	<u>285,635,901</u>
	<u>327,396,482</u>	<u>327,754,530</u>

**8. DEFERRED GOVERNMENT AND OTHER GRANTS**

	<b>Government grant KHR'000</b>	<b>JICA grant KHR'000</b>	<b>Other grants KHR'000</b>	<b>Total KHR'000</b>
<b>Balance at 1.1.2019</b>	4,411,265	17,987,061	732,703	23,131,029
Amortisation charges	<u>(4,989)</u>	<u>(1,581,509)</u>	<u>(18,297)</u>	<u>(1,604,795)</u>
<b>Balance at 30.9.2019 (Unaudited)</b>	<u>4,406,276</u>	<u>16,405,552</u>	<u>714,406</u>	<u>21,526,234</u>
<b>Balance at 1.1.2018</b>	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>
<b>Balance at 31.12.2018 (Audited)</b>	<u>4,411,265</u>	<u>17,987,061</u>	<u>732,703</u>	<u>23,131,029</u>

**9. TRADE AND OTHER PAYABLES**

	<b>Unaudited 30.9.2019 KHR'000</b>	<b>Audited 31.12.2018 KHR'000</b>
<b>Other payables - non-current</b>		
Refundable water deposits	59,259,955	54,404,746
Performance guarantee	<u>4,287,783</u>	<u>2,443,877</u>
	<u>63,547,738</u>	<u>56,848,623</u>
<b>Trade payable - current</b>		
Third parties	<u>26,797,173</u>	<u>30,870,886</u>
<b>Other payables - current</b>		
Accrued staff incentive	6,631,635	7,626,015
Amount due to Phnom Penh Municipality	23,104,156	12,671,424
Amount due to employees	6,228,472	14,212,384
Performance guarantee	67,367	67,285
Dividend payable	22,971,343	6,884,787
Other tax payable	271,358	209,188
Other accruals	5,826,181	5,270,992
Other payables	<u>4,995,133</u>	<u>4,437,262</u>
	<u>70,095,645</u>	<u>51,379,337</u>
	<u>96,892,818</u>	<u>82,250,223</u>
	<u>160,440,556</u>	<u>139,098,846</u>

**10. CONTRACT ASSETS AND LIABILITIES**

	<b>Unaudited 30.9.2019 KHR'000</b>	<b>Audited 31.12.2018 KHR'000</b>
<b>Contract assets</b>		
Construction service receivable	3,891,193	515,614
Accrued water revenue	<u>53,897,183</u>	<u>45,526,155</u>
	<u>57,788,376</u>	<u>46,041,769</u>
<b>Contract liabilities</b>		
Deferred income	(5,278)	(5,278)
Unearned income	<u>(3,028,156)</u>	<u>(31,367)</u>
	<u>(3,033,434)</u>	<u>(36,645)</u>
	<u>54,754,942</u>	<u>46,005,124</u>



## 11. DIVIDEND

On 27 March 2019, the Board of Directors proposed and approved the dividend in respect of the financial year ended 31 December 2018 of KHR217.60 per share, amounting to a total dividend of KHR18.9 billion.

## 12. FINANCE INCOME/(COSTS)

	<b>Unaudited</b>			
	<b>Three-month period ended</b>		<b>Nine-month period ended</b>	
	<b>30.9.2019</b>	<b>30.9.2018</b>	<b>30.9.2019</b>	<b>30.9.2018</b>
	<b>KHR'000</b>	<b>KHR'000</b>	<b>KHR'000</b>	<b>KHR'000</b>
Finance income:				
- Interest income on bank deposits (a)	181,274	347,122	488,908	845,283
- Net foreign exchange gains on borrowings	4,252,669	-	6,880,722	8,441,370
- Interest income on loans to Pursat Water Supply	154	2,041	1,875	7,392
	<u>4,434,097</u>	<u>349,163</u>	<u>7,371,505</u>	<u>9,294,045</u>
Finance costs:				
- Interest expense on borrowings (b)	819,340	(2,775,806)	(4,217,350)	(8,384,923)
- Net foreign exchange losses on borrowings	(1,050,100)	(2,301,475)	(6,423,532)	(7,884,386)
- Interest expense capitalised on qualifying assets	678,058	669,374	1,995,370	2,052,941
	<u>447,298</u>	<u>(4,407,907)</u>	<u>(8,645,512)</u>	<u>(14,216,368)</u>
	<u>4,881,395</u>	<u>(4,058,744)</u>	<u>(1,274,007)</u>	<u>(4,922,323)</u>

