Registration No:
Co.0839 Et/2012

PHNOM PENH WATER SUPPLY AUTHORITY
(INCORPORATED IN CAMBODIA)

AUDITED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
31 DECEMBER 2017

Registration No:
Co.0839 Et/2012

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

CORPORATE INFORMATION

DIRECTORS:	H.E. Soem Nara H.E. Mey Vann H.E. Sim Sitha H.E. Noun Pharath Mr. Long Naro Mr. Om Sengbora Mr. Zhang Yun Feng
REGISTERED OFFICE:	No. 45, St.106 Sangkat Srah Chork, Khan Daun Penh Phnom Penh Cambodia
PRINCIPAL BANKERS:	Canadia Bank Plc. Vattanac Bank Advance Bank of Asia Ltd. Foreign Trade Bank of Cambodia ACLEDA Bank Plc. Cambodian Public Bank Prasac Microfinance Institution Hattha Kaksekar Limited National Treasury Municipal Treasury Takmao Treasury
AUDITORS:	BDO (Cambodia) Limited

Registration No:
Co.0839 Et/2012

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

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PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Phnom Penh Water Supply Authority ("PPWSA") for the financial year ended 31 December 2017.

Principal activities

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

Results of operations

	KHR'000
Profit for the financial year	33,067,826

Dividend

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

	KHR'000
In respect of financial year ended 31 December 2016:	
First and final dividend of KHR160 per ordinary share paid in 28 April 2017	13,914,836

Reserves and provisions

There was a transfer of KHR35,358,268,000 from retained earnings to legal, general and development reserves, as approved during the Board of Directors meeting on 31 March 2017.

Bad and doubtful debts

Before the statement of profit or loss and other comprehensive income and statement of financial position of the PPWSA were made out, the Directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no known bad debts and that adequate allowance had been made for doubtful debts.

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

Current assets

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

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

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

DIRECTORS' REPORT (continued)

Valuation methods

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

Contingent and other liabilities

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

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

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

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

Change of circumstances

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

Items of an unusual nature

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

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

Share capital

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

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

DIRECTORS' REPORT (continued)

Directors

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

H.E. Soem Nara	
H.E. Mey Vann	
H.E. Sim Sitha	
Mr. Om Sengbora	
Mr. Zhang Yun Feng	
H.E. Noun Pharath	(appointed on 18 August 2017)
Mr. Long Naro	(appointed on 9 February 2017)
Ms. Ngin Chantrea	(resigned on 9 February 2017)
H.E. Khuong Sreng	(resigned on 18 August 2017)

Directors' benefits

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

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

Directors' responsibility in respect of the financial statements

The Directors are responsible to ascertain that the financial statements give a true and fair view of the financial position of the PPWSA as at 31 December 2017, and of its financial performance and cash flows for the financial year then ended. In preparing these financial statements, the Directors are required to:

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

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

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

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

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

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

Registration No:
Co.0839 Et/2012

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

DIRECTORS' REPORT (continued)

Statement by the Directors

In the opinion of the Directors, the financial statements set out on pages 10 to 61 have been drawn up in accordance with Cambodian International Financial Reporting Standards so as to give a true and fair view of the financial position of the PPWSA as at 31 December 2017, and of its financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors,

Soem Nara Chairman of the Board of Directors	**Sim Sitha** Director General

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

Phnom Penh, Cambodia
Date: 28 February 2018

BDO

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Kingdom of Cambodia

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Phnom Penh Water Supply Authority ("PPWSA"), which comprise statement of financial position as at 31 December 2017, and statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and a summary of significant accounting policies, as set out on pages 10 to 61.

The financial statements of the PPWSA for the financial year ended 31 December 2016 was audited by another firm of Certified Public Accountants, whose report dated 27 March 2017 expressed an unqualified opinion on those statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and cash flows for the financial year then ended in accordance with Cambodian International Financial Reporting Standards ("CIFRSs").

Basis for Opinion

We conducted our audit in accordance with Cambodian International Standards on Auditing ("CISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the PPWSA for the current financial year. These matters were addressed in the context of our audit of the financial statements of the PPWSA as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

BDO

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

Key Audit Matters (continued)

(a) Revenue recognition

Accrued water revenue of KHR25,233 million as disclosed in Note 11 to the financial statements represents the value of water supplied to customers between the date of the last meter reading and the reporting date where no bill has been issued by the PPWSA to the customer at the end of the reporting period. Accrued water revenue is computed based on estimates of the water consumption by PPWSA's customers and applicable water pricing. We focused on this area as it involves significant management judgement to estimate customer consumption between the last invoice date and the end of the reporting period to determine the accrued water revenue at the reporting date.

Audit response

We involved our IT specialists to test the operating effectiveness of automated and non-automated controls over the customer billing systems. Our tests assessed the controls in place to ensure all services supplied to customers are estimated into and processed through the billing systems. We subsequently applied a combination of substantive analytical review procedures and tests of detail to obtain assurance over the validity and completeness of the reported output of these systems.

(b) Retirement benefit obligation

The retirement benefit obligations were determined based on a number of actuarial assumptions and calculations, which were subject to significant judgement and estimate. Changes in these assumptions can have a material impact on the quantum of retirement benefit obligation recorded in the statement of financial position. The assumptions include the discount rate, salary growth rate, withdrawal rates, mortality rates and retirement age.

As at 31 December 2017, the Board of Directors has engaged an actuarial specialist in order to present actuarial estimate of liabilities as at 31 December 2017 and to provide an actuarial estimate of the defined benefit expenses for the financial year ending 31 December 2018. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using medium to long-term deposit rates in Cambodia Riel denomination of 8% per annum.

Audit response

We performed procedures to place reliance on the actuarial valuation report, which include evaluating the competence, capabilities and objectivity of the actuarial specialist as well as assessing whether the actuarial assumptions are recoverable and consistently applied.

