

Registration No:
Co.0839 Et/2012

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

**CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017**

Registration No:
Co.0839 Et/2012

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

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PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

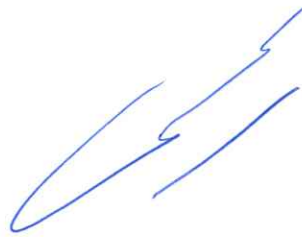
STATEMENT BY THE DIRECTORS

In the opinion of Directors, the accompanying condensed statement of financial position of Phnom Penh Water Supply Authority ("PPWSA") as at 31 March 2017, and the related condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-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*.

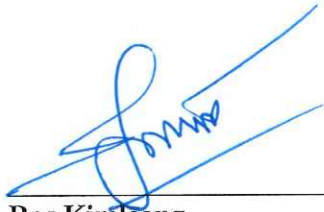
Signed on behalf of the Board of Directors,



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



Dr. Sim Sitha
Director General



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

Phnom Penh, Cambodia
Date: 5 May 2017

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 31 March 2017, and the related condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-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: 5 May 2017

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017

	Note	Unaudited 31.3.2017 KHR'000	Audited 31.12.2016 KHR'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	1,054,066,921	1,036,409,539
Intangible assets		2,410,570	1,974,184
Loan to Pursat Water Supply		218,496	254,745
		<u>1,056,695,987</u>	<u>1,038,638,468</u>
Current assets			
Inventories		47,116,218	48,394,403
Trade and other receivables		37,014,673	34,994,545
Loan to Pursat Water Supply		127,289	123,112
Loan to employees		5,608,787	5,608,787
Short-term investments	5	148,294,672	148,271,384
Other tax receivables		5,312,052	5,312,052
Cash and bank balances		9,629,934	16,386,849
		<u>253,103,625</u>	<u>259,091,132</u>
TOTAL ASSETS		<u><u>1,309,799,612</u></u>	<u><u>1,297,729,600</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital		541,227,282	541,227,282
Reserves	6	264,829,678	229,471,410
Retained earnings		11,335,648	49,273,104
TOTAL EQUITY		<u>817,392,608</u>	<u>819,971,796</u>
LIABILITIES			
Non-current liabilities			
Borrowings	7	261,018,470	251,616,219
Retirement benefit obligations	8	34,804,473	33,983,477
Deferred government and other grants	9	27,260,980	27,850,974
Deferred tax liabilities		29,745,246	31,130,869
Other payables	10	46,637,691	54,922,316
		<u>399,466,860</u>	<u>399,503,855</u>

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017 (continued)

	Note	Unaudited 31.3.2017 KHR'000	Audited 31.12.2016 KHR'000
Current liabilities			
Trade and other payables	10	45,002,813	33,384,270
Borrowings	7	27,159,891	34,695,758
Dividend payable	11	13,914,836	-
Current tax liabilities		6,862,604	10,173,921
		<u>92,940,144</u>	<u>78,253,949</u>
TOTAL LIABILITIES		<u>492,407,004</u>	<u>477,757,804</u>
TOTAL EQUITY AND LIABILITIES		<u>1,309,799,612</u>	<u>1,297,729,600</u>

The Condensed Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 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 THREE-MONTH PERIOD ENDED 31 MARCH 2017

