

Interim condensed financial statements

Phnom Penh Water Supply Authority
30 September 2016

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Report on the review of interim condensed financial statements

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To the Shareholders of Phnom Penh Water Supply Authority

We have reviewed the accompanying interim condensed financial statements of Phnom Penh Water Supply Authority (“PPWSA”) which comprise the interim condensed statement of financial position as at 30 September 2016, and the related interim condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the nine-month period then ended, and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with Cambodian International Accounting Standard 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

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

Certified Public Accountants and Auditors

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Conclusion

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

Grant Thornton



GRANT THORNTON (CAMBODIA) LIMITED

Certified Public Accountants

Registered Auditors

Ronald C. Almera

Partner- Audit and Assurance

Phnom Penh, Kingdom of Cambodia

29 November 2016

Certified Public Accountants and Auditors

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Interim condensed statement of financial position

	Notes	Unaudited 30 September 2016 KHR'000	Audited (Restated) 31 December 2015 KHR'000
Assets			
Non-current			
Property, plant and equipment	6	1,015,357,082	936,711,937
Intangible assets	7	1,688,722	2,263,493
Loan to Pursat Water Supply		291,897	379,074
Non-current assets		1,017,337,701	939,354,504
Current			
Consumable inventories		46,473,701	53,718,237
Trade and other receivables	8	43,039,111	34,315,104
Loan to Pursat Water Supply		119,239	110,445
Loan to employees		5,608,787	5,608,787
Short-term investments	9	155,701,264	194,457,564
Other tax receivables		6,961,776	5,312,052
Cash and cash equivalents		11,956,095	12,555,435
Current assets		269,859,973	306,077,624
Total assets		1,287,197,674	1,245,432,128
Equity and liabilities			
Equity			
Share capital		541,227,282	541,227,282
Reserves	10	229,471,413	185,791,772
Retained earnings		30,262,645	56,949,128
Total equity		800,961,340	783,968,182
Liabilities			
Non-current			
Borrowings	11	263,316,949	256,360,862
Retirement benefit obligations	12	32,056,265	29,852,391
Deferred government and other grants	13	28,440,966	30,210,946
Deferred tax liabilities		33,500,928	33,974,749
Refundable water deposits		43,976,202	39,925,380
Performance guarantee		9,281,195	6,329,871
Non-current liabilities		410,572,505	396,654,199
Current			
Trade and other payables	14	31,115,563	27,308,000
Borrowings	11	36,955,811	28,540,601
Current tax liabilities		7,592,455	8,961,146
Current liabilities		75,663,829	64,809,747
Total liabilities		486,236,334	461,463,946
Total equity and liabilities		1,287,197,674	1,245,432,128

Interim condensed statements of profit or loss and other comprehensive income

	Notes	Unaudited			
		3 months to		9 months to	
		30 September 2016 KHR'000	30 September 2015 KHR'000	30 September 2016 KHR'000	30 September 2015 KHR'000
Revenue					
Sales		46,369,872	40,296,750	134,790,724	118,660,318
Construction service fee		1,845,726	5,809,415	5,218,683	14,814,092
Finance income	15	1,792,837	2,796,328	6,693,640	25,602,258
Other income		5,776,474	2,767,923	11,244,264	7,836,384
Total revenue		55,784,909	51,670,416	157,947,311	166,913,052
Expenses					
Depreciation and amortization		(9,042,532)	(8,735,822)	(26,865,660)	(25,818,268)
Electricity costs		(8,239,987)	(7,490,053)	(24,586,314)	(22,772,612)
Salaries, wages and related expenses		(9,117,004)	(7,151,075)	(26,473,651)	(21,364,833)
Raw materials for water treatment		(1,895,882)	(1,929,835)	(4,889,633)	(4,206,089)
Raw materials for household water connections		(2,198,022)	(1,654,795)	(6,785,630)	(5,175,281)
Repairs and maintenance		(1,643,916)	(1,769,200)	(4,884,468)	(4,013,292)
Construction service expense		(2,339,269)	(4,658,483)	(4,540,719)	(11,756,250)
Finance costs	15	(7,180,462)	(2,724,491)	(17,940,609)	(17,261,753)
Other operating expenses		(1,071,738)	(1,014,497)	(4,753,202)	(3,220,925)
Foreign exchange gains/(losses) - net		(270,534)	(1,163,157)	1,851,290	(1,777,269)
Total expenses		(42,999,346)	(38,291,408)	(119,868,596)	(117,366,572)
Profit before income tax		12,785,563	13,379,008	38,078,715	49,546,480
Income tax expense	16	(2,550,752)	(2,745,187)	(7,816,070)	(10,192,843)
Profit for the period		10,234,811	10,633,821	30,262,645	39,353,637
Other comprehensive income-					
Actuarial gain on retirement benefit obligation		-	(4,223)	-	3,807
Total comprehensive income for the period		10,234,811	10,629,598	30,262,645	39,357,444