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

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the Directors' Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

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

In preparing the financial statements of the Company, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company, or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with CISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

BDO

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

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Lim Seng Siew
Partner

BDO (Cambodia) Limited
Certified Public Accountants

Phnom Penh, Cambodia
Date: 28 February 2018

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	2017 KHR'000	2016 KHR'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	1,124,172,183	1,036,409,539
Intangible assets	8	5,211,406	1,974,184
Loan to Pursat Water Supply	9	112,896	254,745
		1,129,496,485	1,038,638,468
Current assets			
Inventories	10	64,526,124	48,394,403
Trade and other receivables	11	44,804,172	34,994,545
Loan to Pursat Water Supply	9	141,849	123,112
Loan to employees	12	5,034,864	5,608,787
Short-term investments	13	96,703,704	148,271,384
Other tax receivables		5,312,052	5,312,052
Cash and bank balances	14	15,992,527	16,386,849
		232,515,292	259,091,132
TOTAL ASSETS		1,362,011,777	1,297,729,600
EQUITY AND LIABILITIES			
Equity			
Share capital	15	541,227,282	541,227,282
Reserves	16	264,829,678	229,471,410
Retained earnings		33,067,826	49,273,104
TOTAL EQUITY		839,124,786	819,971,796
LIABILITIES			
Non-current liabilities			
Borrowings	17	258,286,903	251,616,219
Retirement benefit obligations	18	40,133,717	33,983,477
Deferred government and other grants	19	25,491,001	27,850,974
Deferred tax liabilities	20	35,207,359	31,130,869
Other payables	21	49,699,898	54,922,316
		408,818,878	399,503,855
Current liabilities			
Trade and other payables	21	51,145,134	33,384,270
Borrowings	17	49,350,684	34,695,758
Current tax liabilities		13,572,295	10,173,921
		114,068,113	78,253,949
TOTAL LIABILITIES		522,886,991	477,757,804
TOTAL EQUITY AND LIABILITIES		1,362,011,777	1,297,729,600

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

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017 KHR'000	2016 KHR'000
Revenue:			
Sales	22	193,356,445	179,006,501
Construction service fees	23	10,741,536	5,420,860
Other income	24	28,795,108	13,752,513
		232,893,089	198,179,874
Expenses:			
Depreciation and amortisation charges		(36,977,932)	(35,995,372)
Electricity costs		(36,694,187)	(32,301,974)
Salaries, wages and related expenses	25	(40,780,492)	(36,142,694)
Raw materials for water treatment	26	(6,755,623)	(6,514,416)
Raw materials for household water connections	27	(9,055,682)	(9,689,064)
Repairs and maintenance		(7,892,971)	(7,067,669)
Construction service expenses		(7,048,024)	(6,526,550)
Impairment on loan to employee		(613,053)	-
Other operating expenses		(7,325,056)	(7,347,746)
Foreign exchange (loss)/gain – net	28	(263,471)	875,084
		(153,406,491)	(140,710,401)
Operating profit		79,486,598	57,469,473
Finance income	29	6,144,926	20,193,599
Finance costs	29	(32,804,739)	(17,071,783)
Profit before tax		52,826,785	60,591,289
Tax expense	30	(16,892,582)	(10,159,170)
Profit for the financial year		35,934,203	50,432,119
Other comprehensive income, net of tax			
Item that will not be reclassified to profit or loss:			
Actuarial loss on retirement benefit obligation	18	(2,866,377)	(1,159,015)
Total comprehensive income for the financial year		33,067,826	49,273,104

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

	Note	2017	2016
Basic earnings per share	31	380.21	566.53
Diluted earnings per share	31	380.21	566.63

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

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Share capital KHR'000	Reserves KHR'000	Retained earnings KHR'000	Total KHR'000
Balance as at 1 January 2016		**541,227,282**	**185,791,772**	**56,949,128**	**783,968,182**
Profit for the financial year		-	-	50,432,119	50,432,119
Actuarial loss on retirement benefit obligation		-	-	(1,159,015)	(1,159,015)
Total comprehensive income		-	-	49,273,104	49,273,104
Transactions with owners					
Transfer to reserves	16	-	43,679,638	(43,679,638)	-
Dividend paid	32	-	-	(13,269,490)	(13,269,490)
Total transactions with owners		-	43,679,638	(56,949,128)	(13,269,490)
Balance as at 31 December 2016/ 1 January 2017		**541,227,282**	**229,471,410**	**49,273,104**	**819,971,796**
Profit for the financial year		-	-	35,934,203	35,934,203
Actuarial loss on retirement benefit obligation		-	-	(2,866,377)	(2,866,377)
Total comprehensive income		-	-	33,067,826	33,067,826
Transactions with owners					
Transfer to reserves	16	-	35,358,268	(35,358,268)	-
Dividend paid	32	-	-	(13,914,836)	(13,914,836)
Total transactions with owners		-	35,358,268	(49,273,104)	(13,914,836)
Balance as at 31 December 2017		**541,227,282**	**264,829,678**	**33,067,826**	**839,124,786**

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

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017 KHR'000	2016 KHR'000
Cash flows from operating activities			
Profit before tax		52,826,785	60,591,289
Adjustments for:			
Amortisation of intangible assets	8	953,402	729,362
Amortisation of deferred government and other grants	19	(2,359,973)	(2,359,972)
Depreciation of property, plant and equipment	7	36,024,530	35,266,010
Finance income	29	(6,144,926)	(20,193,599)
Finance costs	29	32,804,739	17,071,783
Impairment on loans to employees	12	573,923	-
Loss on disposal of property, plant and equipment		-	520,803
Property, plant and equipment written off	7	450,875	-
Retirement benefit obligation expense	18	4,471,822	4,036,058
Operating profit before working capital changes		119,601,177	95,661,734
Changes in working capital:			
Inventories		(16,131,721)	5,323,834
Trade and other receivables		(9,820,168)	(2,310,606)
Trade and other payables		(3,731,910)	6,076,270
Refundable water deposits		4,071,703	8,667,065
Cash generated from operations		93,989,081	113,418,297
Income tax paid		(9,417,718)	(11,790,275)
Retirement benefit paid	18	(1,187,959)	(1,063,987)
Net cash from operating activities		83,383,404	100,564,035
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(115,447,420)	(135,101,071)
Interest capitalisation on qualifying assets	7	(755,019)	(383,344)
Purchase of intangible assets	8	(27,581)	(440,053)
Loan repayments from Pursat Water Supply		123,112	111,662
Proceeds from disposal of short-term investments		51,567,680	46,186,180
Interest received		4,415,347	14,929,034
Net cash used in investing activities		(60,123,881)	(74,697,592)

PHNOM PENH WATER SUPPLY AUTHORITY
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STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (continued)

	Note	2017 KHR'000	2016 KHR'000
Cash flows from financing activities			
Dividend paid	32	(13,914,836)	(13,269,490)
Proceeds from borrowings		24,665,566	33,774,958
Interest paid		(8,741,495)	(17,319,687)
Repayments of borrowings		(25,663,080)	(25,220,810)
Net cash used in financing activities		(23,653,845)	(22,035,029)
Net (decrease)/increase in cash and cash equivalents		(394,322)	3,831,414
Cash and cash equivalents at beginning of financial year		16,386,849	12,555,435
Cash and cash equivalents at end of financial year	14	15,992,527	16,386,849

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Borrowings (Note 17) KHR'000
At 1 January 2017	**286,311,977**
Cash flows	(997,514)
Non-cash flows:	
- Effect of foreign exchange	21,886,199
- Accrued interest	436,925
At 31 December 2017	**307,637,587**

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

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 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.