	Note	Unaudited	
		Three-month period ended 31.3.2017 ⁽¹⁾ KHR'000	31.3.2016 ⁽²⁾ KHR'000
Revenue:			
Sales		46,045,092	43,187,930
Construction service fee		5,998,299	3,335,848
Other income		4,170,117	2,719,506
		<u>56,213,508</u>	<u>49,243,284</u>
Expenses:			
Depreciation and amortisation charges		(9,282,093)	(8,895,022)
Electricity costs		(8,743,582)	(8,144,066)
Salaries, wages and related expenses		(9,983,407)	(8,635,472)
Raw materials for water treatment		(1,679,537)	(1,902,103)
Raw materials for household water connections		(2,730,857)	(2,353,972)
Repairs and maintenance		(1,623,061)	(1,537,323)
Construction service expense		(4,718,820)	(2,201,450)
Other operating expenses		(1,544,736)	(869,607)
Foreign exchange loss - net		(1,227,783)	(1,998,716)
		<u>(41,533,876)</u>	<u>(36,537,731)</u>
Operating profit		14,679,632	12,705,553
Finance income	12	2,290,593	3,256,642
Finance costs	12	(2,709,164)	(6,427,819)
Profit before tax		14,261,061	9,534,376
Tax expense	13	(2,945,332)	(1,953,487)
Profit for the financial period		11,315,729	7,580,889
Other comprehensive income, net of tax			
Items that will not be reclassified to profit or loss:			
Actuarial gain on retirement benefit obligation		19,919	-
Total comprehensive income for the financial period		<u>11,335,648</u>	<u>7,580,889</u>
Earnings per share attributable to equity holders:			
Basic earnings per share	14	130.34	87.16
Diluted earnings per share	14	<u>130.34</u>	<u>87.16</u>

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 2016 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 THREE-MONTH PERIOD ENDED 31 MARCH 2017

	Note	Share capital KHR'000	Reserves KHR'000	Retained earnings KHR'000	Total KHR'000
Unaudited					
Balance as at 1 January 2017		541,227,282	229,471,410	49,273,104	819,971,796
Profit for the financial period		-	-	11,315,729	11,315,729
Actuarial gain on retirement benefit obligation		-	-	19,919	19,919
Total comprehensive income for the financial period		-	-	11,335,648	11,335,648
<i>Transactions with owners</i>					
Transfer to reserves	6	-	35,358,268	(35,358,268)	-
Dividend	11	-	-	(13,914,836)	(13,914,836)
Total transaction with owners		-	35,358,268	(49,273,104)	(13,914,836)
Balance as at 31 March 2017⁽¹⁾		541,227,282	264,829,678	11,335,648	817,392,608
Unaudited					
Balance as at 1 January 2016		541,227,282	185,791,772	56,949,131	783,968,185
Profit for the financial period, representing total comprehensive income		-	-	7,580,889	7,580,889
<i>Transactions with owners</i>					
Transfer to reserves	6	-	43,679,638	(43,679,638)	-
Dividend		-	-	(13,269,490)	(13,269,490)
Total transaction with owners		-	43,679,638	(56,949,128)	(13,269,490)
Balance as at 31 March 2016⁽²⁾		541,227,282	229,471,410	7,580,892	778,279,584

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 2016 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 THREE-MONTH PERIOD ENDED 31 MARCH 2017

	Note	Unaudited	
		Three-month period ended 31.3.2017 ⁽¹⁾ KHR'000	31.3.2016 ⁽²⁾ KHR'000
Cash flows from operating activities			
Profit before tax		14,261,061	9,534,376
Adjustments for:			
Amortisation of intangible assets		175,873	193,778
Amortisation of deferred government and other grants		(589,994)	(589,993)
Depreciation of property, plants and equipment	4	9,106,219	8,701,244
Finance income		(2,290,593)	(3,256,642)
Finance costs		2,709,164	9,243,866
Property, plant and equipment written off		-	30,289
Retirement benefit obligation expense	8	1,117,956	1,009,015
Operating profit before working capital changes		24,489,686	24,865,933
Changes in working capital:			
Inventories		1,278,185	(1,670,270)
Trade and other receivables		(1,418,970)	850,598
Trade and other payables		4,503,169	3,036,933
Refundable water deposits		1,152,713	1,079,219
Cash generated from operations		30,004,783	28,162,413
Income tax paid		(7,642,272)	(10,149,915)
Retirement benefit paid		(277,041)	(274,390)
Net cash from operating activities		22,085,470	17,738,108
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(28,994,141)	(21,654,249)
Purchase of intangible assets		(612,259)	-
Interest capitalised on qualifying assets		(91,424)	(94,972)
Loan repayments from Pursat Water Supply		32,072	31,825
Short-term investments		(23,288)	4,912,940
Interest received		963,794	3,801,438
Net cash used in investing activities		(28,725,246)	(13,003,018)
Cash flows from financing activities			
Proceeds from borrowings		9,652,187	7,865,330
Interest paid		(4,443,168)	(5,944,989)
Repayments of borrowings		(5,326,158)	(5,332,008)
Net cash used in financing activities		(117,139)	(3,411,667)

