



PHNOM PENH WATER SUPPLY  
AUTHORITY

# ANNUAL REPORT 2020



## MAJOR STRATEGIC GOALS OF THE AUTHORITY ARE AS FOLLOWS:

Expand water supply to Phnom Penh's suburban areas and surrounding regions at the same rate and standard as in Phnom Penh. Analyze the drivers of cost and revise processes and procedures to reduce the cost of water. Maintain a strong commitment to social responsibility. Engage in strategic benchmarking against the most efficient water production organization in the world.



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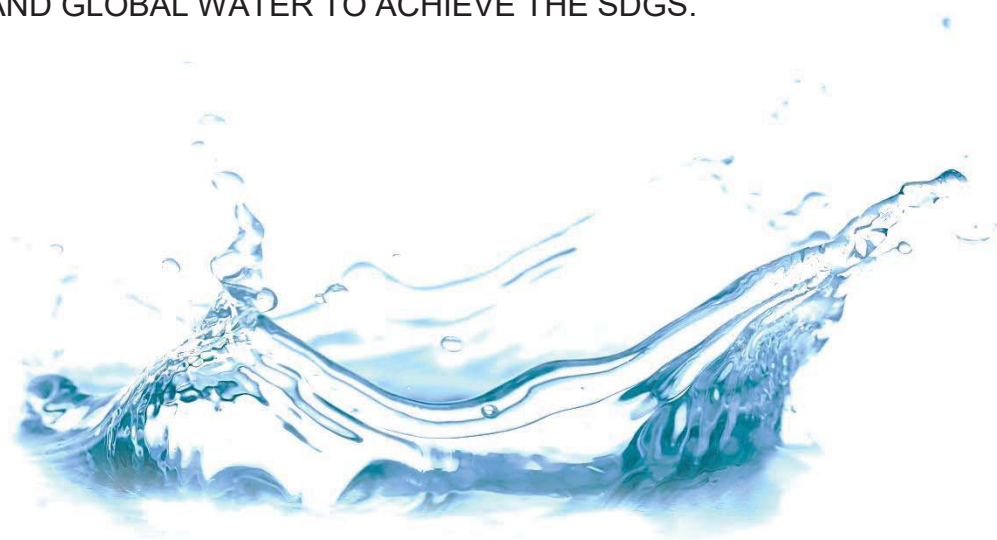
# Vision & Mission

## VISION

PPWSA IS COMMITTED TO CONTINUING TO GROW ITS WATER SUPPLY SERVICES IN A SUSTAINABLE MANNER AND TO ACT AS A CONSULTANT AS A FACILITATOR FOR PEOPLE LIVING IN TOWNS, PROVINCES AND CITIES THROUGHOUT THE KINGDOM OF CAMBODIA AND RESIDENTS. IN THE DEVELOPING COUNTRIES OF THE WORLD, THERE IS ACCESS TO CLEAN WATER.

## MISSION

PPWSA MISSION KEEPS SUPPLING OF CLEAN WATER 24 HOURS A DAY, 7 DAYS A WEEK WITH SUFFICIENT PRESSURE AND AT A REASONABLE PRICE TO THE PEOPLE IN PHNOM PENH AND THE TOWN OF KANDAL PROVINCE ADJACENT TO PHNOM PENH, AND LOW INCOME RESIDENTS. IN ADDITION, PPWSA HAS BEEN SHARING ITS WORK EXPERIENCE TO A NUMBER OF PROVINCIAL AND MUNICIPAL WATER UTILITIES IN THE KINGDOM OF CAMBODIA, AS WELL AS REGIONAL AND GLOBAL WATER TO ACHIEVE THE SDGS.





## FINANCIAL HIGHLIGHTS

Financial Position		2020	2019	2018
Total assets (KHR'000)		1,864,618,140	1,604,343,922	1,449,408,815
Total liabilities (KHR'000)		882,565,483	690,639,283	550,070,729
Total shareholders' equity (KHR'000)		982,052,657	913,704,639	899,338,086

Profit/(Loss)		2020	2019	2018
Total revenues (KHR'000)		324,367,856	216,496,816	265,093,293
Profit/ (Loss) before Tax (KHR'000)		120,746,477	49,290,530	95,508,658
Profit/ (Loss) after Tax (KHR'000)		88,351,845	33,291,913	76,500,705
Total Comprehensive income (KHR'000)		88,351,845	33,291,913	73,607,168

Financial Ratios		2020	2019	2018
		Solvency ratio		
Liquidity ratios	Current ratio (times)	1.08	1.15	1.79
	Quick ratio (times)	0.68	0.62	1.15

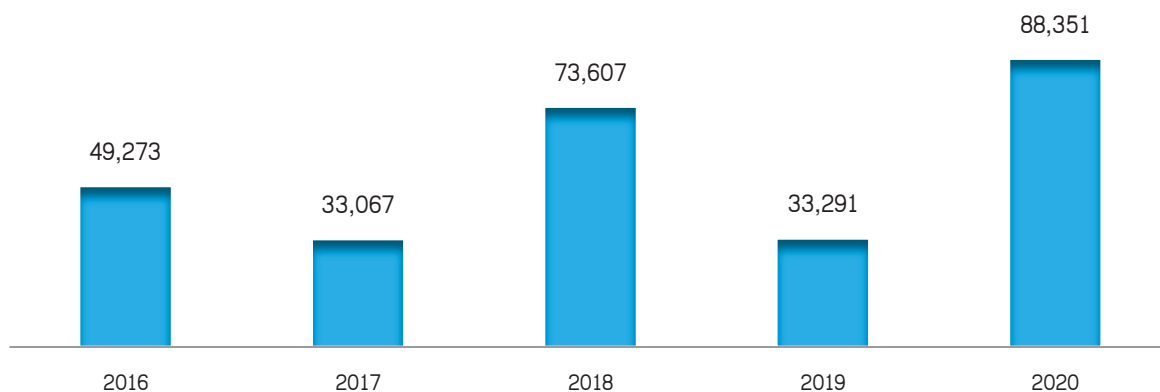
		2020	2019	2018
Profitability ratios	Return on assets (%)	5.09	2.18	5.24
	Return on equity (%)	9.32	3.67	8.47
	Gross profit margin (%)	39.95	24.17	35.79
	Profit margin (%)	27.24	15.48	27.77
	Earnings per share (KHR)	1,015.85	382.78	846.32
Interest Coverage ratio (times)		7.87	4.42	5.86

# Financial Summary Charts

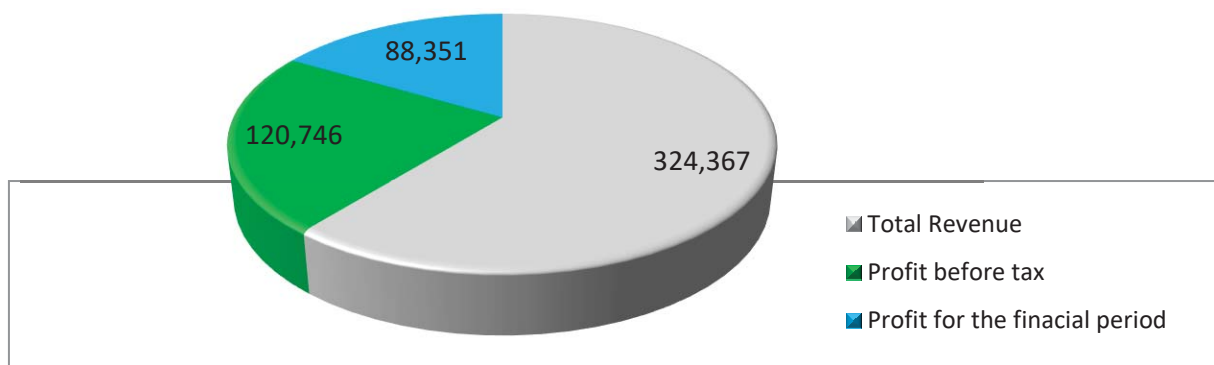
## CHANGES IN STOCK PRICE (in KHR) AND TRADING VOLUME



## PROFIT FOR EACH YEAR (in million KHR)



## PROFIT FOR THE YEAR ENDED OF 2020 (in million KHR)



# Board of Directors





**H.E. Oum Sotha**

Secretary of State, Ministry of Industry  
Science, Technology and Innovation

**Chairman**



**H.E. Dr. Sim Sitha**

Director General  
of PPWSA

**Member**



**H.E. Mey Vann**

Delegate to the Royal Government  
in charge as Director General of  
General Department of Financial Industry,  
Ministry of Economy and Finance

**Member**



**H.E. Noun Pharath**

Deputy Governor of the Board  
of Governors of Phnom Penh

**Member**



**Mr. Ma Noravin**

Representative  
of PPWSA's Employees

**Member**



**Mr. Zhang Yun Feng**

Non-Executive Director  
Representing Private Shareholders

**Member**



**Mr. Om Sengbora**

Independent Director

**Member**

# MESSAGE FROM CHAIRMAN OF THE BOARD



H.E. Oum Sotha

Secretary of State, Ministry of Industry  
Science, Technology and Innovation

Chairman

## In 2020

*“ by gaining the trust from the Royal Government and the support from the 2 parent ministries, PPWSA successfully performed all its business activities. We have been continuing to develop its water service from day to day, both qualitatively and quantitatively, to meet the water demand for the population in Phnom Penh and the provincial town of Takhmao as well as to contribute to the developments of the 2 municipalities. ”*

In 2020, PPWSA reported total revenues of KHR324,367,856,000 and profit before tax of KHR120,746,477,000.

Total comprehensive income was KHR 88,351,845,000. while the basic earnings per share was KHR1,015.85 .

PPWSA invests in, builds, expands, operates and maintains water supply and sanitation facilities; takes all the means to improve its production and service, and assure clean water quality to satisfy the requirements for livings, businesses, services and industries; engages in domestic or oversea businesses and services related to water and sanitation sectors due to the Board’s resolutions and the existing laws;

enhances technical, commercial and financial cooperation with local and international development partners to develop PPWSA based on the Royal Government’s policy; maintains financial and operational viability linked to social responsibility; improves staff efficiency and strengthens institutional capacity; conducts cost analysis and reforms the processes and procedures to minimize the costs; and benchmarks its performance against other most effective peers in the world.



## Effective Service

PPWSA keeps supplying clean water that is straight drinkable from the tap on 24x7 basis. In 2020, we produced 224,773,971m<sup>3</sup> of clean water. We have also replaced alum by polychloride aluminium (PAC) to improve water quality and reduce raw materials cost.

As a result, in 2020, we laid the mains and distribution pipes of 207,880.42m and installed 17,712 new house connections, of which 850 connections were for the low-income whom we always care for. Furthermore, the water loss accounted for 9.74% due to pipe leakage caused by the development and repair of many road infrastructures.

## Performance of the Board of Directors

In 2020, the Board convenes 5 meetings are as follow:

- **Outcomes of the 1<sup>st</sup> ordinary meeting**

This meeting was held on March 18, 2020 at 8:30 AM at the headquarter of PPWSA with the following resolutions:

1. Internal Audit Report for the 1<sup>st</sup> quarter of 2020.  
The Board acknowledged the Internal Audit Report for the 1st quarter of 2020, focusing on the auditing works at Commercial Department.
2. Request for approval on negotiation of audit service fee in 2020 proposed by BDO (Cambodia) Limited, and for selection of BDO as the auditor for the Project for the Construction of Chamcar Morn Water Treatment Plant and Water Distribution System.
  - a) Request for approval on negotiation of audit service fee in 2020 proposed by BDO.  
The Board accepted in principle BDO (Cambodia) Limited as the external auditor. But, due to the present financial situation, the Internal Audit shall negotiate the audit fee again without re-submitting the negation result to the Board.
  - b) Request for approval on selection of BDO as the auditor for the Project for the Construction of Chamcar Morn Water Treatment Plant and Water Distribution System.  
The Board accepted in principle BDO (Cambodia) Limited as the external auditor, and authorized the Director General to negotiate the audit fee and sign the audit service contract.
3. Procurement Report for the end of 2019 and for the 1<sup>st</sup> quarter of 2020.  
The Board approved the Procurement Report for the end of 2019 and for the 1<sup>st</sup> quarter of 2020.
4. Report on the Social Fund for the end of 2019 and for the 1<sup>st</sup> quarter of 2020.  
The Board approved the Social Fund Report for the end of 2019 and for the 1st quarter of 2020, and accepted for consideration the Phnom Penh Municipality's request for installation of fire hydrants at markets around Phnom Penh.
5. Business Report for the 1<sup>st</sup> quarter of 2020 and Business Plan for the 2<sup>nd</sup> quarter of 2020.  
The Board acknowledged the Business Report for the 1st quarter of 2020 and the Business Plan for the 2<sup>nd</sup> quarter of 2020.

6. Request for approval on Annual Report 2019, and on distribution of profit and dividend.  
The Board acknowledged the 2019 Annual Business Report whereas the distribution of profit and dividend is proposed to be discussed in the next meeting, since the external auditor has not completed their annual auditing works yet.
7. Request for approval on the organization of the 8th General Meeting of Shareholders.  
The Board adopted the following settings:
- Date of the 8th General Meeting of Shareholders (GMS): 26 June 26 2020;
  - Venue of the GMS: Conference Hall of PPWSA;
  - The proposed agendas of the GMS are:
    - 08:00 – 09:00 : Registration
    - 09:00 – 09:30 : Opening call
    - 09:30 – 10:00 : Presentation on the 2019 Annual Business Report
    - 10:00 – 12:00 : Voting program (to approve the distribution of dividend, the Board remuneration in 2020, and the term extension for Independent Director and Non-Executive Director Representing Private Shareholders)
    - 12:00 – 12:20 : Closing remarks
  - Assigning Mr. Ros Kimleang to make the presentation on Business Results.
  - Authorizing the Director General to organize and conduct the 8<sup>th</sup> GMS.
8. Request for approval on the change in composition of Board committees.  
The Board accepted the proposed change in the composition of the Board committees.
9. Request for approval on recommendations of National Audit Authority of Cambodia regarding bonuses.  
The Board decided not to receive any bonuses according to the recommendations of National Audit Authority of Cambodia.
10. Request for approval on composition of the Commission for Liquidation and Sales of State-Owned Property.  
The Board acknowledged the 12 proposed members of the internal inventory control commission, and principally adopted the creation of a commission following article 16 of PRAKAS No.002 ស្របតាមផ្លូវការ, dated 06 January 2020, of the Ministry of Economy and Finance, with the following members:
- 1) Director General of PPWSA Chairman
  - 2) Representative of Ministry of Economy and Finance Vice-Chairman
  - 3) Representative of Ministry of Industry, Science, Technology and Innovation Member
  - 4) Deputy Director General in charge of Finance and Stock Exchange Member
11. Report on the impact of deconstruction of PPWSA water tower's fence in Phum Trapeang Thlong 1, Sangkat Chom Chao 1, Khan Porsenchey.  
The Board agreed in principle to PPWSA's fixed assets liquidation following the existing procedures.
12. Report on PPWSA's proposed approaches to managing sludge discharged from Bakheng water treatment facilities.  
The Board granted the support for the tasks and approaches to managing sludge discharged from Bakheng water treatment facilities.

13. Report on the progress of Takhmao Water Supply Project, and of Phnum Prek Water Supply Rehabilitation and Expansion Project.  
The Board acknowledged and agreed to the progress reports of Takhmao Water Supply Project, and of Phum Prek Water Supply Rehabilitation and Expansion Project.
14. Report on the situation of water supply in Tbong Khmum province.  
The Board acknowledged and agreed to the report on the situation of water supply in Tbong Khmum province.
15. Others – Request for approval on the dates of the Board meetings in 2020.  
The Board approved the following dates of the Board meetings in 2020:
  - June 12, 2020 is for the 2nd quarter's meeting.
  - September 30, 2020 is for the 3rd quarter's meeting.
  - December 18, 2020 is for the 4th quarter's meeting.

Present members : 06 persons and the State Controller attached to PPWSA  
Absent members : 01 person

### ● Outcomes of the 1<sup>st</sup> extraordinary meeting (or the 2<sup>nd</sup> meeting)

This meeting was held on April 30, 2020 at 9:00 AM at the headquarter of PPWSA with the following resolutions:

1. Report on the situation of water supply in Tbong Khmum province, and request for approval on purchase of pipes and fittings for distribution network expansion.  
The Board acknowledged the report on the situation of water supply in Tbong Khmum province, and recommended to accelerate the transfer of the fixed assets of Tbong Khmum water treatment plant pursuant to the existing procedures as well as adopted the proposed purchase of pipes and fittings using an exclusive procurement mechanism, that is, signing a direct contract with a local supplier.
2. Financial report for the first 3 months of 2020.  
The Board acknowledged the report on financial status for the first 3 months of 2020. For the proposal of the extension on bonus compensation to Ministry of Economic and Finance, PPWSA doesn't need to make the proposed letter because this is already recorded in the minute of meeting.
3. Request for nominating senior staff.  
The Board approved the nomination of the following senior staff at the request of the Nomination and Remuneration Committee.
  - 1) Ms. ROEUNG Nary nominated as Deputy Director General
  - 2) Mr. OM Atharous transferred and posted as Director of Administration and Human Resource Department
  - 3) Mr. SOM Sovan nominated as Director of Commercial Department

But, the job responsibilities of the Deputy Director General will be defined by the Director General via a separate decision.
4. Request for approval on the organization of the 8<sup>th</sup> General Meeting of Shareholders.  
The Board approved the following:
  - 1) Adopted the first option – holding the 8<sup>th</sup> General Meeting of Shareholders at the conference hall of PPWSA, keeping at least 1.5 meters of physical distance, wearing face masks, and being well-equipped with medical supplies following the guidance of Ministry of Health.
  - 2) The GMS agendas agreed in the previous meeting shall remain the same.

- 3) Adopted 22 May 2020 as the record date for the 8<sup>th</sup> General Meeting of Shareholders. This record date enables us to assess the number of shareholders participating in this GMS, which eases the organization and conduct of the GMS according to SECC's instructions.

Meanwhile, the Board advised PPWSA to make a letter reminding SECC of PPWSA's request for recommendations on the implementation of the Board remuneration policy, to which SECC had not replied yet.

#### 5. Others

The General Director updated the Board on the progress reports of the 3 grant aid projects – the project for construction of Takmao Water Treatment Plant under the Japanese grant aid in the form of Special Purpose Company (SPC), the project for updating master plan under the Japanese grant aid, and the EU grant aid of USD 15 million.

The Board acknowledged the progress reports of the 3 grant aid projects, and accepted H.E. Mey Vann's recommendation concerning the project for updating the master plan.