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

The financial statements were authorised for issue by the Board of the Directors on 28 February 2018.

2. PRINCIPAL ACTIVITIES

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

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

3. BASIS OF PREPARATION

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

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of accounting

The accounting policies adopted are consistent with those of the previous financial year except for the effects, if any, of the adoption of new amendments to CIFRSs during the financial year. The amendments adopted during the financial year are disclosed in Note 5 to the financial statements.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Intangible assets

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

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

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

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

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

4.4 Impairment of non-financial assets

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Impairment of non-financial assets (continued)

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

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

4.5 Inventories

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

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

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

4.6 Financial instruments

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Financial instruments (continued)

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

(a) Financial assets

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

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

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

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

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

(ii) Held-to-maturity investments

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

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

(iii) Loans and receivables

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Financial instruments (continued)

(a) Financial assets

(iv) Available-for-sale financial assets

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

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

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

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

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

(b) Financial liabilities

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Financial instruments (continued)

(b) Financial liabilities (continued)

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

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

(ii) Other financial liabilities

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

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

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

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

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

(c) Equity

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Impairment of financial assets

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

(a) Loans and receivables

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

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

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

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

4.8 Income taxes

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

(a) Current tax

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

(b) Deferred tax

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Income taxes

(b) Deferred tax (continued)

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

(i) The same taxable entity; or

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

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

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

4.9 Provisions

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

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

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

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

4.10 Contingent liabilities

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 Revenue recognition

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

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

(a) Sales of water

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

(b) Household water connection revenue

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

(c) Water meter replacement charge

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

(d) Construction service fee

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

4.12 Employee benefits

(a) Short term employee benefits

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.12 Employee benefits (continued)

(b) Retirement benefits

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.12 Employee benefits (continued)

(c) Bonus plan

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

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

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

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

4.13 Foreign currencies

(a) Functional and presentation currency

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

(b) Foreign currency translations and balances

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

4.14 Borrowing costs

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.15 Fair value measurements

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

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

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

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

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

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

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

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

4.16 Deferred grants and amortisation

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

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

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

4.17 Segment reporting

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

5. ADOPTION OF NEW CIFRSs

5.1 New CIFRSs adopted during the current financial year

The Company adopted the following amendments during the financial year.

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

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

5.2 New CIFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2018

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

	Effective Date
Amendments to CIFRS 1 *Annual Improvements to IFRS Standards 2014 - 2016 Cycle*	1 January 2018
CIFRS 15 *Revenue from Contracts with Customers*	1 January 2018
Clarification to CIFRS 15	1 January 2018
CIFRS 9 *Financial Instruments (issued by IASB in July 2014)*	1 January 2018
Amendments to CIFRS 2 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to CIAS 28 *Annual Improvements to CIFRS Standards 2014 - 2016 Cycle*	1 January 2018
IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
Amendments to CIAS 40 *Transfers of Investment Property*	1 January 2018
Amendments to CIFRS 4 *Applying CIFRS 9 Financial Instruments with CIFRS 4 Insurance Contracts*	See CIFRS 4 Paragraphs 46 and 48
CIFRS 16 *Leases*	1 January 2019
IC Interpretation 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to CIAS 28 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Amendments to CIFRS 9 *Prepayment Features with Negative Compensation*	1 January 2019
CIFRS 17 *Insurance Contracts*	1 January 2021
Amendments to CIFRS 10 and CIAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred

The Company 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.

5. ADOPTION OF NEW CIFRSs (continued)

5.2 New CIFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2018 (continued)

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

Amendments to CIFRS 1 *Annual Improvements to IFRS Standards 2014 - 2016 Cycle*

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to CIFRS 1 *First-time Adoption of International Financial Reporting Standards*, removing transition provision exemptions relating to accounting periods that had already passed and were therefore no longer applicable.

CIFRS 15 *Revenue from Contracts with Customers*

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. CIFRS 15 supersedes existing revenue recognition guidance including CIAS 18 *Revenue*, CIAS 11 *Construction Contracts* and related interpretations.

CIFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

CIFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under CIFRSs. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Clarification to CIFRS 15

The amendments to CIFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

CIFRS 9 *Financial Instruments (issued by IASB in July 2014)*

CIFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

CIFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in CIAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

5. ADOPTION OF NEW CIFRSs (continued)

5.2 New CIFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2018 (continued)

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

CIFRS 9 *Financial Instruments (issued by IASB in July 2014)* (continued)

CIFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from CIAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, CIFRS 9 retains the requirements in CIAS 39 for derecognition of financial assets and financial liabilities.

Amendments to CIFRS 2 *Classification and Measurement of Share-based Payment Transactions*

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

Amendments to CIAS 28 *Annual Improvements to CIFRS Standards 2014 - 2016 Cycle*

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to CIAS 28 *Investments in Associates and Joint Ventures* clarifying that a Venture Capital organisation's permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

Amendments to CIAS 40 *Transfers of Investment Property*

The amendments clarify that to transfer to or from investment properties there must be a change in use and provides guidance on making this determination. The clarification states that a change of use will occur when a property meets, or ceases to meet, the definition of investment property and there is supporting evidence that a change has occurred.

The amendments also re-characterise the list of evidence in the standard as a non-exhaustive list, thereby allowing for other forms of evidence to support a transfer.

Amendments to CIFRS 4 *Applying CIFRS 9 Financial Instruments with CIFRS 4 Insurance Contracts*

The amendment provides two different solutions for insurance companies: a temporary exemption from CIFRS 9 for entities that meet specific requirements (applied at the reporting entity level), and the "overlay approach". Both approaches are optional.

5. ADOPTION OF NEW CIFRSs (continued)

5.2 New CIFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2018 (continued)

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

CIFRS 16 *Leases*

CIFRS 16, which upon the effective date will supersede CIAS 17 *Leases and related interpretations* introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under CIFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, CIAS 17.