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

CONDENSED STATEMENT OF CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017 (continued)

	Unaudited	
	Three-month period ended	Three-month period ended
	31.3.2017⁽¹⁾	31.3.2016⁽²⁾
	KHR'000	KHR'000
Net (decrease)/increase cash and cash equivalents	(6,756,915)	1,323,423
Cash and cash equivalents at the beginning of financial period	<u>16,386,849</u>	<u>12,555,435</u>
Cash and cash equivalents at the end of financial period	<u>9,629,934</u>	<u>13,878,858</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 2016 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 MARCH 2017**

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 was authorised for issue by the Board of the Directors on 5 May 2017.

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 2016 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 2016.

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 2016 except for the adoption of the following amendments:

	Effective Date
Amendments to CIFRS 12 <i>Annual Improvements to CIFRS Standards 2014 - 2016 Cycle</i>	1 January 2017
Amendments to CIAS 12 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
Amendments to CIAS 7 <i>Disclosure Initiative</i>	1 January 2017

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

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

	Effective Date
Amendments to CIFRS 1 <i>Annual Improvements to CIFRS Standards 2014 - 2016 Cycle</i>	1 January 2018
Amendments to CIFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
CIFRS 9 <i>Financial Instruments</i> (issued by IASB in July 2014)	1 January 2018
CIFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
Clarification to CIFRS 15	1 January 2018
Amendments to CIAS 28 <i>Annual Improvements to CIFRS Standards 2014 - 2016 Cycle</i>	1 January 2018
Amendments to CIAS 40 <i>Transfers of Investment Property</i>	1 January 2018
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
CIFRS 16 <i>Leases</i>	1 January 2019
Amendments to CIFRS 10 and CIAS 28 <i>Sale or Contribution of Assets between an Investor and its Associates or Joint Venture</i>	Deferred

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

4. PROPERTY, PLANT AND EQUIPMENT

	Unaudited 31.3.2017 KHR'000	Audited 31.12.2016 KHR'000
<i>Cost</i>		
Balance at the beginning of financial period/year	1,371,004,458	1,239,755,952
Additions	26,763,601	135,484,415
Disposals	-	<u>(4,235,909)</u>
Balance at the end of financial period/year	<u>1,397,768,059</u>	<u>1,371,004,458</u>
<i>Accumulated depreciation</i>		
Balance at the beginning of financial period/year	334,594,919	303,044,015
Depreciation for financial period/year	9,106,219	35,266,010
Disposals	-	<u>(3,715,106)</u>
Balance at the end of financial period/year	<u>343,701,138</u>	<u>334,594,919</u>
<i>Carrying amounts</i>		
Balance at the end of financial period/year	<u>1,054,066,921</u>	<u>1,036,409,539</u>

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

	Unaudited Three-month period ended	
	31.3.2017 KHR'000	31.3.2016 KHR'000
Additions	26,763,601	22,001,617
Increase/(Decrease) in payables and performance guarantee	2,321,964	(252,396)
Interest capitalised on qualifying assets	<u>(91,424)</u>	<u>(94,972)</u>
Cash payment for purchase of property, plant and equipment	<u>28,994,141</u>	<u>21,654,249</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% to 5% per annum.