Present members : 07 persons and the State Controller attached to PPWSA  
Absent members : 00 person

#### ● Outcomes of the 3<sup>rd</sup> ordinary meeting

This meeting was held on June 12, 2020 at 9:00 AM at the headquarter of PPWSA with the following resolutions:

1. Internal Audit Report for the 2<sup>nd</sup> quarter of 2020  
The Board acknowledged the Internal Audit Report for the 2<sup>nd</sup> quarter of 2020, focusing on the auditing works at Procurement Unit for fiscal year 2019.
2. Request for approval on nomination of the Chief Internal Auditor.  
The Board adopted the renewal of 2-year term for Chief Internal Auditor, Ms. Seng Keadara.
3. Procurement Report for the 2<sup>nd</sup> quarter of 2020, and request for approval on the Revised Procurement Plan for the 2<sup>nd</sup> semester of 2020.  
The Board agreed to the Procurement Report for the 2<sup>nd</sup> quarter of 2020, and adopted the Revised Procurement Plan for the 2<sup>nd</sup> semester of 2020.
4. Social Fund Report for the 2<sup>nd</sup> quarter of 2020  
The Board agreed to the Social Fund Report for the 2<sup>nd</sup> quarter of 2020.
5. Business Report 2019, and request for approval on distribution of profit and dividend.  
After the detailed discussion, the Board had the following resolutions:
  - a) Unanimously adopted the proposed allocations of net income in 2019, where:
    - Staff rewards of 3-month basic salaries : KHR 6,380,566,823
    - Social fund : KHR 2,743,528,661.38
    - Mandatory reserved fund : KHR 1,664,595,837.25
    - Voluntary reserved fund : KHR 1,664,595,837.25
  - b) Unanimously adopted the retained earnings : KHR 9,958,897,811
  - c) Total dividend to be distributed : KHR 20,003,827,260
    - Dividend yield : 4.09%
    - Dividend per share : KHR 230/share
    - Dividend pay-out ratio : 60.09%
    - Record date : 02 July 2020
    - Payment date : 13 July 2020

On the other hand, regarding the dividend payment to Ministry of Economy and Finance, it is indicated that as PPWSA needs enormous investment capital including counterpart budget, the Board suggested PPWSA should inform the Ministry of the this shortage, and request for a delay in the payment.

6. Business Report for the 2<sup>nd</sup> quarter and the 1<sup>st</sup> semester of 2020, and Business Plan for the 3<sup>rd</sup> quarter of 2020.

The Board totally agreed to the Business Report for the 2<sup>nd</sup> quarter and the 1<sup>st</sup> semester of 2020, and the Business Plan the 3<sup>rd</sup> quarter of 2020; and recommended PPWSA to keep stimulating the transfer of the fixed assets of Tbong Khmum water treatment plant pursuant to the applicable procedures; as well as acknowledged the Director General's concerns and considerations about the river water levels in the dry season.

7. Request for intervention in trial pit issue for laying a drain to discharge sludge from Bakheng water treatment plant.

The Board agreed to cancel this agenda as PPWSA had already handled the issue.

8. Progress Report on implementation of the approaches to managing the sludge discharge from Bakheng water treatment plant.

The Board acknowledged the progress report on implementation of the approaches to managing the sludge discharged from Bakheng water treatment plant.

9. Report on the impact of backfilling undertaken by Overseas Cambodia Investment Corporation (OCOC) for Koh Norea development project on PPWSA's water supply system and water service to Phnom Penh residents.

The Board acknowledged the reported impact, of backfilling undertaken by OCIC for Koh Norea development project, on PPWSA's water supply system and water service to Phnom Penh residents.

10. Request for approval on the Board remuneration.

The Board unanimously adopted the proposal for approval on the Board remuneration to be submitted to the 8<sup>th</sup> GMS which is held on June 26, 2020, by voting on the one-year remuneration package; and also insisted that Securities and Exchange Committee of Cambodia (SECC) provide any minutes of the meeting with PPWSA for reference.

11. Others – Request for approval on the drafted answers to SECC's questionnaire.

The Board suggested that some drafted answers to SECC's questionnaire are revised, and permitted to send the finalized questionnaire to the SECC as well as required all the Board members to declare their conflicts of interest in PPWSA following the PPWSA's ethic code for directors and senior staff, and the mechanisms for corporate governance practices.

Present members : 07 persons and the State Controller attached to PPWSA  
Absent members : 00 person

#### ● **Outcomes of the 4<sup>th</sup> ordinary meeting**

This meeting was held on September 29, 2020 at 8:30 AM at the headquarter of PPWSA with the following resolutions:

1. Request for Ministry of Economy and Finance's recommendations on managing the new intake construction project in the context of reduction of the impact of the Koh Norea Development Project on PPWSA's Niroth water treatment plant and water supply service.

The Board agreed and suggested PPWSA to make requests for in-principle approval from the 2 tutelary ministries due to the Board comments, and authorized the Director General to do this work.

2. Request for approval on the project for backfilling PPWSA's land property of 25 hectares at Tamoak Lake.

The Board agreed in principle to the needs for backfilling of PPWSA's land property at Tamoak Lake, but the investment cost shall be considered later as it is not urgent, and granted the support for one of the following alternative approaches to implementing this project.

  - a) Backfilling property with soil dredged from the nearby areas in the lake with possible support from Phnom Penh Municipality.
  - b) Allocate PPWSA's budget to build the fence surrounding the property.
  - c) Request for grants from the government for this investment cost in cause of water supply in Phnom Penh.
3. Business Report 2020 (8 months actual and 4 months estimate), and request for approval on Business Plan 2021.

The Board totally acknowledged the Annual Business Report 2020 (8 months actual and 4 months estimate), and unanimously adopted the Business Plan 2021, and agreed to increase 10% of basic salary for PPWSA's staff of the 4 cadres as well as allowed PPWSA to install house connections to its customers in Tbong Khmum for free of charge, articulating the validity of these free-of-charge connections in the announcement.
4. Procurement Report for the 3<sup>rd</sup> quarter of 2020 and Plan 2021  
The Board totally approved and agreed to the Procurement Report for the 3<sup>rd</sup> quarter of 2020, and the Procurement Plan 2021.
5. Social Fund Report for the 3<sup>rd</sup> quarter of 2020 and Plan 2021  
The Board totally agreed to the Social Fund Report for the 3<sup>rd</sup> quarter of 2020, and the Social Fund Budget Plan 2021.
6. Request for approval on the drafted documentation of the Board job description in accordance with SECC's Prakas No. 011/18 SECC.

The Board agreed and asked the Lawyers to move a step forward with Board collaborating with the company secretary to follow all the recommendations. In the upcoming meeting, the lawyers have to resume their presentation to the Board.
7. Report on the situation of water treatment plant and water distribution network in Tbong Khmum province and request for approval on Business Plan in 2021.

As already discussed and agreed in agenda 2 above.
8. Report on the project for installing water transmission pipelines with big diameters, ranging from 800mm to 2000mm to collect water from Bakeng water treatment plant.

The Board acknowledged the report and suggested PPWSA to make a letter informing Phnom Penh Municipality about its network extension plan from 2020 to 2025.
9. Internal Audit Report for the 3<sup>rd</sup> quarter of 2020 and request for approval on the audit services plan 2021.

The Board totally acknowledged the Internal Audit Report for the 3<sup>rd</sup> quarter of 2020, and approved the audit service plan in 2021.

10. Others - Organizational Chart of PPWSA

The Board agreed to promote the Secretariat and Procurement Unit to department level, like Legislation and Inspection, Internal Audit, and Information Technology Center.

Present members : 07 persons and the State Controller attached to PPWSA

Absent members : 00 person

● **Outcomes of the 5<sup>th</sup> ordinary meeting**

This meeting was held on December 18, 2020 at 8:30 AM at the headquarter of PPWSA with the following resolutions:

1. Request for in-principle approval on selection of an external auditor for the 2021 financial reports.

The Board adopted in principle BAKER TILLY (CAMBODIA) CO.,LTD as the external auditor for the 2021 financial reports, suggesting that the proposed audit fee be additionally negotiated, and authorized the Director General to negotiate the fee and sign a contract for the audit service.

2. Request for in-principle approval on setting the capital for Thbong Khmum water treatment plant.

The Board approved in principle the setting of capital for Thbong Khmum water treatment plant.

3. Request for adopting ESOP debts of PPWSA employees, incurred during IPO stage

The Board acknowledged the report on the ESOP debt, and recommended PPWSA to carry on its procedure and to quickly find solutions in which the Employees Representative has to conduct a survey and collect from each concerned employee's feedback on the applicable alternative (based on the number of relevant employees indicated in the report) as well as to report to the Board in the next meeting.

4. Request for approval on the nomination of senior staff.

The Board decided the following:

- a) Accepted the Nomination and Remuneration Committee's request for nominating 2 senior staff:

- 1- Mr. Om Atharous, Director of Administration and Human Resources, nominated as Deputy Director General

- 2- Mr. Heng Sophannarath, Deputy Director of Administration and Human Resources, nominated as Director of Administration and Human Resources.

- b) Approved in principle the selection of Dr. Chea Visoth as advisor to the Board, but the term of reference(TOR) for the employment contract needs to be

discussed, by matching the benefits to be offered to the jobs and duties to be performed in assisting the Board.

5. Request for approval on the Board meeting calendar in 2021.

The Board approved the following dates for the Board meetings in 2021:

- March 26, 2021 is for the 1<sup>st</sup> quarter's meeting.
- June 25, 2021 is for the 2<sup>nd</sup> quarter's meeting.
- September 22, 2021 is for the 3<sup>rd</sup> quarter's meeting.
- December 24, 2021 is for the 4<sup>th</sup> quarter's meeting.

6. Business Report 2020 (10 months actual and 2 months estimate), and plan for the 1<sup>st</sup> quarter of 2021

The Board totally agreed to the Business Report 2020 (10 months actual and 2 months estimate), and plan for the 1<sup>st</sup> quarter of 2021.

7. Internal Audit Report for the 4<sup>th</sup> quarter of 2020

The Board acknowledged the Internal Audit Report for the 4<sup>th</sup> quarter of 2020.

8. Procurement Report for the 4<sup>th</sup> quarter of 2020

The Board totally agreed to the Procurement Report for the 4<sup>th</sup> quarter of 2020.

9. Social Fund Report for the 4<sup>th</sup> quarter of 2020

The Board totally agreed to the Social Fund Report for the 4<sup>th</sup> quarter of 2020, and accepted the 4 proposals worth an estimate of KHR 383,640,000.

10. Others

a) Request for approval on modification of the composition of Procurement Committee.

The Board adopted the 3 proposed members as follows:

- 1- Mr. Ma Noravin, Deputy Director General of Water Production and Distribution, as the 1<sup>st</sup> vice chairman of the Committee.
- 2- Mr. Chea Sotephoat, Director of Plan and Project, as the 2<sup>nd</sup> vice chairman of the Committee.
- 3- Mr Oeur Luxe, Administration office Manager, as member of the Committee.

b) Request for approval on additional scope of works and service charges for preparing documentations and tools in compliance with PRAKAS No.011/18 SECC/BB.K

The Board agreed to hire HML & Consultants Law Group at a full-package fee of USD30,000, NOT on hourly fee basis, and the TOR for the service shall include the HML & Consultants Law Group's obligations to attend meetings with Securities Exchange Committee of Cambodia (SECC) or relevant institutions to defend the draft of the formulated documentations at PPWSA's request if necessary.

Present members : 07 persons and the State Controller attached to PPWSA  
Absent members : 00 person



PPWSA has a clear strategy to expand the water distribution network to the surrounding areas of Phnom Penh based on the extension of water treatment facilities, keeping the same tariff and standard for Phnom Penh and Takmao, and a strong commitment to social and environmental responsibility. In 2021, PPWSA plans to generate total comprehensive income of KHR103,742,504,000 as approved by the Board and the 2 parent ministries.

## **Acknowledgement**

We would like to express our deep gratitude to the Royal Government, the 2 tutelary ministries (Ministry of Industry, Science, Technology and Innovation, and Ministry of Economy and Finance), Securities and Exchange Committee of Cambodia, and all the shareholders who always trust and support PPWSA.

We are also proud and thankful to PPWSA's staff at all levels, who worked hard and responsibly to achieve the best results.

Phnom Penh, 26 March 2021

**Chairman**

# MESSAGE FROM DIRECTOR GENERAL



## Achievements In 2020

“ On behalf of PPWSA I am honored and pleased to present the Annual Report 2020 and the financial statements of PPWSA. For the year ended December 31, 2020. PPWSA earned total revenue by KHR 324 billion and profit before tax by KHR 120 billion and total comprehensive income for the financial year by KHR 88 billion. ”

With the supporting of the Royal Government, the Ministry of Guardians and the Board of Directors during this year, PPWSA Remains strong with better risk management, efficient use of financial resources and thorough management of expenditures, especially with a focus on reducing water loss rates, despite road repair and widening activities. Across Phnom Penh, this is one of the many reasons for the leakage of water pipes, as shown in the financial report audited by an independent auditor in 2020. PPWSA earned total revenue by KHR 324,367,856,000, the profit before tax by KHR 120,746,477,000 and Basic earnings per share by KHR 1,015.85. At the end of this period, the total assets increased to KHR 1,864,618,140,000, the capital increased to KHR 982,052,657,000. This increase is due to PPWSA achieved great success in reducing the rate of water loss to the single digit, the rate in 2020 is only 9.74%. Reducing water loss as a life-and-death factor for PPWSA In the course of its operations and business and to adjust to the fluctuations of inflation, we have adjusted the selling price of clean water from January 1, 2020 to the present, which allows us to maintain financial stability. Well, that would give us access to clean drinking water from the tap to tens of thousands of families, including low-income residents, at a reasonable price to contribute to the government's poverty reduction policy. Phnom Penh Water Supply Authority has the capacity to supply water 24 hours / day and 7 days / week, this year can produce 224,773,971 m<sup>3</sup>. Water treatment practices are in line with National and World Health Organization (WHO) water quality standards, with 53 water quality laboratories analyzed. Singapore and Shanghai Laboratories). Paying attention to water quality makes PPWSA Can guarantee customers to drink directly from the faucet to contribute to social responsibility in order to encourage people to have access to clean water, which is a

clean water program (Water for All). Proper sanitation services for healthy living, a better life and environment.

The goal of expanding the water distribution network is to areas with economic potential, and low-income residents. In 2020, PPWSA 207,880.42 meters of pipes were installed, making the total length of the main pipe and the current water distribution pipe equal to about 3,552 km, and maintaining an average pressure of 20 meters in the entire water distribution network, with pipes from 63 mm to 1600 mm by PPWSA. We have been working to improve the quality of customer service to find and increase the number of large customers with high water demand to ensure efficient collection of water bills, which this year maintains maximum rates and network growth. The year ended of 31 December 2020, the number of customer increased of 407,779 connections.

### Expectations for 2021

For the year 2021, we will make more efforts to improve the corporate governance of PPWSA. And still adhere to the vision and mission of the previous years. As a destination for next year, PPWSA estimate to earn profit for the financial year is not less than KHR 103,742,504,000 that approved by the Board of Directors and the 2 parent ministries.

PPWSA committed to providing quality and efficient water supply and service to provide customer confidence. Moreover, PPWSA Still strive to provide water supply to low-income people in the form of subsidizing the purchase of water in accordance with the standard of living of each family from 30%, 50%, 70% and 100% to implement special water distribution projects to poor communities using the budget of PPWSA for the benefit of the people.

### Acknowledgement

We would like to express our deep gratitude to the Royal Government, the 2 tutelary ministries Ministry of Industry, Science, Technology and Innovation, and Ministry of Economy and Finance, and the Board of Directors for their support and good leadership for 2020, and all the customers who made PPWSA succeeded as it is today.

Phnom Penh, 26 March 2021

**DIRECTOR GENERAL OF PPWSA**

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## PART 1.- General Information of PPWSA

### A- IDENTITY OF PHNOM PENH WAER SUPPLY AUTHRITHY

- ◆ Name in Khmer: រដ្ឋាករទឹកស្វយ័តក្រុងភ្នំពេញ (រ.ទ.ស.ភ.)
- ◆ Name in Latin: PHNOM PENH WATER SUPPLY AUTHORITY (PPWSA)
- ◆ Standard Code: KH1000010004
- ◆ Address: #45, St. 106, Sangkat Srah Chak, Khan Doun Penh, Phnom Penh, Cambodia
- ◆ Phone number: +855(0)23 6358080/724046
- ◆ Fax: +855(0)23427657
- ◆ Website: [www.ppwsa.com.kh](http://www.ppwsa.com.kh)      Email: [ir@ppwsa.com.kh](mailto:ir@ppwsa.com.kh)
- ◆ Company registration number: Co.០៨៣៩៤៧/២០១២  
Date: 27 March 2012
- ◆ License number: Sub-decree No. 52អនក្រឹ.បក  
Issued by: Royal Government of Cambodia  
Date: 19 December 1996
- ◆ Disclosure Document approved and registered by SECC's Resolution No.: ០១២/១២គ.ម.ក/ស.ស.វ.  
Date: 23 March 2012
- ◆ Representative of the listed entity: **H.E. Dr. Sim Sitha**

### B- NATURE OF BUSINESS

- ◆ Invest in, build, expand, operate, repair and maintain water supply and sanitation facilities.
- ◆ Take all the means to improve its production and service, and assure clean water quality to satisfy the requirements for livings, businesses, services and industries.
- ◆ Engage in domestic or overseas busienss and services related to water and sanitation sectors due to the Board of Director's resolutions and the existing laws.
- ◆ Enhance technical, commercial and financial cooperations with local and international development partners to develop PPWSA in accordance with the Royal Government's policies.
- ◆ Maintain financial and operational sustainability pertaining to social interests.

### C. Group Structure of the Listed Entity

There are no such listed entiries.

## D. The PPWSA's Milestones

**The water quality analysis of the Chroy Changvarr Water Treatment Plant (WTP) was conducted by the Singapore laboratory, TUV SUD PSB Pte Ltd.**

The PPWSA has been actively producing quality and safe water for its customers who consume the PPWSA's potable water. To gain customers' confidences, the PPWSA requested the independent laboratory of Singapore, TUV SUD PSB Pte Ltd, to test its water sample of the Chroy Changvar WTP with a total of 116 test parameters as follows:

1. Microbiological Parameter : 1 Parameter
2. Physical Parameters : 6 Parameters
3. Radiological Parameters : 3 Parameters
4. Chemical Parameters : 106 Parameters

As a result, the parameters tested for the Chroy Changvar WTP water sample complied with World Health Organization (WHO) guidelines for Drinking-Water-Quality (4<sup>th</sup> Edition 2011), which was presented in the annex TEST REPORT 7191236287-CHM20-PN.

## E. Market Situation

Phnom Penh Water Supply Market is a "**service area**" managed by Phnom Penh Water Supply Authority to supply clean water to the people in Phnom Penh and the area around Phnom Penh.

## F. Competitive Situation

Phnom Penh Water Supply Authority is the only water supplier (monopoly) in Phnom Penh and does not compete on market prices at any stage.

## G. Future Plan

To achieve the above visions, PPWSA Will do the following:

- Institutional and human resource development
- Facilities and equipment improvement
- Service and work efficiency indicator

## H. Risk Factors (Analyst, Management opinion and Risk mitigation)

Phnom Penh Water Supply Authority is responsible for the production and distribution of water for general use for the public service in an administrative and technical manner, with the guarantee of both quantity and quality of clean, sterile water and drinking water directly from the network. However, there are still some risk factors that are facing and the following preventive measures:

### H.1- Planning and project department

#### Risk factors

- 1- Outbreaks of Kovid-19 disease
  - ✓ Affect the implementation process of procurement of foreign projects in the purchase of pipelines, distribution pipelines and connecting equipment, which will affect the expansion of the distribution network,

which is planned to expand the distribution network of 200km/year and 13 km/year by not implementing the planned plan.

- ✓ Impact on PPWSA Water Supply Plant Construction Project
  - a- Chamkar Mon Water Treatment Plant Construction Project:
    - Some of the spare parts for the water treatment plant at the factory have not been installed yet, waiting for the supplier to apply on site
    - Experts can not directly train PPWSA staff on some key factory operating systems
  - b- Bak Kheng Water Treatment Plant Project
    - Technical advisors and construction staff are working abroad due to the fact that the country is not yet operational.
    - Procurement of some materials for overseas construction work may be delayed due to the closure ban of some suppliers.