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

IC Interpretation 23 *Uncertainty over Income Tax Treatments*

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

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

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

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

Amendments to CIFRS 9 *Prepayment Features with Negative Compensation*

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

5. ADOPTION OF NEW CIFRSs (continued)

5.2 New CIFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2018 (continued)

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

CIFRS 17 *Insurance Contracts*

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

Contracts are measured using the building blocks of:

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

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

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

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

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

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

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

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

6.1 Changes in estimates

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

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

6.2 Critical judgements made in applying accounting policies

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

6.3 Key sources of estimation uncertainty

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

(a) Depreciation of property, plant and equipment

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

(b) Tax expense

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

(c) Impairment of receivables

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

(d) Write down for obsolete or slow moving inventories

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

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

6.3 Key sources of estimation uncertainty (continued)

(e) Fair values of borrowings

The fair values of borrowings are estimated by discounting future contractual cash flows at the current market interest rates available to the PPWSA for similar financial instruments. Sensitivity analysis of the effects of interest rate risk has been disclosed in Note 36 to the financial statements.

(f) Deferred tax assets

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

(g) Retirement benefit obligation

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

The retirement benefit obligations were determined based on a number of actuarial assumptions and calculations, which were subject to significant judgement and estimate. Changes in these assumptions can have a material impact on the quantum of retirement benefit obligation recorded in the statement of financial position. The assumptions include the discount rate, salary increment rate, withdrawal rate, mortality rate and retirement age.

(h) Accrued water revenue

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

(i) Fair value measurement

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

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

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

7. PROPERTY, PLANT AND EQUIPMENT

	Freehold land KHR'000	Building KHR'000	Machinery KHR'000	Fluid equipment KHR'000	Laboratory equipment KHR'000	Office furniture and equipment KHR'000	Electricity equipment KHR'000	Motor vehicles KHR'000	Valves and tools KHR'000	Water meters KHR'000	Construction in progress KHR'000	Total KHR'000
Cost												
Balance at 1.1.2016	76,356,679	240,571,987	75,322,594	522,698,968	856,297	12,127,946	126,784,610	31,390,320	14,931,996	4,543,751	134,170,804	1,239,755,952
Additions	-	-	1,640,053	-	48,659	1,923,089	19,636	4,697,099	3,419,262	38,252	125,083,887	136,869,937
Transfers	-	363,707	-	19,066,555	-	-	338,923	-	235,170	456,260	(20,460,615)	-
Transfers to intangible assets	-	-	-	-	-	-	-	-	-	-	(440,053)	(440,053)
Disposals	-	-	(492,303)	-	(88,552)	(919,404)	-	(1,170,584)	(7,663)	(1,557,403)	-	(4,235,909)
Written-off	-	-	-	-	-	-	-	-	-	-	(945,469)	(945,469)
Balance at 31.12.2016	76,356,679	240,935,694	76,470,344	541,765,523	816,404	13,131,631	127,143,169	34,916,835	18,578,765	3,480,860	237,408,554	1,371,004,458
Additions	-	51,658	1,783,319	-	-	2,125,362	376,292	3,455,579	1,464,640	33,122	119,111,120	128,401,092
Transfers	97,881,702	2,747,067	1,400	13,984,850	-	590,341	269,598	-	152,277	1,078,411	(116,705,646)	-
Transfers to intangible assets	-	-	-	-	-	-	-	-	-	-	(4,163,043)	(4,163,043)
Written-off	-	-	-	-	-	-	-	-	-	-	(450,875)	(450,875)
Balance at 31.12.2017	174,238,381	243,734,419	78,255,063	555,750,373	816,404	15,847,334	127,789,059	38,372,414	20,195,682	4,592,393	235,200,110	1,494,791,632

7. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land KHR'000	Building KHR'000	Machinery KHR'000	Fluid equipment KHR'000	Laboratory equipment KHR'000	Office furniture and equipment KHR'000	Electricity equipment KHR'000	Motor vehicles KHR'000	Valves and tools KHR'000	Water meters KHR'000	Construction in progress KHR'000	Total KHR'000
Accumulated depreciation												
Balance at 1.1.2016	-	(49,415,825)	(38,885,540)	(118,114,345)	(836,228)	(6,402,521)	(64,654,665)	(14,830,935)	(5,905,703)	(3,998,253)	-	(303,044,015)
Depreciation for the year	-	(6,306,482)	(3,878,841)	(12,118,900)	(14,109)	(1,514,941)	(6,061,645)	(3,692,445)	(1,459,044)	(219,603)	-	(35,266,010)
Disposals	-	-	488,294	-	88,552	899,598	-	688,165	7,024	1,543,473	-	3,715,106
Balance at 31.12.2016	-	(55,722,307)	(42,276,087)	(130,233,245)	(761,785)	(7,017,864)	(70,716,310)	(17,835,215)	(7,357,723)	(2,674,383)	-	(334,594,919)
Depreciation for the year	-	(6,302,063)	(3,880,818)	(12,090,884)	(9,240)	(1,744,253)	(5,666,662)	(4,306,555)	(1,725,156)	(298,899)	-	(36,024,530)
Balance at 31.12.2017	-	(62,024,370)	(46,156,905)	(142,324,129)	(771,025)	(8,762,117)	(76,382,972)	(22,141,770)	(9,082,879)	(2,973,282)	-	(370,619,449)
Carrying amounts												
Balance at 31.12.2017	**174,238,381**	**181,710,049**	**32,098,158**	**413,426,244**	**45,379**	**7,085,217**	**51,406,087**	**16,230,644**	**11,112,803**	**1,619,111**	**235,200,110**	**1,124,172,183**
Balance at 31.12.2016	76,356,679	185,213,387	34,194,257	411,532,278	54,619	6,113,767	56,426,859	17,081,620	11,221,042	806,477	237,408,554	1,036,409,539

7. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	2017 KHR'000	2016 KHR'000
Additions	128,401,092	135,484,415
Increase in payables to suppliers and performance guarantee	(12,198,653)	-
Interest capitalised on qualifying assets	(755,019)	(383,344)
	115,447,420	135,101,071

8. INTANGIBLE ASSETS

	KHR'000
Cost	
Balance as at 1.1.2016	5,858,579
Additions	440,053
Disposal	(644,019)
Balance as at 31.12.2016	5,654,613
Additions	4,190,624
Balance as at 31.12.2017	9,845,237
Accumulated amortisation	
Balance as at 1.1.2016	(3,595,086)
Amortisation for the year	(729,362)
Disposals	644,019
Balance as at 31.12.2016	(3,680,429)
Amortisation for the year	(953,402)
Balance as at 31.12.2017	(4,633,831)
Carrying amounts	
Balance as at 31.12.2017	**5,211,406**
Balance as at 31.12.2016	1,974,184

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

9. LOAN TO PURSAT WATER SUPPLY

	2017 KHR'000	2016 KHR'000
Current		
Not later than one year	141,849	123,112
Non-current		
Later than one year and not later than two years	112,896	141,849
Later than two years and not later than five years	-	112,896
	112,896	254,745
	254,745	377,857

(a) The loan to Pursat Water Supply was made in US$ in accordance with the loan agreement signed between the PPWSA and Pursat Water Supply on 4 June 2008 that amounted to KHR1,156 million (US$283,192). The purpose of the loan was to finance the construction of the main water supply network in Kandiang district, Pursat province, which was constructed and completed by the PPWSA in April 2009. The loan is unsecured and subject to interest at the rate of 5% (2016: 5%) per annum.