(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 Cambodian Law on Taxation, the Company has an obligation to pay tax on profit at 20% (2018: 20%) of the taxable profit or a minimum tax at 1% (2018: 1%) of total revenue, whichever is higher. It represents the minimum amount of tax that the Company will pay to tax authorities. The Company has a tax on profit liability that exceeds the minimum tax liability, thus, no minimum tax will be payable. Tax is payable even if the Company is in a tax loss position.

#### 14. EARNINGS PER SHARE

(a) Basic earnings per share

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

	<b>Unaudited</b>			
	<b>Three-month period ended</b>		<b>Nine-month period ended</b>	
	<b>30.9.2019</b>	<b>30.9.2018</b>	<b>30.9.2019</b>	<b>30.9.2018</b>
Profit attributable to equity holders (KHR'000)	21,667,879	7,237,188	39,324,346	34,810,203
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>249.13</u>	<u>83.21</u>	<u>452.14</u>	<u>400.24</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 TRANSACTIONS

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

	<b>Unaudited</b>	
	<b>Nine-month period ended</b>	
	<b>30.9.2019</b>	<b>30.9.2018</b>
	<b>KHR'000</b>	<b>KHR'000</b>
<u>Common control</u>		
MoEF		
Interest on borrowings paid	9,288,407	10,018,283
Pursat Water Supply		
Interest on loans received	<u>1,876</u>	<u>7,392</u>

(b) Compensation of key management personnel

Key management compensation during the financial period is as follows:

	<b>Unaudited</b>	
	<b>Nine-month period ended</b>	
	<b>30.9.2019</b>	<b>30.9.2018</b>
	<b>KHR'000</b>	<b>KHR'000</b>
Salaries and other expenses	1,610,720	1,710,204
Retirement benefits	<u>-</u>	<u>21,645</u>
	<u>1,610,720</u>	<u>1,731,849</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 one 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 quarter, the PPWSA has commitment on capital expenditure in respect of:

	<b>Unaudited</b>	<b>Audited</b>
	<b>30.9.2019</b>	<b>31.12.2018</b>
	<b>KHR'000</b>	<b>KHR'000</b>
Construction of water treatment plant	9,565,644	34,932,949
Consultation services	1,429,924	4,754,494
Purchase of iron pipes, fitting and accessories	2,931,998	15,567,936
	<u>13,927,566</u>	<u>55,255,379d</u>

## **18. SIGNIFICANT EVENTS DURING THE REPORTING PERIOD**

During the reporting period, the following amendments relating to the borrowings from MoEF-JICA and MoEF\_ADB were implemented by the PPWSA:

- (a) Amendment to the Subsidiary Loan Agreement No. CP-P9 (MoEF – JICA) dated 15 March 2019. The loan shall be dominated in Japanese Yen (“JPY”) and PPWSA shall repay the principal and interest of the loan in local currency at the exchange rate which MoEF pays to JICA. The annual interest rate was adjusted from 7.50% to 0.66% per annum and the loan maturity was extended from 12 years to 40 years, ending on 20 March 2049.
- (b) Amendment to the Subsidiary Loan Agreement No.1468 - CAM (MoEF – ADB) dated 15 March 2019. The loan shall be dominated in Special Drawing Right (“SDR”) and PPWSA shall repay the principal and interest of the loan in local currency at the exchange rate which MoEF pays to ADB. The annual interest rate was adjusted from 6.50% to 1.65% per annum and the loan shall be repaid in semi-annual instalments on 1 April and 1 October of each year, commencing from year 2019.