#### 2- Khos Norea Development Project

- ✓ Impact of production process of Niroth Water Treatment Plant which can not produce clean water at full capacity 260,000m<sup>3</sup>/day.
- ✓ Land reclamation on Khos Norea, which is affecting the quality of the river water at the Niroth raw water pumping station site, this factor increases the cost of using raw materials for water treatment, which leads to cost of water production.

#### 3- Takhmao Water Treatment Plant Construction Project

- ✓ Due to the closure of the flight, the technical advisor could not come to work according to the schedule, which led to the delay of the construction project.

#### 4- Boeung Thom Water Treatment Plant Construction Project

- ✓ The Czech government has provided about 1.3 million in grant funding for the construction of a 5,000 m<sup>3</sup>/day plant. The technical advisory company planned to study the feasibility report, but due to the spread of Kovid-19 disease, the company did not visit the study, which caused the construction project to be postponed.

#### Risk mitigation

- ✓ Continue to cooperate effectively with development partners and relevant ministries to accelerate the procurement of foreign projects.
- ✓ Promote people to know how to save money in using clean water for the purpose of sharing water in case the project to build a water treatment plant is delayed.
- ✓ Increase the efficiency in repairing and maintaining the treatment system to maintain the production and supply of clean water to the people 24 hours/day.

Continue to cooperate with OCIC to reduce the impact on crude pumping stations and accelerate the construction of new crude pumping stations on Khos Norea.



## H.2- Production and distribution department

### Risk factors

1. Climate change, irregular rainfall lead to the river water level become shallower and shallower, affecting the water pump at the intake . The efficiency of the pump is lower according to the capacity, increasing the power consumption and causing affects the pump motor at the pumping station. At the same time, the raw chemical material also increase due to erratic of raw water quality. the changing the raw water quality.
2. The pandemic of Covid-19, making the supply of Chemical meaterial insufficient because we have to order from abroad, it takes time and have to cross the border, lack of this raw material can also affect our water production.
3. The land reclamation in Koh Norea also greatly affected the quality of water resources in the river, doubling the use of chemical material, affecting the cost of the unit.
4. The problem power transmission lines and signal cable line that are to long distand to be gragged from Phum Prek water treatment plant to the pump station at intake. During the construction site, affecting water supply to the customers and making water pressure drop down throughout the city.
5. The Expansion of the coverage area at suburb area affect the mindset and complaint from the people using clean water.
6. The rapid development of infrastructure in Phnom penh, such as the construction of roads, sewers and excavation of all under ground systems, flood relief in the city in the past has caused leaking the distribution main and service connection increase the unit cost and the water loss is higher.

### Risk mitigation

Through the risk factors, we have put in place the following measures and solutions for each situation:

1. Regarding to the low river water level that affect the puming and production capacity, the solution is,
  - In this emergency phase, we extend the colum pipe 0.6m down to be able to pump the water at the pumping station in Phum prek intake.
  - Add auxiliary pump to increase the amount of water at Chroy Changvar water treatment plant.
  - Examine the changes the type of pumps adn re-study the river water level when building the new water treatmwnt plant.
2. Covid-19 issue that can affect supply of chemical materials from supplier beyon the door, Keeping them in stock for at least 120days to prevent the case any delay arises.
3. Land reclamation in Koh Norea, have to monitoring and record regularly. Make a report on water quality and prepare on the impact to the director general.
4. Power transmission lines and signal cables that are gragged away need to be repaired by expert who may be at risk next year. Ready to install a new transformer when the project for expansion at Phum prek water treatment plant has stated.

5. For lack of water, try to get the clear information and explain to the customers about according to the leadership guideline. We have to work hard to address to the stakeholders, especially three specialized department: production and distribution department, project and planning department and commercial department have to coordinate this problem together and sharing water together.
6. Regarding to the urban infrastructure development as a solution, we requested the local authority and contractor to build the road and install the sewer system to inform the utility in writing. We, from sake of professionalism, we cooperate to control and point out in order to avoid the negative impact. If he does not cooperate in providing information or digging the by any means, he shall be punished according to the principles set by authority. At the meantime, the director of Administration and Human Resources, who represents our authority, during the a meeting with Phnom Penh Capital Hall in a public forum on all developments infrastructure related to road construction and sewerage. Please ask district and commune authorities to cooperate and report in writing to our Authority first.

### H.3- Business department

#### Risk factors

##### 1. Revenue Office

- ✓ Cannot takeover for reading task to each other of meter readers
- ✓ Probability of property losing (motor cycle or else) at field work for reading task

##### 2. Customer Relation Office

- ✓ Payment settlement or disconnection team challenge with customers
- ✓ Water meter relocating task complicated by developing infrastructure
- ✓ Water meter calibration is below diameter 150 mm.

##### 3. House Connection Office

- ✓ Low water pressure at boundary of coverage service area
- ✓ Low-income customers are complicate to pipe installation and outside the area

All the office of Commercial Department are also faces to Covid-19 pandemic.

#### Risk mitigation

##### 1. Revenue Office

- ✓ Proper plan of Recruitment
- ✓ Allocated proper number customer with meter reader of each district
- ✓ Increase vigilance.

##### 2. Customer Relation Office

- ✓ Try to communicate with the customer and explain to him/her the principles of PPWSA

- ✓ Continue to cooperate with other department offices to carry out work in a timely manner
- ✓ Test bent should be available Water meter of all sizes.

### 3. House Connection Office

- ✓ New water treatment plant is under construction to increase pressure
- ✓ Distribution and main pipe is under construction to expanding service supply area, we are already doing survey for new low income customer to meet the plan.

All the office of Commercial Department are continue to disseminate to all officials and employees to maintain good hygiene by practicing consistently under the high guidance of Samdech Akka Moha Sena Padei Techo Hun Sen, Prime Minister of Kingdom of Cambodia and the guidelines of the Ministry of Health 3 protect 3 do not in the rules prevention of communicable disease 19.

## H.4- Information Technology Center

### Risk factors

- ✓ Some of daily operations may not be completed as scheduled.
- ✓ Power outage for more than 2 hours at the data center.

### Analyst

- ✓ The system is slow or crashes due to:
  - Table Locked: Posting operation slow at the time.
  - Posting not allowed: Closing of posting date from Accounting and Finance Department.
- ✓ Power outage for more than 2 hours requires us to shut down all servers in the data center, as our batteries can only supply power for 2 hours.

### Risk mitigation

- ✓ Work with the contract company to determine the cause of the problem to find the solution.
- ✓ Regular job queue inspections (every 8:30, 12:00 and 16:30).

### Suggestion

Request priority notice to the IT Center to carry out repair or modification of electrical systems related to the data center (Data Center)

## H.5- Procurement units

For 2020, procurement units face two problems caused by the global outbreak of Kovid-19 disease:

- ✓ The supply of aggregates (PAC) and salt for the production of chlorine water, as both raw materials are sourced in China, which delays production and transportation, affecting the production process.

- ✓ For the 2020 plan, the bidding documents will be opened on October 7, 2020 and the samples (PAC) and salt for water chlorine production will be sent to SGS laboratory in China. PAC) released because our package is a chemical product, delaying the contracting and supply.

#### Risk mitigation

- ✓ Following the recommendation of His Excellency the Director General of the Procurement Unit, cooperated with the Department of Production and Water Supply to study the speed of daily use, the maximum inventory situation and made timely orders to reserve in time and researched the possibility of purchasing from the country. Other in case of emergency.
- ✓ For the 2020 plan, due to Chinese customs regulations restricting the import of chemical goods, the companies participating in the bidding for the supply of aggregates (PAC) and salt are all sourced in China, so to facilitate Sampling test and timely contract signing Procurement unit requested the permission of the Director General for the companies to take the sample (sample), aggregate (PAC) or salt from the factory and send it to SGS laboratory at China directly, and the results of the SGS laboratory test sent directly to PPWSA.
- ✓ Based on the above situation, the Procurement Unit requests the principle from His Excellency the Director General and the approval from the Ministry of Economy and Finance to order an additional 500 tons of bulk items to ensure the sustainability of the production and supply of clean water to the people, as well as to prevent The supply of new contracts is eventually delayed or in the case of a superintendent.

### H.6- Legislation and Inspection Unit

#### Risk factors

The calculation of reminders and penalties has not been compiled into clear principles.

#### Risk mitigation

- 1- Request to update some settings are as follows:
  - ✓ Some legal documents (legally relevant)
  - ✓ Notice on Reminder and Penalty Procedures (Editing)
- 2- Must have a legal knowledge training program
- 3- Must have Legal and Inspection Procedures (SOP)

#### Suggestion

Request for cooperation from relevant departments.

## PART 2.- Information on Business Operation Performance

### A. Business Operation Performance including business segments information

#### A.1- Water Treatment and Distribution System and Water Loss Reduction

##### A.1.1- Water Treatment

The water treatment in 2020 are as follows:

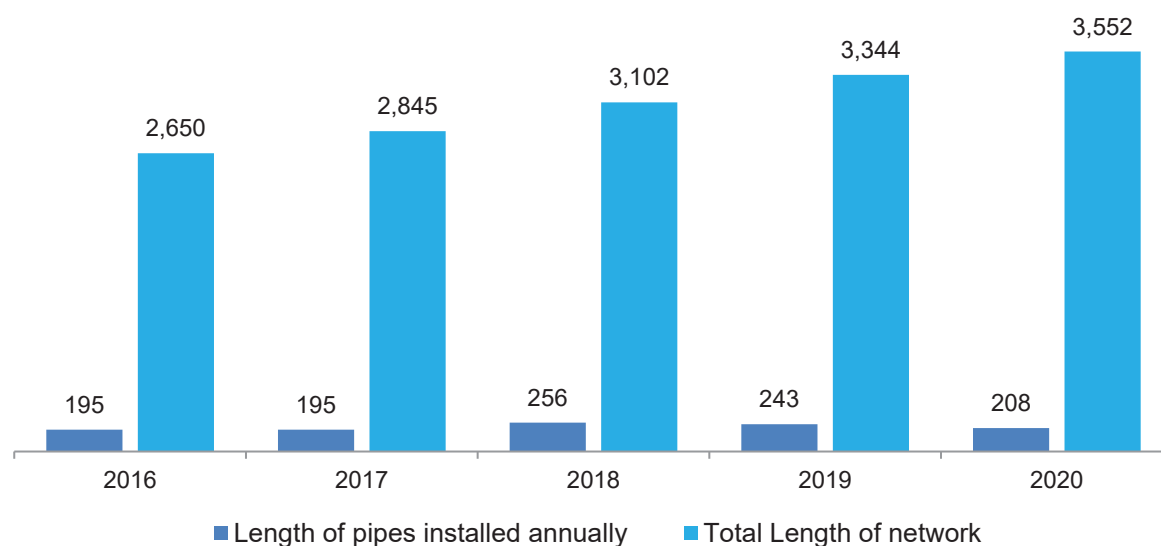
Description (water treatment plant)	PLAN (m <sup>3</sup> )	ACTUAL (m <sup>3</sup> )	RATE (%)
Phum Prek	57,776,000	56,751,158	98
Chruoy Chang War	59,785,000	58,698,771	98
Chamkar Morn	14,963,000	19,181,026	128
Niroth	93,905,190	89,943,796	96
Mlech	580,100	136,824	24
Thbong Khmom	-	62,396	-
<b>TOTAL</b>	<b>227,009,290</b>	<b>224,773,971</b>	<b>99</b>

The quality of treated water at the 6 water treatment plants (WTPs) and distribution networks

Parameters	Unit	WHO	Phum Prek WTP	Chroy Chang War WTP	Chamcar Morn WTP	Niroth WTP	Mlech WTP	Thbong Khmom WTP	Along Distribution Pipes
Turbidity	NTU	≤5	0.40	0.50	0.14	0.46	0.88	1.02	0.72
pH Value		6.50-8.50	7.43	7.71	7.42	7.37	7.43	7.73	7.54
Free Available Chlorine	mg/l	0.10-1.0	1.55	0.97	0.98	1.01	0.88	0.28	0.30
Total Available Chlorine	mg/l	<2	1.78	1.09	1.15	1.15	1.08	0.40	0.43
Total coliforms	cfu/100ml	0	0	0	0	0	0	0	0
E. Coli	cfu/100ml	0	0	0	0	0	0	0	0

##### A.1.2- Pipes Laying

Length of pipes installed annually (Km)



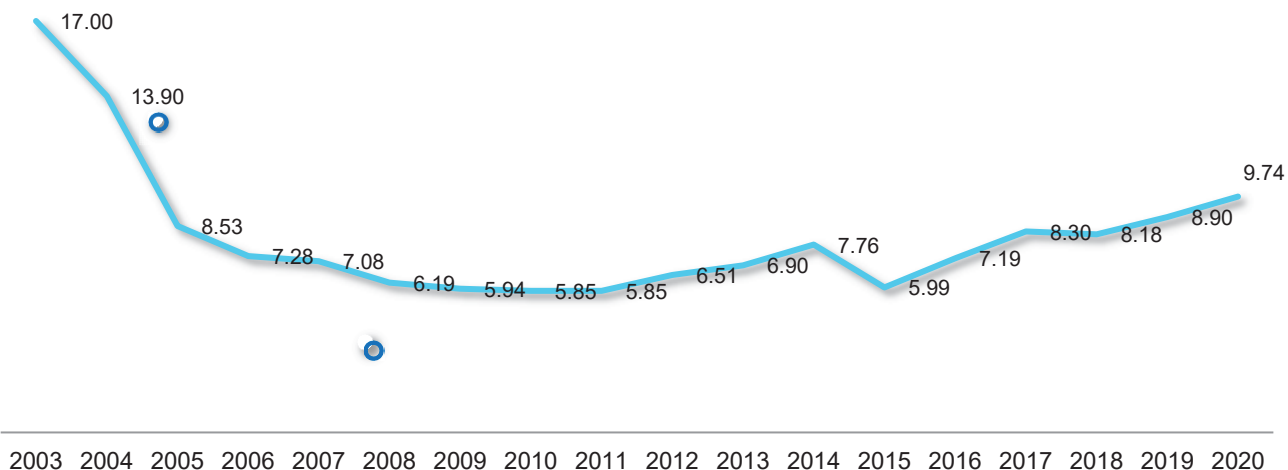
## A. Business Operation Performance including business segments information (con't)

### A.1- Water Treatment and Distribution System and Water Loss Reduction (con't)

#### A.1.3- Water Loss Reduction

In 2020, PPWSA's water loss rate was kept in single digits – 9.74%, as shown in the graph below.

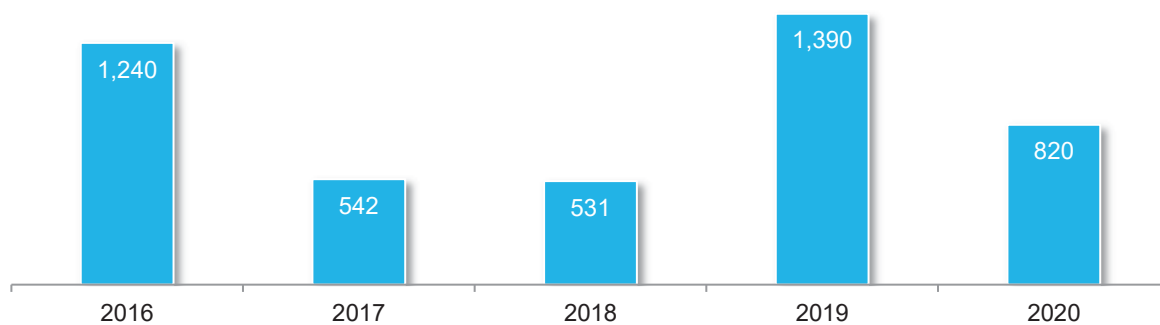
NRW trend from 2003 to 2020 (in percent)



## A.2- Business Activities and Results

### A.2.1 - Water for All Program

Increase in low-income household connections

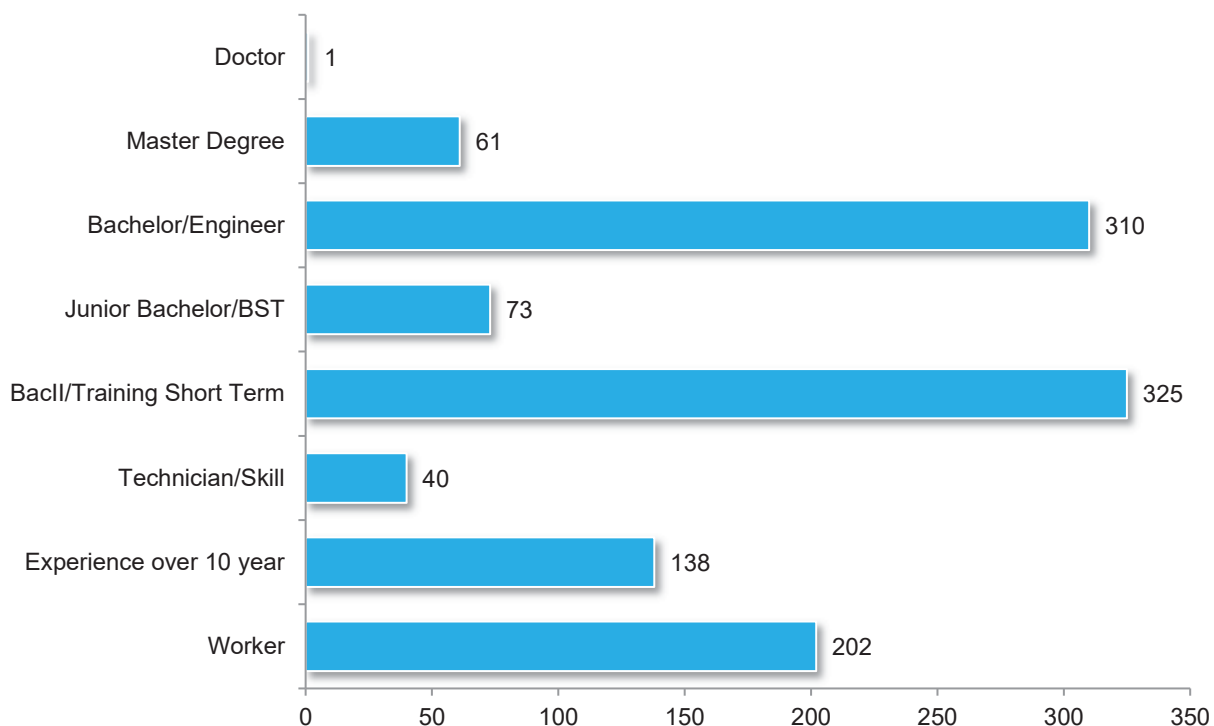


### A.2.2- House Connection and Customer Management

Type of Customers	2016	2017	2018	2019	2020	
	(connections)	(connections)	(connections)	(connections)	(connections)	(%)
Domestic	251,067	271,317	301,834	321,212	333,099	81.6862%
Commercial	54,228	55,891	58,789	62,366	68,136	16.7091%
Administrative	655	655	664	696	744	0.1825%
Wholesalers	11	08	07	07	10	0.0025%
RDE Representative	22	20	21	17	14	0.0034%
Standpipe	-	-	14	17	17	0.0042%
Room rental	4,852	5,397	5,703	5,752	5,759	1.4123%
<b>Total</b>	<b>310,835</b>	<b>333,288</b>	<b>367,032</b>	<b>390,067</b>	<b>407,779</b>	