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

10. INVENTORIES

	2017 KHR'000	2016 KHR'000
At cost		
Distribution pipes and fittings	29,722,110	32,296,523
Water meters	10,257,308	5,288,061
Spare parts and tools	2,516,851	2,285,558
Chemicals	874,972	847,323
Drums and other packages	100,216	100,216
Inventories in transit*	16,519,715	2,958,426
Other materials	4,534,952	4,618,296
	64,526,124	48,394,403

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

During the financial year, inventories of the PPWSA recognised as expenses amounted to KHR15,811 million (2016: KHR16,203 million).

11. TRADE AND OTHER RECEIVABLES

	2017 KHR'000	2016 KHR'000
Trade receivables (a)		
Household receivables	5,390,744	4,373,378
Commercial receivables	4,541,987	3,538,097
Public administration receivables (b)	3,157,580	2,162,031
Construction service receivable	192,751	-
Water wholesalers	412,081	445,730
	13,695,143	10,519,236
Other receivables		
Accrued water revenue (c)	25,233,438	20,302,899
Interest receivables	2,598,844	2,609,385
Advances to suppliers	65,546	35,994
VAT receivables – net	714,680	330,370
Other receivables	2,496,521	1,196,661
	31,109,029	24,475,309
Loans and receivables	44,804,172	34,994,545

(a) Trade receivables are non-interest bearing and the normal trade credit terms granted by the PPWSA to households and businesses is one month (2016: one month) and to government departments is one year (2016: one year). Management believes that receivables are recoverable.

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

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

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

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

12. LOAN TO EMPLOYEES

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

12. LOAN TO EMPLOYEES (continued)

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

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

This loan is due in April 2015. However, due to the decline in share prices, management had decided to make an allowance for impairment amounting to KHR574 million in the financial statements for the financial year ended 31 December 2017 to the level of the share prices as at 31 December 2017, based on management expectation on the amount to be realised if the employees dispose these shares to settle this amount.

The Board of Directors is in the process of discussing and obtaining advice from the Securities and Exchange Commission of Cambodia on its employee share option scheme.

13. SHORT-TERM INVESTMENTS

The represents fixed deposits placed with financial institutions for a period of between four and twelve months, earning interest at rate of between 4.00% and 5.50% (2016: 4.00% and 6.00%) per annum.

The short-term investments include deposits amounting to KHR96 billion (2016: KHR148 billion) set up specially for the purpose of paying retirement benefits to retirees who are entitled to retirement benefits under the pension scheme. There is no restriction for the PPWSA to use these short-term investments for other purposes.

Short-term investments are denominated in US$.

14. CASH AND BANK BALANCES

	2017 KHR'000	2016 KHR'000
Cash on hand	440,754	15,792,436
Cash at bank	15,551,773	594,413
	15,992,527	16,386,849

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

	2017 KHR'000	2016 KHR'000
Khmer Riel	14,034,092	11,145,240
United States Dollar	1,958,435	5,241,609
	15,992,527	16,386,849

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

15. SHARE CAPITAL

	Ordinary shares		Class A shares		Share premium	Total
	Number	KHR'000	Number	KHR'000	KHR'000	KHR'000
As at 31.12.17	86,973,162	86,973,162	391,100,942	391,100,942	63,153,178	541,227,282
As at 31.12.16	86,973,162	86,973,162	391,100,942	391,100,942	63,153,178	541,227,282

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

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

Shareholders

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

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

16. RESERVES

	Capital reserve	Legal reserve	General reserve	Development reserve	Total
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000
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/ 1.1.2017	1,648,435	18,238,388	18,238,388	191,346,199	229,471,410
Transfer from retained earnings	-	2,463,654	2,463,654	30,430,960	35,358,268
As at 31.12.2017	1,648,435	20,702,042	20,702,042	221,777,159	264,829,678

16. RESERVES (continued)

(a) In accordance with the PPWSA's status dated 22 February 1999, article 29 the PPWSA's profit, after offsetting with losses carried forward (if any), can be used as follows:

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

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

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

1. Compensation for losses incurred in previous years
2. After the compensation for losses, the remaining profit, if any, shall be distributed as follows:
   i. Reward to management and employees as follows:
      - One month's salary for all employees if the net profit is between 5% and 10% of operating expenses
      - Two months' salary for all employees if the net profit is between 10% and 20% of operating expenses
      - Three months' salary for all employees if the net profit is more than 20% of operating expense

   ii. 2% for retirement benefits and disability benefits
   iii. 5% for legal reserve
   iv. 5% for general reserve
   v. 5% for social fund, which shall be recorded as an expense in the year of the transition
3. The remaining amount after the above allocations shall be allocated to:
   i. Reserve for future investments (retained earnings) subject to the Board of Director's approval
   ii. The remaining balance after investment reserve is allocated to the MoEF and public investors at the ratio of 85% and 15%, respectively

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

17. BORROWINGS

	2017 KHR'000	2016 KHR'000
Non-current		
Agence Francaise De Developmen ("AfD") – Credit No. 1075 03 S	24,199,143	80,322,596
MoEF – Japan International Cooperation Agency ("JICA")	70,872,878	29,973,473
AfD – Credit No. 6000 01 G	-	5,428,860
MoEF – Asian Development Bank ("ADB")	30,028,546	31,334,134
AfD – Credit No. 1121 01F	125,874,653	104,557,156
AfD - Credit No. 1174 01 P	7,311,683	-
	258,286,903	251,616,219
Current		
AfD – Credit No. 1075 03 S	9,705,330	11,331,246
MoEF – JICA	11,133,191	8,593,053
AfD – Credit No. 6000 01 G	6,136,201	5,428,860
MoEF – ADB	2,239,085	2,277,981
AfD – Credit No. 1121 01F	19,473,283	7,064,618
AfD - Credit No. 1174 01 P	663,594	-
	49,350,684	34,695,758
Total borrowings		
AfD – Credit No. 1075 03 S	33,904,473	91,653,842
MoEF – JICA	82,006,069	38,566,526
AfD – Credit No. 6000 01 G	6,136,201	10,857,720
MoEF – ADB	32,267,631	33,612,115
AfD – Credit No. 1121 01F	145,347,936	111,621,774
AfD - Credit No. 1174 01 P	7,975,277	-
	307,637,587	286,311,977

(a) AfD – Credit No. 1075 03 S

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

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

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

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

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

17. BORROWINGS (continued)

(b) MoEF – JICA

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

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

The annual interest is 7.35% per annum.