Short-term investments include deposits amounting to KHR14.8 billion (2016: KHR14.8 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 1.1.2017	1,648,435	18,238,388	18,238,388	191,346,199	229,471,410
Transfer from retained earnings	-	2,463,653	2,463,653	30,430,962	35,358,268
As at 31.3.2017 (Unaudited)	<u>1,648,435</u>	<u>20,702,041</u>	<u>20,702,041</u>	<u>221,777,161</u>	<u>264,829,678</u>
As at 1.1.2016	1,648,435	15,390,933	15,390,933	153,361,471	185,791,772
Transfer from retained earnings	-	2,847,455	2,847,455	37,984,728	43,679,638
As at 31.12.2016 (Audited)	<u>1,648,435</u>	<u>18,238,388</u>	<u>18,238,388</u>	<u>191,346,199</u>	<u>229,471,410</u>

On 31 March 2017, the Board of Directors approved the transfer of retained earnings to reserves amounting to KHR35,358 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 31.3.2017 KHR'000	Audited 31.12.2016 KHR'000
Non-current		
Agence Francaise De Development (“AfD”) – Credit No.1075 03 S	30,064,377	29,973,473
MoEF – Japanese International Cooperation Agency (“JICA”)	79,685,904	80,322,596
AfD – Credit No. 6000 01 G	5,445,324	5,428,860
MoEF – Asian Development Bank (“ADB”)	31,334,134	31,334,134
AfD – Credit No. 1121 01 F	114,488,731	104,557,156
	<u>261,018,470</u>	<u>251,616,219</u>
Current		
AfD – Credit No. 1075 03 S	8,704,152	8,593,053
MoEF – JICA	4,878,113	11,331,246
AfD – Credit No. 6000 01 G	5,485,891	5,428,860
MoEF – ADB	1,085,951	2,277,981
AfD – Credit No. 1121 01F	7,005,784	7,064,618
	<u>27,159,891</u>	<u>34,695,758</u>
	<u>288,178,361</u>	<u>286,311,977</u>

7. BORROWINGS (continued)

The maturity dates of these borrowings are as follows:

	Unaudited 31.3.2017 KHR'000	Audited 31.12.2016 KHR'000
Current		
- Not later than one year	<u>27,159,891</u>	<u>34,695,758</u>
Non-current		
- Later than one year but not later than two years	53,434,217	38,688,970
- Later than two year but not later than five years	99,070,889	95,498,405
- Later than five years	<u>108,513,364</u>	<u>117,428,844</u>
	<u>261,018,470</u>	<u>251,616,219</u>
	<u>288,178,361</u>	<u>286,311,977</u>

8. RETIREMENT BENEFIT OBLIGATIONS

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

	Unaudited 31.3.2017 KHR'000	Audited 31.12.2016 KHR'000
Present value of defined benefit obligation	34,804,473	33,983,477
Fair value of plan asset	<u>-</u>	<u>-</u>
Liability recognised in statement of financial position	<u>34,804,473</u>	<u>33,983,477</u>

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

	Unaudited Three-month period ended	
	31.3.2017 KHR'000	31.3.2016 KHR'000
Balance at 1 January	33,983,477	29,852,391
Current service cost	450,165	400,991
Interest cost	667,791	608,023
Benefit paid	(277,041)	(274,390)
Actuarial gain	<u>(19,919)</u>	<u>-</u>
Balance at 31 March	<u>34,804,473</u>	<u>30,587,015</u>

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

	Unaudited Three-month period ended	
	31.3.2017 KHR'000	31.3.2016 KHR'000
Current service cost	450,165	400,992
Interest cost	<u>667,791</u>	<u>608,023</u>
	<u>1,117,956</u>	<u>1,009,015</u>

9. DEFERRED GOVERNMENT AND OTHER GRANTS

	Government grant KHR'000	JICA grant KHR'000	Other grants KHR'000	Total KHR'000
Balance at 1.1.2017	4,865,059	22,204,422	781,493	27,850,974
Amortisation charges	<u>(56,725)</u>	<u>(527,170)</u>	<u>(6,099)</u>	<u>(589,994)</u>
Balance at 31.3.2017 (Unaudited)	<u>4,808,334</u>	<u>21,677,252</u>	<u>775,394</u>	<u>27,260,980</u>
Balance at 1.1.2016	5,091,956	24,313,102	805,888	30,210,946
Amortisation charges	<u>(226,897)</u>	<u>(2,108,680)</u>	<u>(24,395)</u>	<u>(2,359,972)</u>
Balance at 31.12.2016 (Audited)	<u>4,865,059</u>	<u>22,204,422</u>	<u>781,493</u>	<u>27,850,974</u>