## A. Business Operation Performance including business segments information (con't)

### A.3- Human Resource Management



## PART 2.- Information on Business Operation Performance (con't)

### B- Revenue Structure

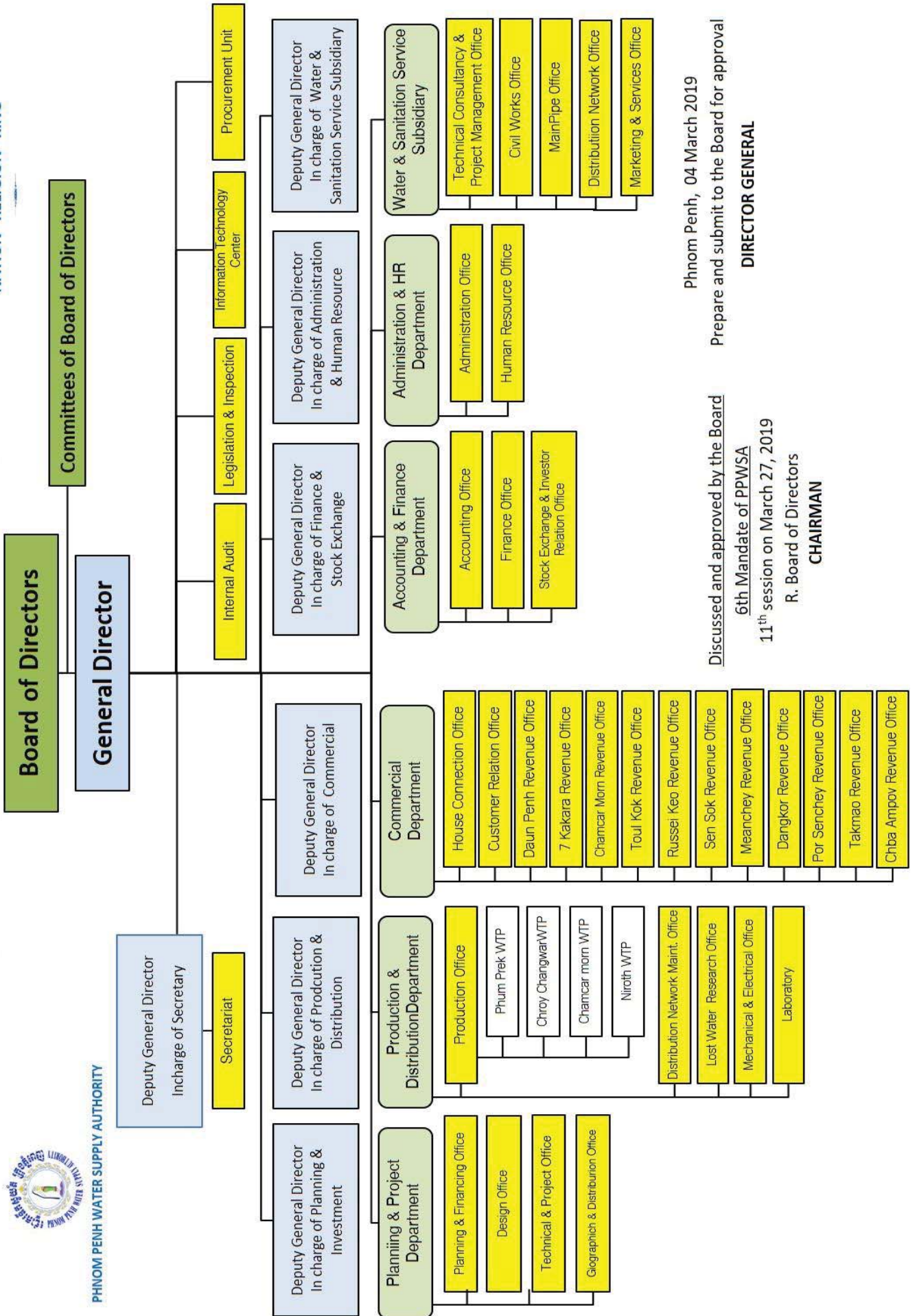
N°	Source of Revenue	2020		2019		2018	
		Amount (KHR'000)	Percent	Amount (KHR'000)	Percent	Amount (KHR'000)	Percent
1	Sales	281,649,338	86.83%	194,272,261	89.73%	205,841,498	77.65%
2	Construction service fees	23,324,228	7.19%	3,359,827	1.55%	8,092,103	3.05%
3	Foreign exchange gain – net	-	-	1,461,237	0.67%	-	-
4	Other income	19,394,290	8.98%	17,403,491	8.04%	51,159,692	19.30%
Total revenues		<b>324,367,856</b>		<b>216,496,816</b>		<b>265,093,293</b>	

# PART3.-Information on Corporate Governance

## A. Organization Structure

KINGDOM OF CAMBODIA  
NATION RELIGION KING

### ORGANIZATION CHART OF PHNOM PENH WATER SUPPLY AUTHORITY



Phnom Penh, 04 March 2019

Prepare and submit to the Board for approval

**DIRECTOR GENERAL**

Discussed and approved by the Board

6th Mandate of PPWSA

11<sup>th</sup> session on March 27, 2019

R. Board of Directors

**CHAIRMAN**



## PART3.-Information on Corporate Governance (con't)

### B. Board of Directors

No.	Name	Position	Date of being a governor	Deadline of current mandate
1	H.E. OUM Sotha	Chairman	25 February 2020	25 February 2023
2	H.E. Dr. SIM Sitha	Member	27 July 2012	25 February 2023
3	H.E. MEY Van	Member	24 February 2014	25 February 2023
4	H.E. NOUN Pharoath	Member	18 August 2017	25 February 2023
5	Mr. Ma Noravin	Member	24 February 2020	24 February 2023
6	Mr. Zhang Yun Feng	Non-Executive Director representing private shareholders	20 February 2013	20 February 2022
7	Mr. OM Seng Bora	Independent Director	20 February 2013	20 February 2022

#### ◆ PPWSA Secretary

- Dr. CHEA Visoth Deputy Director General  
(Retired on 01 December 2020)
- Mr. HUOT Sok Heng Secretary

### C. Senior Officers

#### Senior staff composition

No.	Name	Sex	Position at PPWSA
1	H.E. Dr. SIM Sitha	Male	Director General
2	H.E. Dr. Neth Mony	Male	State Controller
3	Mr. Ros Kim Leang	Male	Deputy Director General
4	Mr. Long Naro	Male	Deputy Director General
5	Mr. Samreth Sovithia	Male	Deputy Director General
6	Dr. Chea Visoth (*)	Male	Deputy Director General
7	Mr. Chan Piseth	Male	Deputy Director General
៨	Mr. Om Atharos	Male	Deputy Director General
៩	Mr. Ma Noravin	Male	Deputy Director General
១០	Mrs. Roeun Nary	Female	Deputy Director General
១១	Mr. Chea Satiphoth	Male	Head of Planning and Project Dept.
១២	Mr. Som Sovann	Male	Head of Commercial Dept.
១៣	Mr. Pheng Ty	Male	Head of Production and Distribution Dept.
១៤	Mrs. Seng Keadara	Female	Head of Internal Audit
១៥	Mr. Savuth Vathana	Male	Head of Information Technology Center
១៦	Mr. Chhim Sery Vuth	Male	Head of Legislation and Inspection
១៧	Mr. Heng Sophanarath	Male	Head of Admin and HR Dept.

\* Dr. CHEA Visoth Deputy Director General incharge of Secretary (Retired on 01 December 2020)

Note: Details related to corporate governance are attached in annex.

## PART4.-Information on Securities' Trading and Shareholder

### A. Information on Securities

#### 1- Information on Equity Securities

- ◆ Name of equity securities: Ordinary Share
- ◆ Equity securities' symbol: PWSA
- ◆ Class of equity securities: Voting Share
- ◆ Par value per equity securities: KHR 1,000
- ◆ IPO Price: KHR 6,300
- ◆ The total number of outstanding Shares: 13,045,975 shares
- ◆ Market capitalization: KHR 530,536,288,200 (as at 31 December 2020)
- ◆ Permitted Securities Market: Cambodia Securities Exchange (CSX)
- ◆ Listing Date: April 18th, 2012

### B. Securities' Price and Trading Volume

Share		Jan	Feb	Mar	Apr	May	Jun
Trading Price (KHR)	Maximum	6,120	6,080	6,040	6,000	5,880	5,860
	Average	6,030	6,011	5,989	5,903	5,761	5,610
	Minimum	5,960	5,920	5,900	5,500	5,600	5,500
Trading Volume (Share)	Maximum	24,251	8,087	5,566	15,400	23,388	19,266
	Average	5,630	353	1,216	2,266	5,649	4,706
	Minimum	0	0	0	20	0	0

Share		Jul	Aug	Sep	Oct	Nov	Dec
Trading Price (KHR)	Maximum	5,680	6,100	6,140	6,080	5,940	6,100
	Average	5,605	5,820	6,062	5,987	5,801	5,888
	Minimum	5,500	5,680	5,940	5,800	5,700	5,660
Trading Volume (Share)	Maximum	1,589,770	9,575	6,413	7,856	10,220	15,010
	Average	72,792	2,627	1,456	2,264	2,807	2,923
	Minimum	5	353	88	138	161	67

### C. Controlling Shareholder

No.	Name	Nationality	Number of Shares	Percentage
1	The State represented by the Ministry of Economy and Finance	Khmer	73,927,187	85%
<b>Total</b>			73,927,187	85%

## PART4.-Information on Securities' Trading and Shareholder (con't)

### D. Substantial Shareholder

As of December 31st, 2020, there were no substantial shareholders who held PPWSA's shares.

### E. Information on Dividend Distribution in the last 3 (three) years

Details of dividend distribution	2019	2018	2017
Net Comprehensive income (KHR'000)	33,291,913	73,607,168	33,067,826
Total cash dividend (KHR'000)	20,003,827	18,925,360	13,393,866
Total share dividend	N/A	N/A	N/A
Other dividend	N/A	N/A	N/A
Dividend payout ratio	60.09%	25.71%	40.50%
Dividend yield	*3.83%	**5.18%	***3.99%
Dividend per share	KHR 230	KHR 217.60	KHR 154

\*Closing price as at 31 December 2019: KHR 6,000

\*\*Closing price as at 31 December 2018: KHR 4,200

\*\*\*Closing price as at 29 December 2017: KHR 3,860



PART5:  
**INTERNAL CONTROL  
AUDIT REPORT**  
BY INTERNAL AUDITOR



KINGDOM OF CAMBODIA  
NATION RELIGION KING

AUDIT COMMITTEE  
INTERNAL AUDIT

N. ....

**INTERNAL AUDIT REPORT  
ON COMPLIANCE AND OPERATIONS MONITORING  
IN 2020 ( FOR THE YEAR 2019 )**

Internal control is the most important factor that helps the Phnom Penh Water Supply Authority to carry out its daily work successfully and achieve the goal of supplying clean water to the customers.

In 2019, PPWSA has a total of 1,092 employees (including 194 females) which is categorized as follows:

- ◆ 2 government officials – Director General and Deputy Director General in charge of Finance and Securities Exchange.
- ◆ Permanent Employees            1,025 (188 females)
- ◆ Probation Employees            0 (00 females)
- ◆ Contractual Employees            65 (06 females)

Pursuant to the 2020 Plan on Compliance and Operation for the year 2019, with the approval of the Chairman of the Audit Committee dated 30 September 2019, in which:

✚ Annual plan:

- 1- Commercial Department ( first quarter )
- 2- Procurement Unit and Accounting & Finance Dept. ( second quarter )
  - + Refer to Letter No. 023L dated 22 April 2020 on the Request for Approval by the Chairman of the Audit Committee to request permission not to inspect the Department of Accounting and Finance due to the spread of Kovid-19 disease. Requires a distance of 1 meter to 1.5 meters between each other during the work<sup>1</sup>
- 3- Water and Sanitation Service Subsidiary ( third quarter )
- 4- Production and Distribution Department ( fourth quarter )

✚ Surprise Audit for the fourth quarter was conducted at the customer relation Office of the commercial department on controlling of inventory. the internal audit recommended to guide the auditee all the gaps that were examined and to be implemented in accordance with the standard work procedures (SOP). Meanwhile, the customer relation office accepts recommendations and makes improvements.

A- Implementation of previous audit recommendations

Recommendations of IA	Responses	Recommendations	Risk types
I. Commercial Department			
<p><b>1- Requesting to change the size of WM has not been implemented in accordance with the contract.</b></p> <p>Any change of size of WM by the request of the customer, all revenue offices must monitor the customer's water consumption as specified in the contract. In case the customer is not able to use the limited amount, it is necessary to add to the average amount of water per day in accordance with the agreement.</p>	<p>Not yet applicable due to the water pressure condition is too low</p>	<p>The Revenue Officer shall monitor the water consumption of the applicant who has requested to change the size of the WM as agreed in the contract or must adjust the schedule to determine the size of the water clock to be used in accordance with the actual situation.</p>	<p>Medium</p>
<p><b>2- The procedure for requesting to increase the size of WM is not yet in accordance with the standard work procedure.</b></p> <p>The house connection Office did not provide the application to the client in accordance with the form specified in the SOP, so the officer in charge must perform the work in accordance with the standard work procedure in point 4.2.1-Provision-receipt of subscription application "all customers who already have connections who want to increase the daily water consumption required to change the size of WM, customers must come to receive the application to change the size of the WM from the information section of the HC office every working hour."</p>	<p>Fully implemented</p>		
<p><b>3- Connection that exceeds the standard</b></p> <p>Connections that exceed the standard length (10m or WM over 15mm) are not yet properly implemented without going through the project study, without the approval of the Director General and the approval of the Director General for the previous year applies to the next year. Therefore, the officer in charge must comply in accordance with the SOP defined in point (b). Non-general connections "is connections with a WM exceed 15</p>	<p>Fully implemented</p>		

<p>mm or a length exceed 10m or a water line requesting installment or connection required to dig rubber or concrete roads. The measuring agency cannot determine the exact time for the customer to come and pay immediately after the measurement, because the documents must be submitted by the expert. Study the project and have a decision from the management first.</p>			
<p><b>4- The delay of connections</b> The delay of connections, officer in charge must work on time according with the standard work procedure in point 4.1.2- measurement and scheduling customers to pay "This type of customer can receive response information are not exceed 4 working days in 3 days after summited, and after customers pay in 1 day for debt confirmation."</p>	<p>Due to the longer laying of the main pipeline and the increase in the number of customers in 2019.</p>	<p>The connection must be accordance with the standard work procedure ( SOP ) and the actual situation.</p>	<p>Low</p>
<p><b>5- Procedures of fittings controlling of house connection</b> Workers doesn't transfer unused materials to the warehouse on time and doesn't have a proper delivery. So officer must be implemented in accordance with the SOP set in 4.1.3 – fittings unused controlling "... To prevent any phenomenon, worker must provide fittings and WM that remains to the warehouse of the house connection office in that day with the supporting documents ... "</p>	<p>Implemented and instruct to the worker team at Monday of the weekend.</p>	<p>The officer must continue to instruct the worker team to comply with the standard work procedures</p>	<p>Medium</p>
<p><b>6- Water meter maintenance procedure</b> There are still gaps in the maintenance of the WM by cleaning are not according to the schedule, so the officer in charge must maintenance of the WM according to the schedule as stated in the standard work procedure in point 4.1- Maintenance - Check the accuracy of Water meter:  <ul style="list-style-type: none"> <li>- Must inspect, measure and clean WM from 25mm to 40mm once a year</li> <li>- Must inspect, measure and clean WM from 80mm every 6 months.</li> </ul> </p>	<p>Fully implemented</p>		
<p><b>7- Fitting</b> Officers must return to the warehouse of accounting office for reconcile.</p>	<p>Implemented and continued to strengthen the guidance of professional officers to</p>	<p>The office must continue to instruct professional officers</p>	<p>Medium</p>

	monitor and record properly	to monitor and record properly.	
<b>II. Procurement Unit</b>			
<p><b>1- Evaluation of contract implementation is not yet appropriate</b></p> <p>According to the report of the Expertise on Contract No. 21-PPWSA-18, there are 10 types of PE in the technical evaluation, did not specify the exact reason. Therefore, the officer must attention to the performance of work in accordance with the rules and regulations in Article 13.2.7. Failure to meet the eligibility criteria as stated in the bidding documents, the bid shall be rejected and the reasons for rejection must be clearly stated in the evaluation report. "</p>	Fully implemented		
<p><b>19- Annual plan on procurement of some goods is not yet implemented according to the calendar</b></p> <p>The implementation of the annual plan is not consist with calendar set in the annual plan, so the officer must implement in accordance with the plan in accordance with Prakas No. 381 HOSW.Prak dated 15/06/10 on implementation. Rules and Regulations on Public Procurement In point 4, the procurement implementing institution shall manage the procurement regularly according to the calendar set in the annual plan.</p>	The reasons for the implementation of the annual plan slower than the calendar set by the relevant departments / units sent the technical standards late and did not do a detailed study before sending to the procurement unit, so it is necessary to discuss - check Repeat, which leads to a long time to implement	The Procurement Unit must continue to pay attention and cooperate with the relevant departments / units in order to implement in a timely manner.	Low
<b>III. Water and Sanitation Service Subsidiary</b>			
<p><b>1- pressure testing are Insufficient planned</b></p> <p>Pressure testing work between the summary report and audit review is still biased:</p> <p>2016: 6,905.61 meters</p> <p>2017: 1,784.50 meters</p> <p>This factor affects the implementation of the PPWSA's planning.</p> <p>For the Efficiency, the officer must monitor and promote the testing of water pressure in accordance with the plan.</p>	<p>In 2016 and 2017, the subsidiary was fully implemented. In fact, in 2019, the pressure testing is still 25.8% due to:</p> <ul style="list-style-type: none"> <li>- Delay of mainpips and fitting from supplier.</li> <li>- With the development of minicipality, it is necessary to wait for the impact on the people's houses to be able to connect and test the pressure.</li> </ul>	The subsidiary must continue to pay attention to monitor the pressure timely.	Low



	- Put the pipe first to facilitate the road and mainpipe not yet supply, so it is not possible to test the pressure.		
<p><b>2- Settling of Job Budget and Job Quotation not yet timely</b></p> <p>Water and Sanitation Service Subsidiary has not yet settle are as follows:</p> <p style="padding-left: 40px;">2016: 91 projects</p> <p style="padding-left: 40px;">2017: 117 projects</p> <p>This case leads to an impact on the financial position and market value of the property.</p> <p>The officer must pay high attention to settlement as stated in Note 017 in point 1 (Objective) "To reflect the real financial situation, especially on the market value of the property and can guarantee the reserve. "for further investment through timely and accurate installments according to the usefull life of the property."</p>	<p>In 2016 and 2017, Water and Sanitation Service Branch was fully implemented</p> <p>In 2019, the payment work is still lacking 25% due to the payment that must pass the inspection of the committee as well as the department (planning and planning and accounting and finance ) and responsibilities from external units (Department of Public Works, etc. ). Therefore, the process of settling has not been completed yet.</p>	Should be settle timely	Low
<p><b>3- Improper planning</b></p> <p>The implementation of maintenance and repair plans for machinery has not yet been commensurate with actual implementation still changes:</p> <p style="padding-left: 40px;">2016: 170,244,000 R, equal to 24%</p> <p style="padding-left: 40px;">2017: 497,350,840 or 62%</p> <p>This case affects PPWSA's accounting and financial records processing process: "Expenditures must be mentioned in a detailed annual plan and verified or adjusted quarterly."</p> <p>In order to plan properly, planning and implementation are similar.</p>	<p>In 2019, the implementation exceeded the plan by 59% due to:</p> <p>A large number of old machines require large-scale repairs.</p> <p>There is a need to use machinery at remote sites.</p> <p>Market prices for repairs and spare parts have increased.</p> <p>There are still shortcomings in the annual plan.</p>	<p>The branch must continue to pay attention to raising the annual plan to be similar to the actual implementation.</p> <p>In case the actual implementation exceeds the planning + -15%, a request for approval must be made from the Director General.</p>	Low