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

Basic earnings per share	17	118	122	348	452
Diluted earnings per share	17	118	122	348	452

Interim condensed statement of changes in equity

	Notes	Share capital KHR'000	Reserves KHR'000	Retained earnings KHR'000	Total equity KHR'000
Balance as at 1 January 2016		541,227,282	185,791,772	56,949,137	783,968,191
Transfer to reserves	10	-	43,679,641	(43,679,641)	-
Dividends	18	-	-	(13,269,490)	(13,269,490)
Transactions with owners		-	43,679,641	(56,949,131)	(13,269,490)
Profit for the period		-	-	30,262,645	30,262,645
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		-	-	30,262,645	30,262,645
Balance at 30 September 2016 (unaudited)		541,227,282	229,471,413	30,262,651	800,961,346
Balance as at 1 January 2015		541,227,282	149,193,437	45,747,909	736,268,628
Transfer to reserves		-	36,598,335	(36,598,335)	-
Dividends		-	-	(9,149,577)	(9,149,577)
Transactions with owners		-	36,598,335	(45,747,912)	(9,149,577)
Profit for the period		-	-	39,353,637	39,353,637
Other comprehensive income		-	-	3,807	3,807
Total comprehensive income for the period		-	-	39,357,444	39,357,444
Balance at 30 September 2015 (unaudited)		541,227,282	185,791,772	39,357,441	766,376,495

Interim condensed statement of cash flows

	Notes	Unaudited 9 months to		Audited Year to
		30 September 2016 KHR'000	30 September 2015 KHR'000	31 December 2015 KHR'000
Operating activities				
Profit before income tax		38,078,715	49,546,480	67,983,246
Adjustments for:				
Amortisation of intangible assets	7	574,771	531,860	786,117
Amortisation of deferred government and other grants	13	(1,769,980)	(1,769,980)	(2,359,972)
Depreciation of property, plant and equipment	6	26,290,888	25,286,408	33,861,586
Finance income		(6,693,640)	(25,551,239)	(33,210,466)
Finance costs		17,940,609	17,261,753	19,869,858
Retirement benefit obligation expense	12	3,027,044	2,077,134	3,623,473
Loss on disposal of property, plant and equipment		512,727	58,793,160	4,476,313
Operating profit before working capital changes		77,961,134	126,175,576	95,030,155
Changes in working capital:				
Change in consumable inventories		7,244,536	(4,817,771)	(13,216,377)
Change in trade and other receivables		(7,460,975)	(3,553,771)	(3,882,135)
Change in trade and other payables		6,758,887	9,619,612	11,432,371
Change in payables and performance guarantee		1,832,769	(4,439,394)	(8,175,935)
Change in refundable water deposits		4,050,822	2,632,376	3,641,535
Cash generated from operating activities		90,387,173	125,616,628	84,829,614
Income tax paid		(11,308,306)	(4,320,216)	(4,909,589)
Retirement benefit paid		(823,170)	(746,330)	(1,000,181)
Net cash from operating activities		78,255,697	120,550,082	78,919,844
Investing activities				
Purchases of property, plant and equipment	6	(106,990,665)	(133,636,567)	(91,843,530)
Interest capitalised on qualifying assets		(290,864)	(195,772)	(287,706)
Purchase of intangible assets		-	-	(191,993)
Loan repayments from Pursat Water Supply		78,383	70,609	100,386
Short-term investments		38,756,300	4,940,673	1,873,767
Interest received		5,430,608	4,394,218	8,686,061
Net cash (used in) investing activities		(63,016,238)	(124,426,839)	(81,663,015)
Financing activities				
Proceeds from borrowings		26,859,938	33,162,091	44,161,741
Dividends paid		(13,269,490)	(9,149,577)	(9,149,577)
Interest paid		(11,191,830)	(9,676,470)	(9,978,968)
Repayments of borrowings		(18,237,417)	(17,277,173)	(24,696,731)
Net cash (used in) from financing activities		(15,838,799)	(2,941,129)	336,465
Net decrease in cash and cash equivalents		(599,340)	(6,817,886)	(2,406,706)
Cash and cash equivalents, at the beginning of period		12,555,435	14,962,141	14,962,141
Cash and cash equivalents, at the end of period		11,956,095	8,144,255	12,555,435