10. TRADE AND OTHER PAYABLES

	Unaudited 31.3.2017 KHR'000	Audited 31.12.2016 KHR'000
Other payables – non-current		
Refundable water deposits	46,637,691	45,484,978
Performance guarantee	-	9,437,338
	<u>46,637,691</u>	<u>54,922,316</u>
Trade payable - current		
Third parties	<u>20,041,479</u>	<u>12,742,740</u>
Other payables - current		
Accrued staff incentive	6,688,554	5,583,208
Amount due to Phnom Penh Municipality	12,715,971	11,144,116
Performance guarantee	102,895	107,351
Unearned income	982,549	1,386,346
Deferred income	5,281	5,278
Other taxes payable	223,648	182,846
Other payables	<u>4,242,436</u>	<u>2,232,385</u>
	<u>24,961,334</u>	<u>20,641,530</u>
	<u>45,002,813</u>	<u>33,384,270</u>
	<u>91,640,504</u>	<u>88,306,586</u>

11. DIVIDEND PAYABLE

On 31 March 2017, the Board of Directors proposed and approved the dividend in respect of the financial year ended 31 December 2016 of KHR159.99 per share, amounting to a total dividend of KHR13,914 million.

12. FINANCE INCOME/(COSTS)

	Unaudited	
	Three-month period ended	
	31.3.2017	31.3.2016
	KHR'000	KHR'000
Finance income:		
- Interest income on bank deposits (a)	1,526,241	3,250,794
- Unwind concessional loan discount to employees	-	-
- Net foreign exchange gain on borrowings	759,897	-
- Interest income on loan to Pursat Water Supply	4,455	5,848
	<u>2,290,593</u>	<u>3,256,642</u>
Finance costs:		
- Interest expense on borrowings (b)	(2,350,255)	(9,338,845)
- Net foreign exchange loss on borrowings	(450,333)	2,816,054
- Interest expense capitalised on qualifying assets	91,424	94,972
	<u>(2,709,164)</u>	<u>(6,427,819)</u>
	<u>(418,571)</u>	<u>(3,171,177)</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% (2016: 20%) of the taxable profit or a minimum tax at 1% (2016: 1%) of total revenue, whichever is higher. It represents the minimum amount of tax that the Company will pay to tax authorities. The Company has a tax on profit liability that exceeds the minimum tax liability, thus, no minimum tax will be payable. Tax is payable even if the Company is in a tax loss position.

14. EARNINGS PER SHARE

(a) Basic earnings per share

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

	Unaudited	
	Three-month period ended	
	31.3.2017	31.3.2016
Profit attributable to equity holders (KHR'000)	11,335,648	7,580,889
Weighted average number of shares	<u>86,973,162</u>	<u>86,973,162</u>
Basic earnings per share (KHR)	<u>130.34</u>	<u>87.16</u>

14. EARNINGS PER SHARE (continued)

(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.

	Unaudited	
	Three-month period ended	
	31.3.2017	31.3.2016
	KHR'000	KHR'000
<u>Common Control</u>		
MoEF		
Interest on borrowings paid	2,133,135	2,343,224
Pursat Water Supply		
Interest on loans paid	4,454	5,848
	<u>4,454</u>	<u>5,848</u>

- (b) Compensation of key management personnel

Key management compensation during the financial period is as follows:

	Unaudited	
	Three-month period ended	
	31.3.2017	31.3.2016
	KHR'000	KHR'000
Salaries and other expenses	536,700	519,691
Retirement benefits	44,195	15,728
	<u>580,895</u>	<u>535,419</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.

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(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:

	Unaudited 31.3.2017 KHR'000	Audited 31.12.2016 KHR'000
Construction of water treatment plant	2,167,773	14,022,466
Consultation services	807,635	6,814
Purchase of iron pipes, fitting and accessories	<u>1,075,058</u>	<u>366,049</u>
	<u>4,050,466</u>	<u>14,395,329</u>