<p><b>4- Preparation of advance payment schedule is not yet clear</b></p> <p>In 2016 and 2017, the Water and Sanitation Service Subsidiary prepared a schedule to clear the advances (30%, 40% and 70%) on the investment work to install the main pipe and water distribution is not clear.</p> <p>This factor leads to inefficient payment schedule preparation.</p> <p>In order to be effective in carrying out the work, the officer in charge must pay attention and monitor regularly in collaboration with the Accounting and Finance Department to make the work effecti</p>	Fully implemented		
<p><b>IV. Production and Distribution Department</b></p>			
<p><b>1- Water supply system repair and maintenance work not yet defined in standard procedures</b></p> <p>The water distribution system maintenance office has repaired and maintained water supply system equipment, there are no standard procedures for repairing and maintaining civil buildings. In the Standard Work Procedure (SOP), repairs and maintenance only refer to the inspection of bolts, rust, and concrete cracks, cracks, waterproofing, etc. To get the work efficiency. Further adjustments should be made in the SOP standard procedure on the repair and maintenance of civil buildings in accordance with the technical specifications.</p>	Prepared and submitted to the Deputy Director General for review. Will be completed in June 2021.	The department must continue to monitoring and promoting further work.	Medium
<p><b>1b- Repair and maintenance of spare parts and equipment, before the approval and before the purchase of equipment</b></p> <p>The Office of Mechanics-Electricity has requested payment for the repair and maintenance of spare parts and equipment at factories.</p> <p>Minutes of repair, the implementation and implementation before the (urgent) note of the Director of the Department.</p> <p>Request for payment and repair record to be made before the purchase receipt.</p>	<p>In the past, the work was done by issued materials as receivable or materials from the free market and then making the payment later to avoid any inactivity.</p> <p>Officer Will strive to perform the job properly.</p> <p>Will be completed in March 2021.</p>	officer must continue to pay attention to better performance	Medium

<p>The office shall cooperate in determining the decision-making authority on the repair-maintenance work ( minor repairs ) to avoid any delays. For payment request, the attachment must be verified properly.</p>			
<p><b>3- Pipe modifying are not comply with standard work procedure.</b></p> <p>The water distribution office has not yet carried out process that comply with SOP are as follows:</p> <p>Pipe modifying are not comply with standard work procedure.</p> <p>Re-excavation of multi-meter-long pipes carried out in that day (9persons/team )</p> <p>The officer must perform the work properly in accordance with the SOP, maintenance of water supply system and in accordance with the technical specifications of the pipeline. Officer should be revises Standard Work Procedures ( SOP ) according the actual situation.</p>	<p>officer will revise the SOP, and will be completed in June 2021.</p>	<p>Officer must be push the revision of the SOP.</p>	<p>Medium</p>
<p><b>4- Attachment of invoice in the request for payment for pipe repair work is not appropriate</b></p> <p>Distribution office has settle for the pipe work, in which some sand receipts do not coincide with the completion date of the project.</p> <p>To efficiency, the officer must check and monitor all the preparation of the receipt in accordance with the actual implementation.</p>	<p>Fully implemented</p>		

## B-Audit Result

### I. Commercial Department

In 2019, Commercial Department implemented<sup>3</sup>:

- a- House connection with 26,845 connections
- b- Maintenance water meter with 39,930 meter (Cleans with 12,750, Exchanges with 12,869, and Measurement with 14,011)
- c- Inventory management monitored and recorded properly.

Commercial Department operate their tasks smoothly and good cooperation; otherwise, there have weakness points that need to be improved<sup>3</sup>

#### 1- Provided new Connection to customer

In 2019, House connection office provided new connection with 26,845 compared with annual plan 22,000 equivalent 122%. Auditor's review, new connection's document of

698 connections in which 437 connections was equal 63% late in providing new connection.

It doesn't comply with Standard of Procedure (SOP) of water Connection in point 4.1.2- measurement and schedule customer's payment in point "a" General Connection-working process 4 days working. The measuring agent takes 3 working days for processing document after the customer request for the new house connection and 1 day for the head of House connection office review and decide in response to the custome.

This lead the process of new house connection congestion and make the customer dissatisfaction.

The officer in charge must arrange the clear implementation schedule in accordance with SOP for high efficiency.

House connection office have to manage working procedure fits with the actual implementation.

**Auditee's response: House connection office late in providing new connection to the customer which not accordance to the SOP are as follows:**

**A- Most of new connection requested are flat houses and the office in charge have inspect the location. Those flat houses are in construction process which not able to provide the connection to them unless the construction is 90% complete.**

**B- Some of connection the transmission is under concrete or asphalt road. Thus, the office in charge have to wait for the owner request for the renovation before the house connection office can provide the connection to the customer.**

**C- Some of connection the customer not pay on time.**

**D- The house connection office is in the updating working process (SOP) in accordance with the actual implementation.**

**House connection office will be improve in 6 months after the audit report issuance.**

## **2- Water supply suspension and Connection report**

After reviewing water supply suspension and reconnection report of Customer relation office. Auditor have selected 6 districts (Daun Penh, 7 Makara, Sensok, Posenchey, Chhbar Ampov and Takmao) in total of 12,519 connections which 1,349 duplicated connections.

- 2 times duplicated 1,148 connections
- 3 times duplicated 177 connections
- 4 times duplicated 24 connections

This caused the implementation reports are not proper.

Also, documents arrangement are not clear.

**Auditee's response:** Due to lack of reviewing and verification before keeping document. Present, the office is in the process of amendment and accepted the auditor recommendation.

**Customer relation office will be improve from March 2020 onward.**

### 3- Payment on meter location's movement report (Lift / Scroll)

Customer relation office have moved meter location (Lift / Scroll) are not proper for the customer.

Description	Actual implementation	Cashier	Bias
(PPWSA)			
1- Meter lifting	221 Connections	165 Connections	56 Connections
2- meter Scrolling	434 Connections	260 Connections	174 Connections

This is not the proper implementation.

Also, this will effect to the PPWSA's revenue control.

The officer in charge must carefully review the connections which has finished with the connections which paid to cashier as well as the connections which under PPWSA's responsibilities.

**Auditee's response:** in case the bias above, the officer in charge has not devided the table of meter lefting and meter scrolling between the connection paid to cashier and the connection under PPWSA's responsibilities.

**Customer relation office accepted the recommendation and will reschedule the above finding.**

**Customer relation office will be improve from March 2020 onward.**

**Auditee have submitted the constructive report all rectify on the above finding on 12 August 2020.**

## II. Procument Unit

In 2019, Procument Unit implemented on:

- Price Negotiation with 13 Projects
- Local bid with 27 Projects
- International bid with 02 projects.

Procument Unit operates their tasks smoothly and good cooperation; otherwise, there have weakness points that need to be improved:

### 1- Irregulation in Negotiation and Evaluation of Fuel Supply Contracts

Procument Unit signed agreement No. 23-PPWSA-19 Dated 25/Nov/2019 on TELA CAMBODIA's fuel supplies included: Diesel with 1,033,480 Litre and Gasoline with 371,400 Litre. Base on the auditor's review, the signed agreement and evaluation was in the same time.

It doesn't comply with the negotiation's procedures and contract appraisal.

This case affects the efficiency of work.

The officer in charge must devote the time of performing the work properly.

**Auditee's response:** Normally, the negotiation and evaluation are in the sameday held at 10AM to 10:30AM and the next evaluation start from 10AM to 11AM.

**Procurement Unit accepted the technical problem (Copy and Paste) in typing minute meeting in same time and Procurement Unit confirmed will be improved.**

**Procurement Unit will be improved the next contract.**

## **2-The uses of Cement before the contract**

In 2019, Procurement Unit signed agreement No. 06-PPWSA-19 Dated 30/May/2019 on Sok Hour's Cement supplies of 6,600 sacks. The usage report of cement of Distribution Maintenance Office No. 1936RBK and Water and Sanitation Service Subsidiary No. 062RBK before 2 months signing agreement (April and May a total of 683 Sacks).

It doesn't comply with:

- 1- The contract on the supply of cement in Article 1 of the principle "**This contract is effective from the date of signing until the end of the quantity.**"
- 2- Circular No. 002 MEF dated 14/01/14 on the implementation of public procurement in point 20 "**All borrowing of equipment for pre-use or delivery of goods, construction, services of any procurement project without a contract is strictly prohibited.**"

This case affected the effectiveness of the contract.

The officer in charge must perform the tasks in accordance with the contract and above circular.

**Auditee's response:** Most of the departments didn't notify in advance to Procurement Unit when they need the inventory. Procurement Unit accepted the lack of reviewing for the time usage compared with payment voucher. Procurement Unit will be rectify the above finding. It will be begun to improve next contract.

## **3-Diesel and River sand's Supplies in excess of the actual needs**

Procurement Unit signed agreement on Fuel and River sand supplies with remained large amount:

a/ Fuel Supplies

- In 2018, signed agreement No. 15- PPWSA-18 dated 26/Jul/18 deisel used 927,000 Litre at 04/Feb/20
- In 2019, signed agreement No. 23- PPWSA-19 dated 25/Nov/19 a total of 1,033,480 Litre with used of 207,315 Litre which remaining 826,165 Litre at 13/May/20.

#### b/ River Sand Supplies

- In 2017, signed agreement No. 56- PPWSA-17 dated 18/Jan/18 a total of 90,000m<sup>3</sup> was used at 06/Feb/20.
- In 2018, signed agreement No. 34- PPWSA-18 dated 28/Nov/18 a total of 205,000 m<sup>3</sup> as of 06/Mar/20 and remaining with 165,556 m<sup>3</sup>.

It doesn't comply with:

- 1- The bidding plan is disproportionate to the actual use with remain large amount.
- 2- Prakas No. 381 HOSV.Prak dated 15/06/10 on the introduction of the procurement book on Implementation of Rules and Regulations on Public Procurement and Procurement Plan 2.4- Basis for Procurement Planning: in Point 3: **Procurement planning needs to have the active participation of relevant entities in providing data such as quantity, price, technical characteristics, time of use. Etc. To the procurement unit in time.**

It is affected with effectiveness of annual plan and expenditure package.

The relevant departments/units must cooperate with Procurement Unit in order for planning to be effectiveness. Procurement Unit must monitor the stock before bidding.

**Auditee's response:**The requested departments have to make their own plan. Procurement Unit performs through the procedures.

**In 2018 many projects have been suspended. Procurement Unit didn't sure which projects would be implemented.**

**Procurement Unit should not able to reduce the quantity proposed.**

**Auditee has submitted the constructive report all rectify on the above finding on 12/May/20.**

#### III. Water and Sanitation Service Subsidiary

In 2019 Water and Sanitation Service Subsidiary implemented:

- Pipe installation inside with 242,696.29m included:
  - Transmission pipe 6,740.18 m
  - Distribution pipe 235,956.11 m
- Pipe installation outside with 6,403 m included:
  - Siem Reap project package 1 (AFD's Grant) implemented with 6,103 m.
  - Siem Reap project package 2 (JICA's Grant) implemented with 300 m.

Water and Sanitation Service Subsidiary operates their task smoothly and good cooperation; otherwise, there have weakness points that need to be improved:

## 1- Inventory consumption different from inventory stated in project without owner project's approval

In 2019, Water and Sanitation Service Subsidiary received 1,078 Projects including:

- Implemented project with 1.048 projects
- Returned to planning and Projects Department with 20 projects
- Remaining with 10 projects

Base on the auditors review, there are 13 projects of 1.2% which the inventory consumption was different from the inventory has stated in the project without planning and project Department's approval.

It doesn't comply with the Standard Of Procedure (SOP) in point: 4.2.2.2- scope of project lifting point 2 "**Project lifting in Microsoft Dynamics NAV "Select the pipeline material with In the warehouse (no case is not allowed) "**and 4.2.2.3 - Things to avoid The first point' **All plumbing projects must not be implemented differently from Microsoft Dynamics NAV"**.

This case affects project monitoring and implementation.

The officer in charge shall cooperate with and agree with the department in charge of the project in order to ensure the implementation in accordance with the technical specifications in case of non-compliance with the proposed project.

Water and Sanitation Service Subsidiary will request the approval on daily inventory adjustment based on stock inventory from planning and Project Department.

## 2- The payments made for Siem Reap's Project without reference attachment properly

Water and Sanitation Service Subsidiary has 14 projects at Siem Reap (Package 1) included:

- Water Pipe Installation Work 04 projects
- Chamber Work Installation 04 projects
- Bituminous Road Cutting 01 projects
- Concrete Block for Pipe Jointing 01 projects
- Water Pressure Test and Disinfection 03 projects
- Concrete Pipe Support and Pipe Installation 01 projects

Audit's review that the payment request for company "Party B" have not attached the request payment letter and the certify result letter which "party B" have done.

This not accordance to the contract in point payment "party B" have to attached all the relevant references (Measurement result, Excavation, Installed labor, and connected pipes) which reviewed and agreed by "party A" every payment request.



This affects to the request payment procedure which have stated in the contract.

The officer in charge have to take carefully implemented in accordance with the request have to attach with the request payment letter and certify result letter to make the right payment.

**Auditee's response: Water and Sanitation Service Subsidiary will try to operate the project base on the contract accordance with Standard Of Procedure (SOP) and the payment request procedure.**

**Auditee has submitted the constructive report on rectify on the above finding on 08/Mar/2020.**

#### IV. Production and Supply Department

In 2019, Production and Supply Department implemented:

- Leakage repairing:
  - Reported Leak with 1,974
  - Unreported leak with 256
- Repairing and Maintaining distribution with 1,148
- Modifying and Laying with 29

Production and Supply Department operates their task smoothly and good cooperation; otherwise, there have weakness points that need to be improved:

##### **1- The Leakage Repairing report without starting and Ending point**

In 2019, water Loss Detection Office repaired the reported leakage with 1,974. Base on the auditor's report, there have 1,132 of 57.34% without recording the time of starting and ending points during implementing:

- 1- By third party 236
- 2- By materials 875
- 3- By Technical 21

It doesn't comply with filling in the information in the leakage repairing report in point "Duration of repaired, time of starting and ending".

This affected to the administrative document's arrangement.

The officer in charge carefully and completely records the data on the receiving information, duration of leakage and the time of starting and ending.

**Auditee's response: the department accepted the auditor's recommendation and will be further more correction. It will be rectified from January 2020.**

##### **2- Inaccuracy of selection pressure for water loss calculation**

In 2019, Distribution maintenance Office modified the distribution systems with 1,148 places included:

- 1- By development of infrastructure 1,014 places

- Transmission 04 places
- Distribution 188 places
- House connection 822 places
- 2- By modified distribution 134 places
  - Distribution 102 places
  - House connection 32 places

The auditor's review that in the report of water loss calculation which Distribution maintenance Office was recorded pressure is invariable in each location.

It doesn't proper on the pressure recorded in each districts and communes.

Also, the calculation of water loss is inaccuracy.

The officer in charge must carefully record the pressure according to actual situation to make easier to calculate the water loss accurately.

***Auditee's response:* the department accepted the auditor's recommendation and will be further more correction. It will be rectified from January 2020.**

### **3- Some relocation pipes not cleared of drawing and amount of consumption materials**

Distribution maintenance Office, in 2019, there had 29 projects for relocation pipes. Base on the auditor's review, the office didn't accurately fill in some data in daily report:

- 1- the amount consumption materials didn't record 11 projects of 37%
- 2- the drawing is not clear with the actual implementation 12 projects of 41%

The information's filled in daily report in point detail layout didn't clear.

This affected to the administrative document's arrangement.

The officer in charge needs to verify the amount consumption material with the layout and properly updating the layout.

***Auditee's response:* the department accepted the auditor's recommendation and will be further more correction. It will be rectified from January 2020.**

### **4- Modifying and Laying's requested payment without Freelance signature**

Distribution Maintenance office there have 2 groups of modify and laying and 2 excavators.

In 2019, the modifying and laying has 29 projects of 100% for the requested payment with reference's attachment without Freelance signature only the chief of office and chief of group such as:

- 1- the cost of labor by hand
- 2- the cost of labor by excavator
- 3- the cost of chief of labor (Freelance)
- 4- the cost of employee (Freelance)

It doesn't comply with the payment procedure.

This case affected the efficiency of payment.

The officer in charge must have employee's signature on the payment voucher before making a payment.

**Auditee's response: the department accepted the auditor's recommendation and will be further more correction. It will be rectified from January 2020.**

**5- Sub-chief Office made signature in the chief of section opposite of Decision No. 070 S.S.R**

In 2019, Distribution Maintenance Office has 29 projects of modifying and laying. Base on auditor's review, there are 22 which sub-chief office signed on the daily report that opposite of decision No 070.S.S.R.

It doesn't comply with the decision No 070.S.S.R dated 25/Oct/2018.

This case will affect to the effectiveness of daily responsibilities.

The officer in charge must identify the responsibilities assigned in accordance with the above decision.

**C. Conclusion**

The above auditing result has shown the good operation process in accordance with SOP and comply with regulations. Employees have put their effort in their responsibilities to achieve good result.

Auditee accepted the recommendation and will improve the above finding. Also, clarify on the constructive report within 3 months after the audit report issuance.

Internal audit will follow up on the recommendation related to the above finding during their inspection as set in the annual plan.

**Read and Approved**

Phnom penh, 25 March 2021

R. Audit Committee

Chairman

Phnom penh, 25 March 2021

INTERNAL AUDIT



PART6:  
**FINANCIAL STATEMENT**  
**AUDITED BY THE**  
**EXTERNAL AUDITOR**

Registration No:  
Co.0839 Et/2012

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

**AUDITED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT  
31 DECEMBER 2020**

Registration No:  
Co.0839 Et/2012

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

**CORPORATE INFORMATION**

**DIRECTORS:**

H.E. Oum Sotha  
H.E. Mey Vann  
H.E. Sim Sitha  
H.E. Noun Pharath  
Mr. Ma Noravin  
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  
AMK Microfinance Institution Plc  
Sathapana Bank Plc.  
Chip Mong Commercial Bank Plc.  
Phnom Penh Commercial Bank  
National Treasury  
Municipal Treasury  
Takmao Treasury

**AUDITORS:**

BDO (Cambodia) Limited

**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 2020.

**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**

	<b>KHR'000</b>
Profit for the financial year	<u>88,351,845</u>

**Dividend**

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

	<b>KHR'000</b>
In respect of financial year ended 31 December 2019: First and final dividend of KHR230 per ordinary share	<u>20,003,827</u>

**Reserves and provisions**

There was a transfer of KHR13,288,086,000 from retained earnings to legal, general and development reserves, as approved during the Board of Directors meeting on 26 June 2020.

**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**

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

H.E. Oum Sotha  
H.E. Mey Vann  
H.E. Sim Sitha  
H.E. Noun Pharath  
Mr. Ma Noravin  
Mr. Om Sengbora  
Mr. Zhang Yun Feng

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

**DIRECTORS' REPORT (continued)**

**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 other body corporate.

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, except for any benefit which may be deemed to have arisen by virtue of those transactions as disclosed in Note 30 to the financial statements.

**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 2020, 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.

**Significant events during the financial year**

The significant events during the financial year are disclosed in Note 35 to the financial statements.