Notes to the interim condensed financial statements

1. Corporate information

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

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

The condensed interim financial statements have been approved for issue by the Board of Directors on 29 November 2016.

2. Principal activities

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

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

3. Basis of preparation

The interim condensed financial statements are for the nine months ended 30 September 2016 and are presented in Khmer Riel (“KHR”), which is the functional currency of the PPWSA. They have been prepared in accordance with Cambodian International Accounting Standard 34 ‘*Interim Financial Reporting*’ (“CIAS 34”). They do not include all of the information required in annual financial statements in accordance with CIFRSs, and should be read in conjunction with the audited financial statements for the year ended 31 December 2015. The comparative figures for the corresponding period were reviewed by another auditor but were not audited.

4. Significant accounting policies

The accounting policies and methods of computation adopted are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2015.

5. Estimates

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

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

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6. Property, plant and equipment

	Unaudited 30 September 2016 KHR'000
Gross carrying amount	
Balance at 1 January 2016	1,238,480,480
Additions	105,157,896
Interest capitalized on qualifying assets	290,864
Written-off	(2,491,851)
Balance 30 September 2016	<u>1,341,437,389</u>
Depreciation	
Balance 1 January 2016	301,768,543
Depreciation	26,290,888
Disposals	(1,979,124)
Balance 30 September 2016	<u>326,080,307</u>
Carrying amount 30 September 2016	<u>1,015,357,082</u>

	Audited 31 December 2015 KHR'000
Gross carrying amount	
Balance at 1 January 2015	1,143,925,094
Additions	100,019,465
Interest capitalized on qualifying assets	287,706
Written-off	(4,476,313)
Balance 31 December 2015	<u>1,239,755,952</u>
Depreciation	
Balance 1 January 2015	269,182,429
Depreciation	33,861,586
Disposals	-
Balance 31 December 2015	<u>303,044,015</u>
Carrying amount 30 September 2016	<u>936,711,937</u>

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

	Unaudited 9 months to	
	30 September 2016 KHR'000	30 September 2015 KHR'000
Additions	105,448,760	138,271,733
(Increase)/ Decrease in payables and performance guarantee	1,832,769	(4,439,394)
Interest capitalized on qualifying assets	(290,864)	(195,772)
Cash payment for purchase of property, plant and equipment	<u>106,990,665</u>	<u>133,636,567</u>

7. Intangible assets

	Unaudited 30 September 2016 KHR'000
Gross carrying amount	
Balance at 1 January 2016	5,858,579
Additions	-
Balance at 30 September 2016	5,858,579
Amortisation	
Balance at 1 January 2016	3,595,086
Amortisation	574,771
Balance at 30 September 2016	4,169,857
Carrying amount 30 September 2016	1,688,722
	Audited 31 December 2015 KHR'000
Gross carrying amount	
Balance at 1 January 2015	5,666,586
Additions	191,993
Balance at 31 December 2015	5,858,579
Amortisation	
Balance at 1 January 2015	2,808,969
Amortisation	786,117
Balance at 31 December 2015	3,595,086
Carrying amount 31 December 2015	2,263,493

8. Trade and other receivables

	Unaudited 30 September 2016 KHR'000	Audited 31 December 2015 KHR'000
Trade receivables		
Household receivables	3,944,579	3,847,143
Commercial receivables	3,037,525	3,188,098
Construction service receivable	1,708,991	-
Public administration receivables	1,264,360	2,413,006
Water wholesalers	314,472	284,932
	10,269,927	9,733,179
Other receivables		
Accrued water revenue	25,241,368	17,106,446
Interest receivables	5,503,582	4,240,550
VAT receivables – net	380,858	196,450
Advance to suppliers	49,239	-
Other receivables	1,594,137	3,038,479
	32,769,184	24,581,925
	43,039,111	34,315,104

9. Short-term investments

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

Short-term investments include deposits amounting to KHR'000 19,452,928 set up specifically for the purpose of paying retirement benefits to retirees who are entitled to retirement benefits under PPWSA's pension scheme.