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

(c) AfD – Credit No. 6000 01 G

With reference to the credit facility agreement No.CKH 6000 01G dated 30 November 2006, amended on 25 March 2009 and 2 July 2010, the PPWSA was provided with a credit facility in a maximum amount of EUR30,000,000 from AfD.

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

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

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

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

(d) MoEF – ADB

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

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

The annual interest is 6.5% per annum.

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

17. BORROWINGS (continued)

(e) AfD – Credit No. 1121 01F

With reference to the credit facility agreement No.CKH 1121 01F dated 11 March 2013, the PPWSA was provided with a credit facility in a maximum amount of EUR30,000,000 AfD.

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

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

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

(f) AfD – Credit No. 1174 01P

With reference to the credit facility agreement No.CKH 1174 01P dated 27 December 2016, the PPWSA was provided with a credit facility in a maximum amount of US$47,100,000, which is equivalent to EUR30,000,000 AfD.

The purpose of the credit facility is to finance the construction of a new water treatment plant on the site of the present Chamcar Mon water treatment plant and the extension of the transmission and distribution networks.

The effective global rate (taux effectif global) applicable to the facility may be valued at an annual rate of 1.16% on the basis of a 365 days and an interest period of 6 months, capped at 1.14% per annum plus 0.65%, which is charged by MoEF and with a minimum of 0.25% per annum.

The credit facility shall be repaid in 26 equal semi-annual installments including a grace period of seven years. All transactions are carried out in US$, both withdrawals and repayments.

(g) The maturity dates of these borrowing are as follows:

	2017 KHR'000	2016 KHR'000
Current		
Not later than one year	49,350,684	34,695,758
Non-current		
Later than one year but not later than two years	39,800,294	38,688,970
Later than two year but not later than five years	104,881,398	95,498,405
Later than five year	113,605,211	117,428,844
	258,286,903	251,616,219
	307,637,587	286,311,977

17. BORROWINGS (continued)

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

	2017 KHR'000	2016 KHR'000
Khmer Riel	32,267,631	33,612,115
United States Dollar	89,981,346	91,653,842
Euro	185,388,610	161,046,020
	307,637,587	286,311,977

18. RETIREMENT BENEFIT OBLIGATIONS

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

	2017 KHR'000	2016 KHR'000
Present value of funded defined benefit obligations	40,133,717	33,983,477
Fair value of plan assets	-	-
Net liability recognised in statement of financial position	40,133,717	33,983,477

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

	2017 KHR'000	2016 KHR'000
Balance as at 1 January	33,983,477	29,852,391
Current service cost	1,800,657	1,603,964
Interest cost	2,671,165	2,432,094
Benefits paid	(1,187,959)	(1,063,987)
Actuarial loss	2,866,377	1,159,015
Balance as at 31 December	40,133,717	33,983,477

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

	2017 KHR'000	2016 KHR'000
Current service cost	1,800,657	1,603,964
Interest cost	2,671,165	2,432,094
Total included in salaries, wages and related expenses	4,471,822	4,036,058

The amounts anticipated to be paid within 12 months of the years ended 31 December 2017 and 31 December 2016 were KHR1,188 million and KHR1,098 million respectively.

18. RETIREMENT BENEFIT OBLIGATIONS (continued)

The principal actuarial assumptions are as follows:

	2017	**2016**
Discount rates	8.00%	8.00%
Salary growth rate (a)		
Withdrawal rates (b)		
Mortality rates (c)		

(a) Salary growth rate

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

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

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

Salary increment = Inflation + Real Salary Growth

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

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

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

(b) Withdrawal rates

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

The staff turnover rates used in the valuation are age related which correspond to an average staff turnover rate of approximately 1% per annum.

18. RETIREMENT BENEFIT OBLIGATIONS (continued)

(b) Withdrawal rates (continued)

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

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

(c) Mortality rates

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

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

Age	Mortality rates (% per annum)	
	Male	Female
20	0.2280	0.0769
25	0.2546	0.0849
30	0.2587	0.0949
35	0.2903	0.1194
40	0.3690	0.1519
45	0.4986	0.1957
50	0.6808	0.2984
55	1.0322	0.5343

19. DERFERRED GOVERNMENT AND OTHER GRANTS

	Government grant	**JICA grant**	**Other grant**	**Total**
	KHR'000	**KHR'000**	**KHR'000**	**KHR'000**
Balance 1.1.2016	5,091,956	24,313,102	805,888	30,210,946
Amortisation	(226,897)	(2,108,680)	(24,395)	(2,359,972)
Balance 31.12.2016	**4,865,059**	**22,204,422**	**781,493**	**27,850,974**
Balance 1.1.2017	4,865,059	22,204,422	781,493	27,850,974
Amortisation	(226,897)	(2,108,681)	(24,395)	(2,359,973)
Balance 31.12.2017	**4,638,162**	**20,095,741**	**757,098**	**25,491,001**

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

19. DERFERRED GOVERNMENT AND OTHER GRANTS (continued)

(a) Government Grant

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

(b) JICA grants

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

(c) Other grants

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

20. DEFFERD TAX LIABILITIES

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

	At 1.1.2017	Recognised in profit or loss (Note 30)	At 31.12.2017
	KHR'000	KHR'000	KHR'000
Property, plant and equipment	(36,001,020)	(14,178,165)	(50,179,185)
Retirement benefit obligation	5,144,261	2,309,231	7,453,492
Allowance for inventory obsolescence	(22,955)	73,600	50,645
Allowance for doubtful debts	522,858	-	522,858
Bonus	75,450	1,428,136	1,503,586
Unrealised exchange	(849,463)	6,290,708	5,441,245
	(31,130,869)	(4,076,490)	(35,207,359)