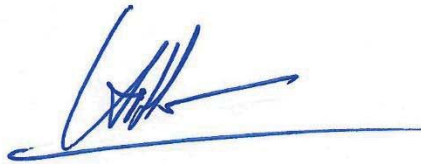
**PHNOM PENH WATER SUPPLY AUTHORITY**  
**(Incorporated in Cambodia)**

**DIRECTORS' REPORT (continued)**

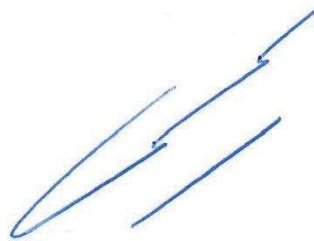
**Statement by the Directors**

In the opinion of the Directors, the financial statements set out on pages 10 to 45 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 2020, and of its financial performance and cash flows for the financial year then ended.

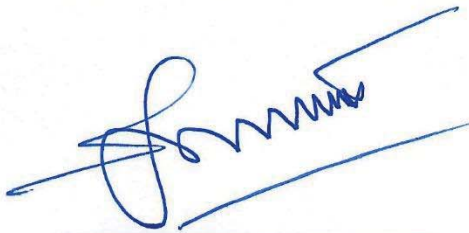
Signed on behalf of the Board of Directors,



**Oum Sotha**  
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: 24 March 2021

**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 2020, 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 45.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the PPWSA as at 31 December 2020, 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 *Code of Ethics for Professional Accountants and Auditors* of the Kampuchea Institute of Certified Public Accountants and Auditors ("Code of Ethics") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics and 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.

**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) Accrued water revenue**

Accrued water revenue of KHR38.1 billion as disclosed in Note 9 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 determined this to be key audit matter 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) Impairment of trade receivables**

Gross trade receivables of the PPWSA as at 31 December 2020 were KHR17.0 billion as disclosed in Note 8 to the financial statements.

We determined this to be key audit matter because it requires management to exercise significant judgement in determining the probability of default by trade receivables, appropriate forward looking information, significant increase in credit risk and estimated cash flows recoverable in worst-case scenarios, including the effects of COVID-19 pandemic.

***Audit response***

Our audit procedures included the following:

- Recomputed the probability of default using historical data and forward looking information adjustment, incorporating the impact of the COVID-19 pandemic, applied by the PPWSA;
- Recomputed the correlation coefficient between the macroeconomic indicators used by the PPWSA and historical losses to determine the appropriateness of the forward-looking information used by the PPWSA;
- Inquiries of management to assess the rationale underling the relationship between the forward-looking information and expected credit losses; and
- Assessed actual loss events subsequent to the end of reporting period for its relationship with the indicators of significant increase in credit risk applied by management.

**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 PPWSA are responsible for the other information. The other information comprises the annual report but does not include the financial statements of the PPWSA and our auditors' report thereon.

Our opinion on the financial statements of the PPWSA does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the PPWSA, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the PPWSA 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 other information, 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 PPWSA 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 PPWSA that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the PPWSA, the Directors are responsible for assessing the PPWSA'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 PPWSA, 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 PPWSA 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 PPWSA, 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 PPWSA'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 PPWSA'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 PPWSA 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 PPWSA to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the PPWSA, including the disclosures, and whether the financial statements of the PPWSA 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, actions taken to eliminate threats or safeguards applied.

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

**Other Matters**

This report is made solely to the shareholders of the PPWSA, as a body. We do not assume responsibility to any other person for the content of this report.

For and on behalf of  
**BDO (Cambodia) Limited**

Lim Seng Siew  
*Certified Public Accountant*



Phnom Penh, Cambodia  
Date: 24 March 2021



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

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2020**

	Note	2020 KHR'000	2019 KHR'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	1,573,602,099	1,374,031,554
Intangible assets	6	13,083,204	13,411,013
		<u>1,586,685,303</u>	<u>1,387,442,567</u>
<b>Current assets</b>			
Inventories	7	78,612,888	103,755,868
Trade and other receivables	8	25,642,206	16,452,570
Contract assets	9	42,922,547	10,433,314
Loan to employees	10	7,956,651	7,826,214
Short-term investments	11	67,939,714	17,909,267
Other tax receivables		4,643,326	5,312,052
Cash and bank balances	12	50,215,505	55,212,070
		<u>277,932,837</u>	<u>216,901,355</u>
<b>TOTAL ASSETS</b>		<u>1,864,618,140</u>	<u>1,604,343,922</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	13	541,227,282	541,227,282
Reserves	14	352,473,530	339,185,444
Retained earnings		88,351,845	33,291,913
<b>TOTAL EQUITY</b>		<u>982,052,657</u>	<u>913,704,639</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	15	517,288,403	303,948,144
Deferred government and other grants	16	18,822,093	20,959,838
Deferred tax liabilities	17	62,506,657	59,526,828
Other payables	18	65,195,836	65,398,879
		<u>663,812,989</u>	<u>449,833,689</u>
<b>Current liabilities</b>			
Trade and other payables	18	156,599,805	196,661,333
Borrowings	15	30,847,173	33,136,698
Contract liabilities	9	3,616,566	2,876,260
Current tax liabilities		27,688,950	8,131,303
		<u>218,752,494</u>	<u>240,805,594</u>
<b>TOTAL LIABILITIES</b>		<u>882,565,483</u>	<u>690,639,283</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>1,864,618,140</u>	<u>1,604,343,922</u>

*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 2020**

	Note	2020 KHR'000	2019 KHR'000
Revenue:			
Sales	19	281,649,338	194,272,261
Construction service fees	20	23,324,228	3,359,827
Foreign exchange gain – net	25	-	1,461,237
Other income	21	19,394,290	17,403,491
		<u>324,367,856</u>	<u>216,496,816</u>
Expenses:			
Depreciation and amortisation charges		(50,402,360)	(49,703,532)
Electricity costs		(37,062,063)	(37,308,266)
Salaries, wages and related expenses	22	(56,041,219)	(51,409,104)
Raw materials for water treatment	23	(10,523,255)	(7,671,340)
Raw materials for household water connections	24	(2,520,109)	(2,844,717)
Repairs and maintenance		(8,578,366)	(7,230,666)
Construction service expenses		(18,220,555)	(2,752,932)
Reversal of impairment on loan to employees	10	130,437	2,347,864
Other operating expenses		(8,259,697)	(7,949,679)
Foreign exchange loss – net	25	(3,303,997)	-
		<u>(194,781,184)</u>	<u>(164,522,372)</u>
Operating profit		129,586,672	51,974,444
Finance income	26	7,622,934	8,824,404
Finance costs	26	(16,463,129)	(11,508,318)
Profit before tax		120,746,477	49,290,530
Tax expense	27	(32,394,632)	(15,998,617)
Profit for the financial year		88,351,845	33,291,913
Other comprehensive income, net of tax		-	-
Total comprehensive income for the financial year		<u>88,351,845</u>	<u>33,291,913</u>
Basic earnings per share	28	1,015.85	382.78
Diluted earnings per share	28	1,015.85	382.78

*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 2020**

	Note	Share capital KHR'000	Reserves KHR'000	Retained earnings KHR'000	Total KHR'000
<b>Balance as at 1 January 2019</b>		<b>541,227,282</b>	<b>284,503,636</b>	<b>73,607,168</b>	<b>899,338,086</b>
Profit for the financial year representing total comprehensive income		-	-	33,291,913	33,291,913
<b>Transactions with owners</b>					
Transfer to reserves	14	-	54,681,808	(54,681,808)	-
Dividend	29	-	-	(18,925,360)	(18,925,360)
Total transactions with owners		-	54,681,808	(73,607,168)	(18,925,360)
<b>Balance as at 31 December 2019/ 1 January 2020</b>		<b>541,227,282</b>	<b>339,185,444</b>	<b>33,291,913</b>	<b>913,704,639</b>
Profit for the financial year, representing total comprehensive income		-	-	88,351,845	88,351,845
<b>Transactions with owners</b>					
Transfer to reserves	14	-	13,288,086	(13,288,086)	-
Dividend	29	-	-	(20,003,827)	(20,003,827)
Total transactions with owners		-	13,288,086	(33,291,913)	(20,003,827)
<b>Balance as at 31 December 2020</b>		<b>541,227,282</b>	<b>352,473,530</b>	<b>88,351,845</b>	<b>982,052,657</b>

*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 2020**

	Note	2020 KHR'000	2019 KHR'000
<b>Cash flows from operating activities</b>			
Profit before tax		120,746,477	49,290,530
Adjustments for:			
Amortisation of intangible assets	6	2,183,058	2,196,104
Amortisation of deferred government and other grants	16	(2,137,745)	(2,171,191)
Depreciation of property, plant and equipment	5	48,219,302	47,507,428
Finance income	26	(7,622,934)	(8,824,404)
Finance costs	26	16,463,129	11,508,318
Reversal of impairment on loan to employees	10	(130,437)	(2,347,864)
Property, plant and equipment written off		<u>592,041</u>	<u>728,660</u>
Operating profit before working capital changes		178,312,891	97,887,581
Changes in working capital:			
Inventories		25,142,980	(6,741,690)
Trade and other receivables		(8,436,398)	1,513,633
Trade and other payables		(83,977,550)	95,555,030
Contract assets		(32,489,233)	35,608,455
Contract liabilities		740,306	2,876,260
Refundable water deposits		<u>4,381,574</u>	<u>6,409,516</u>
Cash generated from operations		83,674,570	233,108,785
Income tax paid		<u>(9,857,156)</u>	<u>(8,390,165)</u>
Net cash from operating activities		<u>73,817,414</u>	<u>224,718,620</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	5	(200,919,031)	(200,125,829)
Interest capitalisation on qualifying assets	5	(3,714,516)	(2,666,186)
Purchase of intangible assets	6	(304,095)	(203,209)
Loan repayments from Pursat Water Supply (Placement)/Proceeds from disposal of short-term investments		-	112,365
Interest received		<u>(50,030,447)</u>	<u>15,713,150</u>
		<u>1,079,958</u>	<u>1,198,062</u>
Net cash used in investing activities		<u>(253,888,131)</u>	<u>(185,971,647)</u>

*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 2020 (continued)**

	Note	2020 KHR'000	2019 KHR'000
<b>Cash flows from financing activities</b>			
Dividend paid		(25,971,916)	(2,838,804)
Drawdown of borrowings		234,052,743	47,268,062
Interest paid		(1,200,329)	(4,704,556)
Repayments of borrowings		<u>(31,806,346)</u>	<u>(36,613,363)</u>
Net cash from financing activities		<u>175,074,152</u>	<u>3,111,339</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(4,996,565)</b>	<b>41,858,312</b>
<b>Cash and cash equivalents at beginning of financial year</b>		<u>55,212,070</u>	<u>13,353,758</u>
<b>Cash and cash equivalents at end of financial year</b>	12	<u>50,215,505</u>	<u>55,212,070</u>

***RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES***

	<b>Borrowings (Note 15) KHR'000</b>
<b>At 1 January 2019</b>	<b>327,754,530</b>
Cash flows	5,950,143
Non-cash flows:	
- Effect of foreign exchange	803,821
- Accrued interest	<u>2,576,348</u>
<b>At 31 December 2019</b>	<b>337,084,842</b>
Cash flows	201,046,068
Non-cash flows:	
- Effect of foreign exchange	8,659,499
- Accrued interest	<u>1,345,167</u>
<b>At 31 December 2020</b>	<b><u>548,135,576</u></b>

*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 2020**

**1. CORPORATE INFORMATION**

The Phnom Penh Water Supply Authority (“PPWSA”) is under the technical supervision of the Ministry of Industry, Science, Technology and Innovation (“MISTI”) 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 No. 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 Directors on 24 March 2021.

**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. 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 new CIFRSs adopted during the financial year are disclosed in Note 37 to the financial statements.

The PPWSA has also early adopted Amendment to CIFRS 16 *Covid-19-Related Rent Concessions* in the current financial year and elected to apply the practical expedient to all rent concessions relating to leases with similar characteristics and similar circumstances.

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

**5. PROPERTY, PLANT AND EQUIPMENT**

<i>Cost</i>	Freehold land KHR'000	Building KHR'000	Machinery KHR'000	Fluid 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	House connection KHR'000	Construction in progress KHR'000	Total KHR'000
<b>Balance at</b>												
<b>1.1.2019</b>	174,238,381	324,855,193	96,918,409	625,962,615	21,257,401	148,437,209	41,595,083	24,863,457	7,643,236	5,345,311	149,909,959	1,621,720,340
Additions	-	-	3,354,126	83,643	1,315,188	1,281,628	2,848,511	1,033,628	4,023	-	197,744,887	207,665,634
Transfers	-	3,052,507	3,640,535	8,660,537	136,939	17,699	-	179,762	721,462	6,633,569	(23,043,010)	-
Transfers to intangible assets	-	-	-	-	-	-	-	-	-	-	(1,077,816)	(1,077,816)
(Note 6)	-	-	-	-	-	-	-	-	-	-	(728,660)	(728,660)
Written-off	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balance at</b>												
<b>31.12.2019</b>	174,238,381	327,907,700	103,913,070	634,623,152	22,709,528	149,736,536	44,443,594	26,076,847	8,368,721	11,978,880	322,805,360	1,827,579,498
Additions	-	76,349	1,678,760	6,683	405,504	1,133,585	1,435,328	259,800	273,732	-	244,591,643	249,933,042
Transfers	-	5,469,053	161,913	11,190,175	-	385,950	-	1,300,947	884,326	5,495,750	(24,888,114)	-
Transfers to intangible assets	-	-	-	-	-	-	-	-	-	-	(1,551,154)	(1,551,154)
(Note 6)	-	-	-	-	-	-	-	-	-	-	(592,041)	(592,041)
Written-off	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balance at</b>												
<b>31.12.2020</b>	174,238,381	333,453,102	105,753,743	645,820,010	23,115,032	151,256,071	45,878,922	27,637,594	9,526,779	17,474,630	540,365,694	2,075,369,345

**5. PROPERTY, PLANT AND EQUIPMENT (continued)**

	Freehold land KHR'000	Building KHR'000	Machinery KHR'000	Fluid 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	House connection KHR'000	Construct- ion in progress KHR'000	Total KHR'000
<i>Accumulated depreciation</i>												
<b>Balance at</b>												
<b>1.1.2019</b>	-	(67,859,722)	(48,743,419)	(156,754,888)	(620,180)	(9,838,115)	(80,945,786)	(26,521,805)	(3,710,817)	(198,082)	-	(406,040,516)
Depreciation for the year	-	(6,840,614)	(5,565,590)	(17,145,590)	(19,738)	(2,799,679)	(6,661,832)	(2,222,706)	(1,157,174)	(735,988)	-	(47,507,428)
<b>Balance at</b>												
<b>31.12.2019</b>	-	(74,700,336)	(54,309,009)	(173,900,478)	(639,918)	(12,637,794)	(87,607,618)	(30,880,322)	(4,867,991)	(934,070)	-	(453,547,944)
Depreciation for the year	-	(6,895,300)	(5,884,570)	(17,277,660)	(30,948)	(2,623,964)	(6,778,617)	(2,289,240)	(1,230,188)	(1,252,007)	-	(48,219,302)
<b>Balance at</b>												
<b>31.12.2020</b>	-	(81,595,636)	(60,193,579)	(191,178,138)	(670,866)	(15,261,758)	(94,386,235)	(34,837,130)	(6,098,179)	(2,186,077)	-	(501,767,246)
<i>Carrying amounts</i>												
<b>Balance at</b>												
<b>31.12.2020</b>	<b>174,238,381</b>	<b>251,857,466</b>	<b>45,560,164</b>	<b>454,641,872</b>	<b>178,521</b>	<b>7,853,274</b>	<b>56,869,836</b>	<b>11,041,792</b>	<b>3,428,600</b>	<b>15,288,553</b>	<b>540,365,694</b>	<b>1,573,602,099</b>
Balance at												
<b>31.12.2019</b>	174,238,381	253,207,364	49,604,061	460,722,674	137,811	10,071,734	62,128,918	13,563,272	3,500,730	11,044,810	322,805,360	1,374,031,554



**5. PROPERTY, PLANT AND EQUIPMENT (continued)**

- (a) All items of property, plant and equipment are initially measured at cost. After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.
- (b) Depreciation is calculated to write down 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
House connection	12 years

Freehold land has unlimited useful life and is not depreciated.

Constructions in progress represent construction of new water treatment plant, extension of the transmission and distribution networks and renovation-in-progress. Constructions in progress are not depreciated until such time when the asset is available for use.

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

	<b>2020</b>	<b>2019</b>
	<b>KHR'000</b>	<b>KHR'000</b>
Additions	249,933,042	207,665,634
Increase in payables to suppliers and performance guarantee	(45,299,495)	(4,873,619)
Interest capitalised on qualifying assets	<u>(3,714,516)</u>	<u>(2,666,186)</u>
Cash payments on purchase of property, plant and equipment	<u>200,919,031</u>	<u>200,125,829</u>

## 6. INTANGIBLE ASSETS

	<b>KHR'000</b>
<i>Cost</i>	
<b>Balance as at 1.1.2019</b>	20,722,133
Additions	203,209
Transfer from property, plant and equipment (Note 5)	<u>1,077,816</u>
<b>Balance as at 31.12.2019</b>	22,003,158
Additions	304,095
Transfer from property, plant and equipment (Note 5)	<u>1,551,154</u>
<b>Balance as at 31.12.2020</b>	<u><u>23,858,407</u></u>
<i>Accumulated amortisation</i>	
<b>Balance as at 1.1.2019</b>	(6,396,041)
Amortisation for the year	<u>(2,196,104)</u>
<b>Balance as at 31.12.2019</b>	(8,592,145)
Amortisation for the year	<u>(2,183,058)</u>
<b>Balance as at 31.12.2020</b>	<u><u>(10,775,203)</u></u>
<i>Carrying amounts</i>	
<b>Balance as at 31.12.2020</b>	<u><u>13,083,204</u></u>
Balance as at 31.12.2019	<u>13,411,013</u>

- (a) Intangible assets are initially measured at cost. After initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.
- (b) Intangible assets comprise accounting software as well as network software and are amortised over seven years using the straight line method.

## 7. INVENTORIES

	<b>2020</b>	<b>2019</b>
	<b>KHR'000</b>	<b>KHR'000</b>
<b>At cost</b>		
Distribution pipes and fittings	50,690,955	71,145,822
Water meters	12,568,912	16,647,980
Spare parts and tools	6,228,854	6,398,655
Chemicals	366,878	906,597
Drums and other packages	100,216	100,216
Inventories in transit*	45,729	528,652
Other materials	<u>8,611,344</u>	<u>8,027,946</u>
	<u><u>78,612,888</u></u>	<u><u>103,755,868</u></u>

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

- (a) Inventories costs are determined using the weighted average cost basis and stated at the lower of cost and net realisable value.
- (b) During the financial year, inventories of the PPWSA recognised as expenses amounted to KHR13,043 million (2019: KHR10,516 million).

## 8. TRADE AND OTHER RECEIVABLES

	2020 KHR'000	2019 KHR'000
<b>Trade receivables</b>		
Household receivables	3,075,176	2,736,974
Commercial receivables	4,409,685	1,852,376
Public administration receivables	9,336,767	3,775,383
Water wholesalers	167,257	145,338
Less: Impairment loss (household receivables)	<u>(5,553)</u>	<u>(5,553)</u>
	<u>16,983,332</u>	<u>8,504,518</u>
<b>Other receivables</b>		
Performance guarantee	2,887,769	2,887,769
Interest receivables	809,887	725,374
Advances to suppliers	234,326	226,949
VAT receivables – net	936,550	456,397
Other receivables	<u>3,790,342</u>	<u>3,651,563</u>
	<u>8,658,874</u>	<u>7,948,052</u>
<b>Total receivables</b>	<u><u>25,642,206</u></u>	<u><u>16,452,570</u></u>

- (a) Total receivables are classified as financial assets measured at amortised cost.
- (b) Trade receivables are non-interest bearing and the normal trade credit terms granted by the PPWSA to households and businesses is one month (2019: one month) and to government departments is one year (2019: one year).
- (c) Public administrator customers are related to receivables from government departments with whom there is no recent history of default.
- (d) Trade receivables are denominated in KHR and other receivables are mainly denominated in KHR.
- (e) For impairment of trade receivables that do not contain a significant financing component, the PPWSA applies the CIFRS 9 simplified approach to measuring expected credit loss using a lifetime credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and aging. The expected loss rates are based on the PPWSA's historical credit losses experienced. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the PPWSA's customers.