10. Reserves

	Capital reserve KHR'000	Legal reserve KHR'000	General reserve KHR'000	Development reserve KHR'000	Total KHR'000
Balance at 1 January 2016	1,648,435	15,390,933	15,390,933	153,361,471	185,791,772
Transfer from retained earnings	-	2,847,456	2,847,456	37,984,729	43,679,641
Balance at 31 September 2016 (Unaudited)	1,648,435	18,238,389	18,238,389	191,346,200	229,471,413
Balance at 1 January 2015	1,648,435	13,103,537	13,103,537	121,337,928	149,193,437
Transfer from retained earnings	-	2,287,396	2,287,396	32,023,543	36,598,335
Balance at 31 December 2015 (Audited)	1,648,435	15,390,933	15,390,933	153,361,471	185,791,772

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

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

11. Borrowings

	Unaudited 30 September 2016 KHR'000	Audited 31 December 2015 KHR'000
Non-current		
Loan – Agence Francaise de Developpement (“AFD”)	150,804,665	133,659,740
Loan – Japan International Cooperation Agency (“JICA”)	81,178,150	90,061,399
Loan – Asian Development Bank (“ADB”)	31,334,134	32,639,723
	263,316,949	256,360,862
Current		
Current portion of loan - AFD	22,039,035	14,529,698
Current portion of loan - JICA	9,550,371	9,480,147
Accrued interest expense	4,060,816	3,225,167
Current portion of loan - ADB	1,305,589	1,305,589
	36,955,811	28,540,601
Total	300,272,760	284,901,463

The maturity dates of these borrowings are as follows:

	Unaudited 30 September 2016 KHR'000	Audited 31 December 2015 KHR'000
Current		
Not later than one year	36,955,811	28,540,601
Non-current		
Later than one year but not later than two years	39,914,672	25,315,434
Later than two years but not later than five years	105,176,075	90,412,247
Later than five years	118,226,202	140,633,181
	300,272,760	284,901,463

12. Retirement benefit obligations

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

	Unaudited 30 September 2016 KHR'000	Audited 31 December 2015 KHR'000
Present value of defined benefit obligation	32,056,265	29,852,391
Fair value of plan assets	-	-
Liability recognized for retirement benefit obligation	32,056,265	29,852,391

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

	Unaudited 30 September 2016 KHR'000	Audited 31 December 2015 KHR'000
Balance at beginning of period	29,852,391	30,246,160
Current service cost	1,202,973	1,485,152
Interest cost	1,824,071	2,138,321
Benefit paid	(823,170)	(1,000,181)
Actuarial gain	-	(3,017,061)
Balance at end of period	32,056,265	29,852,391

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

	Unaudited 9 months to	
	30 September 2016 KHR'000	30 September 2015 KHR'000
Current service cost	1,202,973	1,023,919
Interest cost	1,824,071	1,053,215
	3,027,044	2,077,134

13. Deferred government and other grants

	Government grant KHR'000	JICA grant KHR'000	Other grants KHR'000	Total KHR'000
Balance at 1 January 2016	5,091,956	24,313,102	805,888	30,210,946
Amortisation charges	(170,173)	(1,581,509)	(18,298)	(1,769,980)
Balance at 31 September 2016 (Unaudited)	4,921,783	22,731,593	787,590	28,440,966
Balance as at 1 January 2015	5,318,855	26,421,781	830,282	32,570,918
Amortisation charges	(226,899)	(2,108,679)	(24,394)	(2,359,972)
Balance at 31 December 2015 (Audited)	5,091,956	24,313,102	805,888	30,210,946

14. Trade and other payables

	Unaudited 30 September 2016 KHR'000	Audited 31 December 2015 KHR'000
Amount due to Phnom Penh Municipality	12,364,590	5,836,540
Trade payables	12,089,815	14,826,156
Accrued staff incentive	3,711,588	4,541,388
Unearned income	1,407,844	214,109
Deferred income	5,278	5,278
Performance guarantee	(636,164)	134,090
Other taxes payable	930,859	361,808
Other payables	1,241,753	1,388,631
	31,115,563	27,308,000