	At 1.1.2016	Recognised in profit or loss (Note 30)	At 31.12.2016
	KHR'000	KHR'000	KHR'000
Property, plant and equipment	(40,871,882)	4,870,862	(36,001,020)
Retirement benefit obligation	5,970,478	(826,217)	5,144,261
Allowance for inventory obsolescence	13,845	(36,800)	(22,955)
Allowance for doubtful debts	522,858	-	522,858
Bonus	268,113	(192,663)	75,450
Unrealised exchange	121,839	(971,302)	(849,463)
	(33,974,749)	2,843,880	(31,130,869)

21. TRADE AND OTHER PAYABLES

	2017 KHR'000	2016 KHR'000
Other payables - non-current		
Refundable water deposits (a)	49,556,681	45,484,978
Performance guarantee	143,217	9,437,338
	49,699,898	54,922,316
Trade payables - current		
Third parties	34,235,326	12,742,740
Other payables - current		
Accrued staff incentive	6,739,936	5,583,208
Amount due to Phnom Penh Municipality	6,814,055	11,144,116
Unearned income (b)	476,987	1,386,346
Deferred income (c)	5,278	5,278
Other taxes payable	253,745	182,846
Other payables	2,542,975	2,232,385
Performance guarantee	76,832	107,351
	16,909,808	20,641,530
	51,145,134	33,384,270
	100,845,032	88,306,586

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

(b) This is the cash received in advance for the construction services provided in relation to the expansion of the water distribution system to a construction company at Kompot Province.

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

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

22. REVENUE

	2017 KHR'000	2016 KHR'000
Water sales:		
- households	82,071,888	76,718,229
- commercial	86,288,040	76,336,098
- public administration institution	5,256,704	7,216,641
- autonomous state authorities	41,162	400,973
- wholesalers	9,166,515	8,394,759
Rounding difference on water sales revenue	50,938	45,834
Less: Invoice cancellations	(2,273,564)	(2,348,849)
	180,601,683	166,763,685
Water connection revenue	9,314,796	9,078,003
Water meter replacement charges	3,259,316	2,792,658
Spare parts and meter sales	180,650	372,155
	193,356,445	179,006,501

23. CONSTRUCTION SERVICE FEES

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

24. OTHER INCOME

	2017 KHR'000	2016 KHR'000
Government and other grants	2,359,972	2,359,972
Spare parts and meter sales	11,025,726	8,935,618
Penalty revenues	270,802	425,361
Other revenues	15,138,608	2,031,562
	28,795,108	13,752,513

25. SALARY, WAGES AND RELATED EXPENSES

	2017 KHR'000	2016 KHR'000
Employee salaries	19,338,631	15,951,471
Incentives	8,749,677	8,518,717
Bonuses	5,214,045	4,485,966
Retirement benefit costs	1,830,870	1,978,952
Wages for contractors	542,155	899,342
Other employee-related expense	5,105,114	4,308,246
	40,780,492	36,142,694

26. RAW MATERIALS FOR WATER THREATMENT

	2017 KHR'000	2016 KHR'000
Chlorine	2,405,298	2,637,784
Poly Aluminium Chloride	3,809,209	3,536,543
Salt	266,216	110,171
Other materials	274,900	229,918
	6,755,623	6,514,416

27. RAW MATERIALS FOR HOUSEHOLD WATER CONNECTIONS

	2017 KHR'000	2016 KHR'000
Materials for house connection	7,791,957	6,999,471
Consumer water meter replacement	333,628	1,800,458
Pipe costs	224,795	145,661
Other costs	705,302	743,474
	9,055,682	9,689,064

28. FOREIGN EXCHANGE (LOSS)/GAIN – NET

	2017 KHR'000	2016 KHR'000
Foreign exchange gains	3,323,330	6,478,526
Foreign exchange losses	(3,586,801)	(5,603,442)
	(263,471)	875,084

29. FINANCE INCOME/(COSTS)

	2017 KHR'000	2016 KHR'000
Finance income:		
- Interest income on bank deposits (a)	4,389,125	13,276,311
- Foreign exchange gain on borrowings	1,740,120	6,895,730
- Interest income on loan to Pursat Water Supply	15,681	21,558
	6,144,926	20,193,599
Finance costs:		
- Interest expense on borrowing (b)	(9,269,844)	(10,268,969)
- Foreign exchange loss on borrowings	(23,626,319)	(7,186,158)
- Interest capitalised on qualifying assets	91,424	383,344
	(32,804,739)	(17,071,783)
Finance (cost)/income - net	(26,659,813)	3,121,816

29. FINANCE INCOME/(COSTS) (continued)

(a) Interest income represents interest earned form savings and deposit accounts held at local banks during the period.

(b) Interest expense represents the interest charges on the loan obtained from AfD and the subsidiary loans obtained from the MoEF, which are funded through loans obtained from the ADB and JICA.

30. TAX EXPENSE

	2017 KHR'000	2016 KHR'000
Income tax expense:		
Current year	12,816,092	13,003,050
Deferred tax expense (Note 20):		
Origination and reversal of temporary differences	(1,511,249)	(2,843,880)
Under provision in prior year	5,587,739	-
	4,076,490	(2,843,880)
Total tax expense	16,892,582	10,159,170

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.

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

	2017 KHR'000	2016 KHR'000
Profit before tax	52,826,786	60,591,289
Tax at Cambodian statutory tax rate of 20%	10,565,357	12,118,258
Tax effects in respect of:		
Non-allowable expenses	739,486	884,792
Others	-	(2,843,880)
	11,304,843	10,159,170
Under provision of deferred tax in prior year	5,587,739	-
Total tax expense	16,892,582	10,159,170

31. EARNINGS PER SHARE

	2017 KHR'000	2016 KHR'000
Profit attributable to ordinary equity holders	33,067,826	49,273,104
Weighted average number of ordinary shares in issue	86,973,162	86,973,162
Basic earnings per share	380.21	566.53
Diluted earnings per share	380.21	566.53

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

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

32. DIVIDEND

	2017		2016	
	Dividend per share KHR	Amount of dividend KHR'000	Dividend per share KHR	Amount of dividend KHR'000
First and final dividend paid	159.99	13,914,836	152.57	13,269,490

On 31 March 2017, the Board of Directors proposed and approved the dividend in respect of the year ended 31 December 2016 of KHR159.99 per share, amounting to a total dividend of KHR13,915 million. The dividend was paid on 28 April 2017.