Management exercised significant judgement in determining the probability of default by trade receivables and appropriate forward looking information.

As at the end of each reporting period, the credit risks exposures and concentration relating to trade receivables of the PPWSA are summarised in the table below:

	2020 KHR'000	2019 KHR'000
Maximum exposure	16,983,332	8,504,518
Collateral obtained (deposits from customers)	<u>(16,983,332)</u>	<u>(8,504,518)</u>
Net exposure to credit risk	<u><u>-</u></u>	<u><u>-</u></u>

During the financial year, the PPWSA did not renegotiate the terms of any trade receivables.

## 8. TRADE AND OTHER RECEIVABLES (continued)

(f) Movements in the impairment allowance for trade receivables are as follows:

	<b>Specific allowance KHR'000</b>	<b>Total allowance KHR'000</b>
At 1 January 2019/1 January 2020	5,553	5,553
Charge for the year	<u>-</u>	<u>-</u>
At 31 December 2019/31 December 2020	<u>5,553</u>	<u>5,553</u>

Specific allowance refers to individually determined debtors who are in significant financial difficulties and have defaulted on payments to be impaired as at the end of financial year.

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

## 9. CONTRACT ASSETS/(LIABILITIES)

	<b>2020 KHR'000</b>	<b>2019 KHR'000</b>
<b>Contract assets</b>		
Construction service receivable	4,861,270	28,947
Accrued water revenue	<u>38,061,277</u>	<u>10,404,367</u>
	<u>42,922,547</u>	<u>10,433,314</u>
<b>Contract liabilities</b>		
Deferred income	(5,278)	(5,278)
Unearned income	<u>(3,611,288)</u>	<u>(2,870,982)</u>
	<u>(3,616,566)</u>	<u>(2,876,260)</u>
	<u>39,305,981</u>	<u>7,557,054</u>

(a) Construction service receivable and unearned income

Construction service receivable and unearned income represent the timing differences in revenue recognition and the milestone billings. The milestone billings are structured and/or negotiated with customers to reflect physical completion of the contracts.

Construction service receivable is transferred to receivables when the rights to economic benefits become unconditional. This usually occurs when the PPWSA issues billing to the customers.

Unearned income represents the cash received in advance for the construction services provided in relation to the expansion of the water distribution system to a water supply distributor in the provinces. Unearned income is recognised as revenue when performance obligations are satisfied.

(b) Accrued water revenue

Accrued water revenue represents water supplied to customers but not billed at the year end. These contract assets are transferred to receivables when the right to economic benefits becomes unconditional, which occurs when the PPWSA issues the bill.

## 9. CONTRACT ASSETS/(LIABILITIES) (continued)

- (c) The amount of KHR2,871 million (2019: KHR476 million) recognised in contract liabilities at the beginning of the financial year has been recognised as revenue for the financial year ended 31 December 2020.
- (d) Contract value yet to be recognised as revenue

Revenue expected to be recognised in the future relating to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period, are as follows:

	2020 US\$	2021 US\$	Total US\$
<b>31 December 2020</b>	-	3,611,288	3,611,288
<b>31 December 2019</b>	2,876,260	-	2,876,260

- (e) The PPWSA applies the CIFRS 9 simplified approach to measuring expected credit losses on contract assets by using a lifetime credit loss provision as disclosed in Note 8 to the financial statements.

## 10. LOAN TO EMPLOYEES

	2020 KHR'000	2019 KHR'000
Receivables from employees	8,217,525	8,217,525
Less: Impairment loss	(260,874)	(391,311)
	<u>7,956,651</u>	<u>7,826,214</u>

- (a) Loan to employees are classified as financial assets measured at amortised cost.
- (b) 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.

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.

On 31 December 2020, the share price has increased and management has decided to make a reversal of impairment amounting approximately to KHR130 million (2019: KHR2,348 million) in the financial statements.

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.

## 10. LOAN TO EMPLOYEES (continued)

- (c) The PPWSA applies the CIFRS 9 general approach to measuring expected credit losses using forward looking expected credit loss model provision as disclosed in Note 8 to the financial statements.
- (d) As at the end of each reporting period, the credit risks exposures and concentration relating to loan to employees of the PPWSA are summarised in the table below:

	2020 KHR'000	2019 KHR'000
Maximum exposure	7,956,651	7,826,214
Collateral obtained	<u>(7,956,651)</u>	<u>(7,826,214)</u>
Net exposure to credit risk	<u>-</u>	<u>-</u>

- (e) Movements in the impairment allowance for loan to employees is as follows:

	2020 KHR'000	2019 KHR'000
At 1 January	391,311	2,739,175
Reversal of impairment loss	<u>(130,437)</u>	<u>(2,347,864)</u>
At 31 December	<u>260,874</u>	<u>391,311</u>

## 11. SHORT-TERM INVESTMENTS

- (a) Short-term investments are classified as financial assets measured at amortised cost.
- (b) The short-term investments include deposits amounting to KHR67.9 billion (2019: KHR17.9 billion). There is no restriction for the PPWSA to use these short-term investments for other purposes.
- (c) The short-term investments represents fixed deposits placed with financial institutions for a period of between four to twelve months (2019: four to twelve months), earning interest at rate of 1.50% to 4.00% (2019: 4.00%) per annum.

Weighted average effective interest rate of short-term investments of the PPWSA as at the end of each reporting period are as follows:

	Weighted average effective interest rate per annum %	Within 1 year KHR'000	Total KHR'000
<b>31 December 2020</b>			
Fixed rates	2.57	<u>67,939,714</u>	<u>67,939,714</u>
<b>31 December 2019</b>			
Fixed rates	4.00	<u>17,909,267</u>	<u>17,909,267</u>

- (d) The currency exposure profile of short-term investments is as follows:

	2020 KHR'000	2019 KHR'000
Khmer Riel	5,000,000	-
United States Dollar	<u>62,939,714</u>	<u>17,909,267</u>
	<u>67,939,714</u>	<u>17,909,267</u>

## 12. CASH AND BANK BALANCES

	2020 KHR'000	2019 KHR'000
Cash on hand	281,586	538,040
Cash at banks	<u>49,933,919</u>	<u>54,674,030</u>
	<u>50,215,505</u>	<u>55,212,070</u>

(a) Cash and bank balances are classified as financial assets measured at amortised cost.

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

	2020 KHR'000	2019 KHR'000
Khmer Riel	46,998,162	44,865,428
United States Dollar	<u>3,217,343</u>	<u>10,346,642</u>
	<u>50,215,505</u>	<u>55,212,070</u>

(c) Weighted average effective interest rate of deposits with licensed banks of the PPWSA as at the end of each reporting period are as follows:

	2020 %	2019 %
Fixed rates	<u>0.71</u>	<u>0.50</u>

## 13. SHARE CAPITAL

	Ordinary shares		Class A shares		Share premium	Total
	Number	KHR'000	Number	KHR'000	KHR'000	KHR'000
As at 31.12.20	<u>86,973,162</u>	<u>86,973,162</u>	<u>391,101,942</u>	<u>391,100,942</u>	<u>63,153,178</u>	<u>541,227,282</u>
As at 31.12.19	<u>86,973,162</u>	<u>86,973,162</u>	<u>391,100,942</u>	<u>391,100,942</u>	<u>63,153,178</u>	<u>541,227,282</u>

(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	73,927,187	85%
Other shareholders	11,741,606	14%
Employee share option scheme*	<u>1,304,369</u>	<u>1%</u>
	<u>86,973,162</u>	<u>100%</u>

\* 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.

#### 14. RESERVES

	Capital reserve KHR'000	Legal reserve KHR'000	General reserve KHR'000	Development reserve KHR'000	Total KHR'000
<b>As at 1.1.2019</b>	1,648,435	22,355,433	22,355,433	238,144,335	284,503,636
Transfer from retained earnings	-	3,680,356	3,680,356	47,321,096	54,681,808
<b>As at 31.12.2019/ 1.1.2020</b>	1,648,435	26,035,789	26,035,789	285,465,431	339,185,444
Transfer from retained earnings	-	1,664,596	1,664,596	9,958,894	13,288,086
<b>As at 31.12.2020</b>	<u>1,648,435</u>	<u>27,700,385</u>	<u>27,700,385</u>	<u>295,424,325</u>	<u>352,473,530</u>

- (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, 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.



#### 14. RESERVES (continued)

- (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.

#### 15. BORROWINGS

	2020 KHR'000	2019 KHR'000
<b>Non-current</b>		
Agence Francaise De Developmen (“AfD”) – Credit No. 1075 03 S	-	4,582,604
MoEF – Japan International Cooperation Agency (“JICA”)	49,788,909	49,425,079
MoEF – Asian Development Bank (“ADB”)	37,142,777	38,242,500
AfD – Credit No. 1121 01F	69,758,160	82,512,499
AfD - Credit No. 1174 01 P	145,333,601	129,185,462
AfD - Credit No. 1176 01 S	98,793,384	-
European Investment Bank (“EIB”)	116,471,572	-
	<u>517,288,403</u>	<u>303,948,144</u>
<b>Current</b>		
AfD – Credit No. 1075 03 S	4,984,952	9,175,626
MoEF – JICA	1,905,675	1,827,646
MoEF – ADB	2,555,782	2,485,038
AfD – Credit No. 1121 01F	19,997,547	18,411,047
AfD - Credit No. 1174 01 P	1,228,233	1,237,341
AfD - Credit No. 1176 01 S	112,859	-
EIB	62,125	-
	<u>30,847,173</u>	<u>33,136,698</u>
<b>Total borrowings</b>		
AfD – Credit No. 1075 03 S	4,984,952	13,758,230
MoEF – JICA	51,694,584	51,252,725
MoEF – ADB	39,698,559	40,727,538
AfD – Credit No. 1121 01F	89,755,707	100,923,546
AfD - Credit No. 1174 01 P	146,561,834	130,422,803
AfD - Credit No. 1176 01 S	98,906,243	-
EIB	116,533,697	-
	<u>548,135,576</u>	<u>337,084,842</u>

- (a) Borrowings are classified as financial liabilities measured at amortised cost.
- (b) 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).

## 15. BORROWINGS (continued)

### (b) AfD – Credit No. 1075 03 S (continued)

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.

### (c) 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 0.66% (2019: 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.

On 15 March 2020, pursuant to the amendment to the Subsidiary Loan Agreement No. CP-P9 (MoEF – JICA), the loan shall be dominated in Japanese Yen (“JPY”) and PPWSA shall repay the principal and interest of the loan in local currency at the exchange rate which MoEF pays to JICA. The annual interest rate was adjusted from 7.50% to 0.66% per annum. The loan maturity was extended from 12 years to 40 years, which is ending on 20 March 2049.

### (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 1.65% (2019: 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.

On 15 March 2020, pursuant to the amendment to the Subsidiary Loan Agreement No.1468 - CAM (MoEF – ADB), the loan shall be dominated in Special Drawing Right (“SDR”) and PPWSA shall repay the principal and interest of the loan in local currency at the exchange rate which MoEF pays to ADB. The annual interest rate was adjusted from 6.50% to 1.65% per annum. The loan shall be repaid in semi-annual instalments on 1 April and 1 October of each year, commencing from 2020.

## 15. 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 from 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 from 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) AfD – Credit No. 1176 01S

With reference to the credit facility agreement No.CKH 1176 01PS dated 31 December 2018, the PPWSA was provided with a credit facility in a maximum amount of US\$85,000,000, which is equivalent to EUR77,300,000 from AfD.

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

The effective global rate (tax effective global) applicable to the facility may be valued at an annual rate of 1.24% on the basis of a 365 days and an interest period of 6 months, capped at 1.22% 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.

## 15. BORROWINGS (continued)

(h) European Investment Bank (“EIB”)

With reference to the finance contract dated 18 December 2018 and 18 June 2019 between the Government of the Kingdom of Cambodia (“RGC”) (represented by the Ministry of Economic and Finance) with the European Investment Bank (“EIB”) and the onlending agreement dated 7 November 2019 between the RGC and the PPWSA, the PPWSA was provided a loan with an aggregate amount not exceeding US\$100,000,000.

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

The effective global rate (tax effective global) applicable to the facility may be valued at an annual rate of 1.16% on the basis of a 360 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 0.35% per annum.

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

(i) Fair values of the borrowings of the PPWSA are categorised as Level 3 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.

Valuation techniques used and key inputs to valuation on the borrowing measured at level 3 are described below:

Financial liability	Valuation technique used	Significant unobservable input	Inter-relationship between key unobservable inputs and fair value
Borrowings	Discounted cash flow method	Discount rate	The higher the discount rate, the lower the fair value of the financial liabilities would be

(j) Borrowings that are not carried at fair values and whose carrying amounts do not approximate of fair values are as follows:

	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
	KHR’000	KHR’000	KHR’000	KHR’000
Fixed rate loans	548,135,576	291,873,688	337,084,842	198,399,770

Fair values of the borrowings are estimated by discounting future contracted cash flows at the current market interest rate available to the PPWSA for similar financial instruments.

## 15. BORROWINGS (continued)

- (k) The following table sets out the carrying amounts, the weighted average effective interest rates as at the end of each reporting period and the remaining maturities of the borrowings of the PPWSA that are exposed to interest rate risk:

31 December 2020	Weighted average effective interest rate per annum %	Within	1 - 2	2 - 5	More than	Total
		1 year	years	years	5 years	
		KHR'000	KHR'000	KHR'000	KHR'000	KHR'000
Fixed rates	1.08	30,847,172	24,137,717	82,944,933	410,205,754	548,135,576
<b>31 December 2019</b>						
Fixed rates	1.10	33,136,699	26,970,655	67,164,155	209,813,333	337,084,842

- (l) The table below summarises the maturity profile of the borrowings of the PPWSA at the end of each reporting period based on contractual undiscounted repayment obligations as follows:

31 December 2020	On demand	One to five	Over five	Total
	or within one year KHR'000	years KHR'000	years KHR'000	
Borrowings	32,061,050	115,586,996	449,572,861	597,220,907
<b>31 December 2019</b>				
Borrowings	34,429,297	124,199,741	205,951,954	364,580,992

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

	2020 KHR'000	2019 KHR'000
United States Dollar	362,001,773	130,422,803
Euro	94,740,660	114,681,776
Special Drawing Right	39,698,559	40,727,538
Japanese Yen	51,694,584	51,252,725
	<u>548,135,576</u>	<u>337,084,842</u>

## 16. DEFERRED GOVERNMENT AND OTHER GRANTS

	<b>Government grant KHR'000</b>	<b>JICA grant KHR'000</b>	<b>Other grant KHR'000</b>	<b>Total KHR'000</b>
Balance as at 1.1.2019	4,411,265	17,987,061	732,703	23,131,029
Amortisation	(38,117)	(2,108,679)	(24,395)	(2,171,191)
<b>Balance as at 31.12.2019</b>	<b>4,373,148</b>	<b>15,878,382</b>	<b>708,308</b>	<b>20,959,838</b>
Balance as at 1.1.2020	4,373,148	15,878,382	708,308	20,959,838
Amortisation	(132,508)	(1,980,843)	(24,394)	(2,137,745)
<b>Balance as at 31.12.2020</b>	<b>4,240,640</b>	<b>13,897,539</b>	<b>683,914</b>	<b>18,822,093</b>

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

### (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.

## 17. DEFERRED TAX LIABILITIES

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

	<b>At 1.1.2020 KHR'000</b>	<b>Recognised in profit or loss (Note 27) KHR'000</b>	<b>At 31.12.2020 KHR'000</b>
Property, plant and equipment	(63,217,773)	(4,786,317)	(68,004,090)
Allowance for inventory obsolescence	50,645	-	50,645
Allowance for doubtful debts	522,858	-	522,858
Staff benefits	2,876,401	53,748	2,930,149
Unrealised exchange	241,041	1,752,740	1,993,781
	<b>(59,526,828)</b>	<b>(2,979,829)</b>	<b>(62,506,657)</b>

## 17. DEFERRED TAX LIABILITIES (continued)

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

	At 1.1.2019 KHR'000	Recognised in profit or loss (Note 27) KHR'000	At 31.12.2019 KHR'000
Property, plant and equipment	(57,267,178)	(5,950,595)	(63,217,773)
Allowance for inventory obsolescence	50,645	-	50,645
Allowance for doubtful debts	522,858	-	522,858
Staff benefits	5,582,642	(2,706,241)	2,876,401
Unrealised exchange	5,530,963	(5,289,922)	241,041
	<u>(45,580,070)</u>	<u>(13,946,758)</u>	<u>(59,526,828)</u>

## 18. TRADE AND OTHER PAYABLES

	2020 KHR'000	2019 KHR'000
<b>Other payables - non-current</b>		
Refundable water deposits	65,195,836	60,814,262
Performance guarantee	-	4,584,617
	<u>65,195,836</u>	<u>65,398,879</u>
<b>Trade payables - current</b>		
Third parties	<u>78,123,933</u>	<u>13,401,766</u>
<b>Other payables - current</b>		
Accrued staff incentive	8,743,427	8,261,680
Amount due to Phnom Penh Municipality	38,524,322	25,294,747
Amount due to employees	290,227	1,295,107
Performance guarantee	67,313	67,345
Dividend payable	17,003,254	22,971,343
Other tax payable	584,751	162,468
Other accrual	6,901,031	7,457,465
Other payables	<u>6,361,547</u>	<u>117,749,412</u>
	<u>78,475,872</u>	<u>183,259,567</u>
	<u>156,599,805</u>	<u>196,661,333</u>
	<u>221,795,641</u>	<u>262,060,212</u>

- (a) Trade and other payables are classified as financial liabilities measured at amortised cost.
- (b) Trade payables are non-interest bearing and the normal trade credit terms granted to the PPWSA range from one to three months (2019: one to three months).
- (c) 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.

## 18. TRADE AND OTHER PAYABLES (continued)

- (d) Amount due to employees represents the amount to be distributed to the employees as full settlement arising from the termination of the PPWSA's pension scheme effective on 31 December 2019.
- (e) Trade payables and performance guarantee are mainly denominated in US\$ and other payables are mainly denominated in KHR.
- (f) The table below summarises the maturity profile of the trade and other payables of the PPWSA at the end of each reporting period based on contractual undiscounted repayment obligations as follows:

	<b>On demand or within one year KHR'000</b>	<b>One to five years KHR'000</b>	<b>Over five years KHR'000</b>	<b>Total KHR'000</b>
<b>31 December 2020</b>				
Trade and other payables	156,599,805	-	65,195,836	221,795,641
<b>31 December 2019</b>				
Trade and other payables	196,661,333	4,584,617	60,814,262	262,060,212

## 19. REVENUE

	<b>2020 KHR'000</b>	<b>2019 KHR'000</b>
Water sales:		
- households	111,165,503	81,972,006
- commercial	131,475,633	84,996,364
- public administration institution	19,365,133	6,624,225
- autonomous state authorities	528,632	325,997
- wholesalers	8,600,090	7,587,312
Rounding difference on water sales revenue	66,287	44,617
Less: Invoice cancellations	<u>(1,966,368)</u>	<u>(1,491,759)</u>
	269,234,910	180,058,762
Water connection revenue	8,745,995	10,296,606
Water meter replacement charges	3,512,035	3,799,713
Spare parts and meter sales	<u>156,398</u>	<u>117,180</u>
	<u>281,649,338</u>	<u>194,272,261</u>

- (a) Sale of water

Revenue from sale of water is recognised at a point in time when the water has been supplied by the PPWSA and consumed by the customers.