15. Finance income/costs

	Unaudited			
	3 months to		9 months to	
	30 September 2016 KHR'000	30 September 2015 KHR'000	30 September 2016 KHR'000	30 September 2015 KHR'000
Finance income:				
Interest income on bank deposits (a)	1,787,568	2,118,997	6,676,929	6,328,348
Interest income from customers	-	-		68
Unwind concessional loan discount to employees	-	-		168,138
Net foreign exchange gain on borrowings	-	670,717		19,085,104
Interest income on loans to Pursat Water Supply	5,269	6,614	16,711	20,600
	1,792,837	2,796,328	6,693,640	25,602,258
Finance costs:				
Interest expense on borrowings (b)	(8,663,767)	(2,812,938)	(24,144,604)	(8,403,120)
Net foreign exchange losses on borrowings	1,382,103	-	5,913,130	(9,054,405)
Interest expense capitalized on qualifying assets	101,202	88,447	290,865	195,772
	(7,180,462)	(2,724,491)	(17,940,609)	(17,261,753)

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

16. Tax expense

PPWSA has an obligation to pay tax on profits at the rate of 20% of taxable profit or a minimum tax at the rate of 1% of total revenue, whichever is higher. The minimum tax is calculated at the rate of 1% of the annual turnover inclusive of all taxes. It represents the minimum amount of tax that PPWSA will pay to tax authorities. PPWSA has a tax on profit liability that exceeds the minimum tax liability, thus, no minimum tax will be payable. Tax is payable even if PPWSA is in a tax loss position.

17. Earnings per share

17.1. Basic earnings per share

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

	Unaudited			
	3 months to		9 months to	
	30 September 2016	30 September 2015	30 September 2016	30 September 2015
Profit attributable to equity holders (KHR'000)	10,234,811	10,633,821	30,262,645	39,353,637
Weighted average number of shares	86,973,162	86,973,162	86,973,162	86,973,162
Basic earnings per share	118	122	348	452

17.2 Diluted earnings per share

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

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

18. Dividends paid

On 28 March 2016, the Board of Directors approved the declaration of dividends in respect of the year ended 31 December 2015 of KHR 152 per share, amounting to a total dividend of KHR 13,269 million. The dividends were paid on 27 April 2016.

19. Related party transactions

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

	Unaudited	
	9 months to	
	30 September 2016 KHR'000	30 September 2015 KHR'000
<u>Common control</u>		
MoEF:		
Interest on borrowings paid	10,243,737	7,577,715
Pursat Water Supply:		
Interest on loans paid	16,711	20,600

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

	Unaudited	
	9 months to	
	30 September 2016 KHR'000	30 September 2015 KHR'000
Salaries and other expenses	1,404,562	864,735
Retirement benefits	15,481	77,157
	1,420,043	941,892

20. Financial risk management objectives and policies

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

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

20.1. Credit risk

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

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

20.2. Liquidity and cash flow risk

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

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

20.3. Interest rate risk

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

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

21. Capital commitments

As at 30 September 2016, PPWSA has commitments on capital expenditure in respect of:

	Unaudited	Audited
	30 September 2016	31 December 2015
	KHR'000	KHR'000
Construction of water treatment plant	18,154,872	33,890,892
Purchase of iron pipes, fitting and accessories	4,996,995	2,547,962
Consultation services	550,024	1,313,300
Information system	-	951,904
	23,701,891	38,704,058

22. Restatement of previously issued financial statements

The statement of financial position as at 31 December 2015 was restated to reflect tax receivables of KHR'000 5,312,052 as part of current assets instead of offsetting it with current tax liabilities. The table below summarises the effects of this restatement:

Effect on statement of financial position

	Audited		31 December 2015		Restated
			Adjustment		
	Dr	Cr	Dr	Cr	
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000
Current assets					
Tax receivables	-	-	5,312,052	-	5,312,052
Current liabilities					
Current tax liabilities	-	3,649,094	-	5,312,052	8,961,146

23. Events after the reporting date

No adjusting or significant non-adjusting events have occurred between the 30 September reporting date and the date of authorisation of these interim condensed financial statements.