33. RELATED PARTY DISCLOSURES

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

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

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

	2017 KHR'000	2016 KHR'000
Common control		
MoEF		
Interest on borrowings paid	9,059,241	9,244,006
Pursat Water Suppy		
Interest on loan received	15,681	21,558

33. RELATED PARTY DISCLOSURES (continued)

(c) Compensation of key management personnel

Key management compensation during the financial period is as follows:

	2017 KHR'000	2016 KHR'000
Salaries and other expenses	2,147,718	2,546,300
Retirement benefits	26,989	20,642
	2,174,707	2,566,942

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

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

34. CAPITAL COMMITMENTS

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

	2017 KHR'000	2016 KHR'000
Construction of water treatment plant	95,288,664	14,022,466
Consultation services	5,662,296	6,814
Purchase of iron pipes, fitting and accessories	23,123,540	366,049
	124,074,500	14,395,329

35. FINANCIAL INSTRUMENTS

(a) Capital management

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

The PPWSA manages its capital structure and makes adjustments to it, in response to changes in economic conditions. In order to maintain or adjust the capital structure, the PPWSA may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2017 and 31 December 2016.

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

35. FINANCIAL INSTRUMENTS (continued)

(b) Categories of financial instruments

	Loans and receivables	
	2017	**2016**
	KHR'000	**KHR'000**
Financial assets		
Short-term investments	96,703,704	148,271,384
Trade and other receivables	44,804,172	34,994,545
Cash and bank balances	15,992,527	16,386,849
Loans to employees	5,034,864	5,608,787
Loan to Pursat Water Supply	141,849	123,112
	162,677,116	205,384,677

	Other financial liabilities	
	2017	**2016**
	KHR'000	**KHR'000**
Financial liabilities		
Borrowings	307,637,587	286,311,977
Trade and other payables	100,845,032	88,306,586
	408,482,619	374,618,563

(c) Methods and assumptions used to estimate fair value

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

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

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

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

(ii) Fixed rate loans

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

35. FINANCIAL INSTRUMENTS (continued)

(d) Fair value hierarchy

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

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

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

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

	Fair values of financial instruments not carried at fair value				
	Level 1 KHR'000	**Level 2 KHR'000**	**Level 3 KHR'000**	**Total fair value KHR'000**	**Carrying amount KHR'000**
At 31.12.2017					
Financial asset					
Loan to Pursat Water Supply	-	-	247,966	247,966	254,745
Financial liability					
Fixed rate loans	-	-	254,188,776	254,188,776	304,223,400
At 31.12.2016					
Financial asset					
Loan to Pursat Water Supply	-	-	352,729	352,729	377,857
Financial liability					
Fixed rate loans	-	-	246,906,098	246,906,098	283,334,713

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

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

(a) Credit risk

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

The PPWSA's primary exposure to credit risk arises through its trade receivables from its customers. The credit period is one month for households and business customers and one year for government departments and the PPWSA seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by the management.

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

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

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

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

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

At the end of the reporting period, approximately:

(i) 39% (2016: 42%) of the PPWSA's trade receivables were due from household customers.
(ii) 33% (2016: 34%) of the PPWSA's trade receivables were due from commercial customers.
(iii) 23% (2016: 21%) of the PPWSA's trade receivables were due from public administrative customers.

(b) Liquidity and cash flow risk

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

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

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liquidity and cash flow risk (continued)

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

	On demand or within one year KHR'000	One to five years KHR'000	Over five years KHR'000	Total KHR'000
At 31.12.2017				
Borrowings	54,503,284	175,161,590	129,643,185	359,308,059
Trade and other payables	51,145,134	143,217	49,556,681	100,845,032
Total	105,648,418	175,304,807	179,199,866	460,153,091
At 31.12.2016				
Borrowings	34,695,758	35,402,333	216,213,886	286,311,977
Trade and other payables	33,384,270	9,437,338	45,484,978	88,306,586
Total	68,080,028	44,839,671	261,698,864	374,618,563

(c) Interest rate risk

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

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

Sensitivity analysis for interest rate risk

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

	2017 KHR'000	2016 KHR'000
Profit net of tax		
- Increased by 0.1% (2016: 0.1%)	(121,337)	(137,446)
- Decreased by 0.1% (2016: 0.1%)	121,337	137,446

The sensitivity is lower in 2017 than in 2016 because of higher capitalisation of interest during the financial year. The assumed movement in basis points for interest rate sensitivity analysis is based on current observable market environment.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Interest rate risk (continued)

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

	Note	Weighted average effective interest rate %	Within 1 year KHR'000	1 - 2 years KHR'000	2 - 3 years KHR'000	3 – 4 Years KHR'000	4 – 5 Years KHR'000	More than 5 years KHR'000	Total KHR'000
As at 31 December 2017									
Fixed rates									
Loan to Pursat Water Supply	9	5.00%	254,745	-	-	-	-	-	254,745
Short-term investments	13	5.08%	96,703,704	-	-	-	-	-	96,703,704
Loans	17	18.11%	45,936,496	39,800,295	39,800,295	34,960,466	30,120,637	113,605,211	304,223,400
As at 31 December 2016									
Fixed rates									
Loan to Pursat Water Supply	9	5.00%	377,857	-	-	-	-	-	377,857
Short-term investments	13	6.78%	148,271,384	-	-	-	-	-	148,271,384
Loans	17	24.93%	38,688,970	38,688,970	33,260,110	33,260,110	28,978,185	110,458,368	283,334,713

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Foreign currency risk

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

The PPWSA hold cash and cash equivalents and short-term investments denominated in foreign currencies. At the end of each reporting period, such foreign currency balances in US$ amounted to KHR1,958 million (2016: KHR5,241 million) and KHR96,704 million (2016: KHR148,271 million) respectively for the PPWSA.

Borrowings of the PPWSA from AfD and JICA denominated in EUR and US$ amounted to KHR185,388 million (2016: KHR161,046 million) and KHR89,981 million (2016: KHR91,653 million) respectively.

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

		2017	2016
Profit after tax		**KHR'000**	**KHR'000**
US$/KHR	- strengthen by 3% (2016: 3%)	208,339	1,484,620
	- weaken by 3% (2016: 3%)	(208,339)	(1,484,620)
EUR/KHR	- strengthen by 3% (2016: 3%)	(4,449,327)	(3,865,104)
	- weaken by 3% (2016: 3%)	4,449,327	3,865,104

37. SEGMENT INFORMATION

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

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

38. TAXATION CONTINGENCIES

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