- (b) Household water connection revenue

Revenue from household water connection revenue is recognised at a point in time when the water connection is completed.

- (c) Water meter replacement charge

Revenue from water meter replacement is recognised at a point in time based on an amount of KHR50 per 1mm of water meter is charged each month during the billing cycle.



## 20. CONSTRUCTION SERVICE FEES

Construction service fees represent fees from construction service provided in relation to the expansion of the water distribution system to a water supply distributor in the provinces.

Revenue from construction contracts is measured at the fixed transaction price agreed under the agreement.

Revenue is recognised as and when control of the asset is transferred to the customer and it is probable that the PPWSA would collect the consideration to which it will be entitled in exchange for the asset that would be transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the performance of the PPWSA does not create an asset with an alternative use to the PPWSA and the PPWSA has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract using the input method by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

Significant judgement is required in determining performance obligations, transaction price allocation and costs in applying the input method to recognise revenue over time.

The PPWSA identifies performance obligations that are distinct and material, which is judgmental in the context of contract. Transaction prices were determined based on estimated margins prior to its allocation to the identified performance obligation. The PPWSA also estimated total contract costs in applying the input method to recognise revenue over time.

## 21. OTHER INCOME

	<b>2020</b>	<b>2019</b>
	<b>KHR'000</b>	<b>KHR'000</b>
Government and other grants	2,137,745	2,171,191
Spare parts and meter sales	13,102,735	11,356,233
Penalty revenue	432,810	912,200
Other revenue	<u>3,721,000</u>	<u>2,963,867</u>
	<u>19,394,290</u>	<u>17,403,491</u>

## 22. SALARY, WAGES AND RELATED EXPENSES

	<b>2020</b>	<b>2019</b>
	<b>KHR'000</b>	<b>KHR'000</b>
Employee salaries	28,054,968	24,004,073
Incentives	9,830,703	9,754,110
Bonuses	7,459,495	6,511,484
Retirement benefit costs	1,226,009	1,265,741
Wages for contractors	785,537	766,379
Other employee-related expenses	<u>8,684,507</u>	<u>9,107,317</u>
	<u>56,041,219</u>	<u>51,409,104</u>

**23. RAW MATERIALS FOR WATER TREATMENT**

	<b>2020</b>	<b>2019</b>
	<b>KHR'000</b>	<b>KHR'000</b>
Chlorine	2,864,827	1,981,035
Poly Aluminium Chloride	6,307,192	4,315,865
Salt	1,035,660	1,075,245
Other materials	315,576	299,195
	<u>10,523,255</u>	<u>7,671,340</u>

**24. RAW MATERIALS FOR HOUSEHOLD WATER CONNECTIONS**

	<b>2020</b>	<b>2019</b>
	<b>KHR'000</b>	<b>KHR'000</b>
Materials for house connection	1,742,688	2,215,404
Consumer water meter replacement	509,597	394,155
Pipe costs	19,613	11,137
Other costs	248,211	224,021
	<u>2,520,109</u>	<u>2,844,717</u>

**25. FOREIGN EXCHANGE (LOSS)/GAIN – NET**

	<b>2020</b>	<b>2019</b>
	<b>KHR'000</b>	<b>KHR'000</b>
Foreign exchange gains	2,087,596	15,610,100
Foreign exchange losses	(5,391,593)	(14,148,863)
	<u>(3,303,997)</u>	<u>1,461,237</u>

**26. FINANCE INCOME/(COSTS)**

	<b>2020</b>	<b>2019</b>
	<b>KHR'000</b>	<b>KHR'000</b>
Finance income:		
- Interest income on bank deposits (a)	1,164,471	694,379
- Foreign exchange gain on borrowings	6,458,463	8,128,149
- Interest income on loan to Pursat Water Supply	-	1,876
	<u>7,622,934</u>	<u>8,824,404</u>
Finance costs:		
- Interest expense on borrowing (b)	(5,059,682)	(5,242,534)
- Foreign exchange loss on borrowings	(15,117,962)	(8,931,970)
- Interest capitalised on qualifying assets	3,714,515	2,666,186
	<u>(16,463,129)</u>	<u>(11,508,318)</u>
Finance cost - net	<u>(8,840,195)</u>	<u>(2,683,914)</u>

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

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

## 27. TAX EXPENSE

	2020 KHR'000	2019 KHR'000
Income tax expense:		
Current year	21,268,673	2,051,859
Under provision in prior year	<u>8,146,130</u>	<u>-</u>
	<u>29,414,803</u>	<u>2,051,859</u>
Deferred tax expense (Note 17):		
Origination and reversal of temporary differences	2,979,829	8,044,735
Under provision in prior year	<u>-</u>	<u>5,902,023</u>
	<u>2,979,829</u>	<u>13,946,758</u>
Total tax expense	<u><u>32,394,632</u></u>	<u><u>15,998,617</u></u>

Under the Cambodian Law on Taxation, the PPWSA has an obligation to pay tax on profit at 20% (2019: 20%) of the taxable profit or a minimum tax at 1% (2019: 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:

	2020 KHR'000	2019 KHR'000
Profit before tax	<u>120,746,477</u>	<u>49,290,530</u>
Tax at Cambodian statutory tax rate of 20%	24,149,295	9,858,106
Tax effects in respect of:		
Non-allowable expenses	<u>99,207</u>	<u>238,488</u>
	24,248,502	10,096,594
Under provision of deferred tax in prior year	-	5,902,023
Under provision of income tax in prior year	<u>8,146,130</u>	<u>-</u>
Total tax expense	<u><u>32,394,632</u></u>	<u><u>15,998,617</u></u>

## 28. EARNINGS PER SHARE

	2020 KHR'000	2019 KHR'000
Profit attributable to ordinary equity holders	88,351,845	33,291,913
Weighted average number of ordinary shares in issue	<u>86,973,162</u>	<u>86,973,162</u>
Basic earnings per share	1,015.85	382.78
Diluted earnings per share	<u>1,015.85</u>	<u>382.78</u>

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.

## 29. DIVIDEND

	2020		2019	
	Dividend per share KHR	Amount of dividend KHR'000	Dividend per share KHR	Amount of dividend KHR'000
First and final dividend declared	<u>230.00</u>	<u>20,003,827</u>	<u>217.60</u>	<u>18,925,360</u>

On 26 June 2020, the Board of Directors proposed and approved the dividend in respect of the financial year ended 31 December 2019 of KHR230 per share, amounting to a total dividend of KHR20 billion.

## 30. 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.

	2020 KHR'000	2019 KHR'000
<u>Common control</u>		
MoEF		
Interest on borrowings paid	4,563,554	9,288,407
Pursat Water Supply		
Interest on loan received	<u>-</u>	<u>1,876</u>

Balances with related parties at the end of the reporting period are disclosed in Note 16 to the financial statements.

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

- (c) Key management compensation during the financial year is as follows:

	2020 KHR'000	2019 KHR'000
Salaries and other expenses	<u>2,397,823</u>	<u>2,148,791</u>

## 31. CAPITAL COMMITMENTS

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

	2020 KHR'000	2019 KHR'000
Construction of water treatment plant	560,603,615	715,650,181
Consultation services	10,762,234	699,014
Purchase of iron pipes, fitting and accessories	<u>83,993,610</u>	<u>1,056</u>
	<u>655,359,459</u>	<u>716,350,251</u>

## 32. CAPITAL AND FINANCIAL RISK MANAGEMENT

### (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 its shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2020 and 31 December 2019.

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

### (b) Financial risk management

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.

The PPWSA is exposed mainly to foreign currency risk, interest rate risk, credit risk and liquidity and cash flow risk. Information on the management of the related exposures is detailed below:

#### (i) 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 KHR3,217 million (2019: KHR10,347 million) and KHR62,939 million (2019: KHR17,909million) respectively for the PPWSA.

Borrowings of the PPWSA from ADB, AfD, EIB and JICA denominated in SDR, EUR, US\$ and JPY amounted to KHR39,698 million (2019: KHR40,727 million), KHR94,741 million (2019: KHR114,682 million), KHR362,002 million (2019: KHR130,423 million) and KHR51,695 million (2019: KHR51,253 million) respectively.

## 32. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

### (b) Financial risk management (continued)

#### (i) Foreign currency risk (continued)

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

		<b>2020</b>	<b>2019</b>
		<b>KHR'000</b>	<b>KHR'000</b>
<b>Profit after tax</b>			
US\$/KHR	- strengthen by 3% (2019: 3%)	(7,100,273)	(2,452,005)
	- weaken by 3% (2019: 3%)	7,100,273	2,452,005
EUR/KHR	- strengthen by 3% (2019: 3%)	(2,273,776)	(2,752,363)
	- weaken by 3% (2019: 3%)	2,273,776	2,752,363
SDR/KHR	- strengthen by 3% (2019: 3%)	(952,765)	(977,461)
	- weaken by 3% (2019: 3%)	952,765	977,461
JPY/KHR	- strengthen by 3% (2019: 3%)	(1,240,670)	(1,230,065)
	- weaken by 3% (2019: 3%)	1,240,670	1,230,065

#### (ii) 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:

	<b>2020</b>	<b>2019</b>
	<b>KHR'000</b>	<b>KHR'000</b>
<b>Profit after tax</b>		
- Increased by 0.1% (2019: 0.1%)	(161,541)	(307,967)
- Decreased by 0.1% (2019: 0.1%)	161,541	307,967

The sensitivity is lower in 2020 than in 2019 because of higher interest capitalised during the financial year. The assumed movement in basis points for interest rate sensitivity analysis is based on current observable market environment.

## 32. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

### (b) Financial risk management (continued)

#### (iii) 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 PPWSA controls the credit risk on sales by ensuring that its customers have sound financial position and credit history.

The PPWSA determines a financial asset to be in default when contractual payments are past due and when internal or external information indicates that financial asset is not recoverable. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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 diversified its deposits with different banks using a few large and well-known local banks operating in Cambodia.

#### Exposure to credit risk and credit risk concentration profile

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) 18% (2019: 32%) of the PPWSA's trade receivables were due from household customers.
- (ii) 26% (2019: 22%) of the PPWSA's trade receivables were due from commercial customers.
- (iii) 55% (2019: 44%) of the PPWSA's trade receivables were due from public administrative customers.

The PPWSA do not anticipate the carrying amounts recorded at the end of each reporting period to be significantly different from the values that would eventually be received.

## 32. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

### (b) Financial risk management (continued)

#### (iv) 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.

## 33. 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 3% (2019: 5%) of the total revenue, while water sales account for 96% (2019: 93%) 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.

## 34. 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.

## 35. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) The World Health Organisation declared the 2019 Novel Coronavirus infection ("COVID-19") a pandemic on 11 March 2020.

As at the date of authorisation of the financial statements, the COVID-19 situation is still evolving and unpredictable. Consequently, PPWSA is unable to estimate the financial effects of COVID-19 pandemic at this juncture. PPWSA is actively monitoring and managing its operations to minimise any impact arising from the COVID-19 pandemic.

- (b) On 15 July 2020, the Ministry of Economy and Finance ("MoEF") agreed to transfer the water treatment plant at Tbong Khmum province to PPWSA, with the following conditions:
- (1) To prepare the statement of financial position of Tbong Khmum water supply organisation.
  - (2) All the expenditures incurred for the construction of water treatment plant together with the distributed network are to be recorded as the share capital of PPWSA.

As at 31 December 2020, PPWSA is in the midst of complying with the above conditions.



### 36. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation.

	As restated KHR'000	As previously stated KHR'000
<b>Statement of financial position</b>		
<b>Current assets</b>		
Trade and other receivables	16,452,570	13,564,801
Contract assets	<u>10,433,314</u>	<u>13,321,083</u>

### 37. ADOPTION OF NEW CIFRSs

#### 37.1 New CIFRSs adopted during the current financial year

PPWSA adopted the following amendments during the financial year.

	<b>Effective Date</b>
Amendments to <i>References to the Conceptual Framework in CIFRS Standards</i>	1 January 2020
Amendments to CIFRS 3 <i>Definition of a Business</i>	1 January 2020
Amendments to CIAS 1 and CIAS 8 <i>Definition of Material</i>	1 January 2020
Amendments to CIFRS 9, CIAS 39 and CIFRS 7 <i>Interest Rate Benchmark Reform</i>	1 January 2020
Amendment to CIFRS 16 <i>Covid-19-Related Rent Concessions</i>	1 June 2020 (early adopted)

Adoption of the above amendments did not have any material effect on the financial performance or position of the Company.

#### 37.2 New CIFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2021

The following are accounting standards and amendments that have been issued but have not been early adopted by PPWSA.

	<b>Effective Date</b>
<i>Interest Rate Benchmark Reform - Phase 2</i> (Amendments to CIFRS 9, CIAS 39, CIFRS 7, CIFRS 4 and CIFRS 16)	1 January 2021
Annual Improvements to CIFRS Standards 2018 - 2020	1 January 2022
Amendments to CIFRS 3 <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to CIAS 16 <i>Property, Plant and Equipment - Proceeds before Intended Use</i>	1 January 2022
Amendments to CIAS 37 <i>Onerous Contracts - Cost of Fulfilling a Contract</i>	1 January 2022
Amendments to CIAS 1 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
CIFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to CIFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to CIFRS 4 <i>Insurance Contract - Extension of the Temporary Exemption from Applying CIFRS 9</i>	1 January 2023
Amendments to CIFRS 10 and CIAS 28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

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

## 37. ADOPTION OF NEW CIFRSs (continued)

### 37.2 New CIFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2021 (continued)

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

#### Interest Rate Benchmark Reform - Phase 2 (Amendments to CIFRS 9, CIAS 39, CIFRS 7, CIFRS 4 and CIFRS 16)

The changes in *Interest Rate Benchmark Reform — Phase 2* (Amendments to CIFRS 9, CIAS 39, CIFRS 7, CIFRS 4 and CIFRS 16) refer to the replacement of interest reference rates, such as London Inter-Bank Offered Rate (“LIBOR”) and Euro Inter-Bank Offered Rate (“EURIBOR”) with alternative benchmark rates. These amendments follow on from the first phase of reliefs relating to Inter-Bank Offered Rate (“IBOR”) Reform issued in September 2019.

IBOR Reform brings about several potentially significant implications for entities reporting under CIFRS both during the period of uncertainty prior to IBOR being replaced (pre-replacement issues), as well as at the time IBOR is replaced (replacement issues). The first phase of amendments focused solely on pre-replacement issues that relate to hedge accounting requirements. The second phase of reliefs focuses on replacement issues in relation to hedge accounting and other areas of accounting.

#### Annual Improvements to CIFRS Standards 2018 – 2020

The annual improvements amend the following standards:

- CIFRS 1 *First-time Adoption of International Financial Reporting Standards* to permit a subsidiary that applies paragraph D16(a) of CIFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to CIFRSs;
- CIFRS 9 *Financial Instruments* to clarify the fees included in the “10 per cent” test in paragraph B3.3.6 of CIFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf are included;
- CIFRS 16 *Leases* to amend Illustrative Example 13 to remove the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example; and
- CIAS 41 *Agriculture* to remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

#### Amendments to CIFRS 3 Reference to the Conceptual Framework

Amendments are made to various accounting standards to reflect the issue of the revised *Conceptual Framework for Financial Reporting* and apply to for-profit sector entities that have public accountability and are required by legislation to comply with CIFRSs and other for-profit entities that elect to apply the *Conceptual Framework*, for annual reporting periods beginning on or after 1 January 2020.

#### Amendments to CIAS 16 Property, Plant and Equipment - Proceeds before Intended Use

The amendments to CIAS16 *Property, Plant and Equipment* prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

## 37. ADOPTION OF NEW CIFRSs (continued)

### 37.2 New CIFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2021 (continued)

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

#### Amendments to CIAS 37 *Onerous Contracts - Cost of Fulfilling a Contract*

The amendments to CIAS 37 *Provisions, Contingent Liabilities and Contingent Assets* to specify that the “cost of fulfilling” a contract comprises the “costs that relate directly to the contract”. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

#### Amendments to CIAS 1 *Classification of Liabilities as Current or Non-current*

CIAS 1 *Presentation of Financial Statements* has been amended to:

- Clarify that the classification of liabilities as current or non-current is based on rights that in existence at the end of the reporting period;
- Specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability;
- Explain that rights are in existence if covenants are complied with at the end of the reporting period; and
- Introduce a definition of “settlement” to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

#### 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.

### 37. ADOPTION OF NEW CIFRSs (continued)

#### 37.2 New CIFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2021 (continued)

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

##### Amendments to CIFRS 17 Insurance Contracts

The amendments to CIFRS 17 *Insurance Contracts* defer the effective date from annual periods beginning on or after 1 January 2021 to 1 January 2023. For entities that have elected to defer CIFRS 9 *Financial Instruments*, the mandatory effective date has also been deferred until 1 January 2023.

The IASB has amended CIFRS 17 to:

- Reduce costs (some requirements have been simplified to reduce costs such as systems development costs);
- Make results easier to explain; and
- Ease transition (the deferred application date gives insurers more time to prepare for first-time adoption of CIFRS 17 and in some cases, CIFRS 9 as well, and also provides more transition reliefs to reduce complexity of applying CIFRS 17 for the first time).

##### Amendments to CIFRS 4 Insurance Contract - Extension of the Temporary Exemption from Applying CIFRS 9

CIFRS 4 was amended to require insurers applying the temporary exemption from CIFRS 9 (i.e. those insurers that continue to apply CIAS 39) to apply the same practical expedient as those entities applying CIFRS 9.

##### 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.

## PART7.- Information on Related Party Transactions and Conflict of Interest

### A. Material Transactions with Shareholder(s) who hold at least 5% or more shares of outstanding equity securities

On November 14<sup>th</sup>, 2020, the Ministry of Economy and Finance (MEF) and the Phnom Penh Water Supply Authority (PPWSA) had entered into the Subsidiary Credit Agreement for debt financing amounted to the total credit of USD 101,400,000, which was funded by the Agence Française de Développement (AFD), for the project of the Bakheng Water Supply (Phase 2). This project will contribute to the extension of water supply service in the Greater Phnom Penh, consisting of the three following components:

- (a) Construction of the Bakheng Water Production Facility (phase 2) brings its capacity from 195,000 m<sup>3</sup>/day to 390,000 m<sup>3</sup>/day.
- (b) Extension of the water supply network according to the Water Supply Master Plan 2016-2030.
- (c) Engineering and support to water supply service management.

The credit facility was denominated in US Dollar within 20 years, including a grace period of 7 years, starting from the Credit Facility Agreement's signing date between the MEF and the AFD dated December 24<sup>th</sup>, 2019. The PPWSA shall pay interest to the MEF at the Fixed Reference Rate (0.48% p.a) increased or decreased by any fluctuation of the Index Rate for the period from the Signing Date (24<sup>th</sup> December 2019) until the relevant Rate Setting Date plus 0.35%.

### B. Material Transactions with Director(s) and Senior Officer(s)

There are no such transactions.

### C. Transactions with Director(s) and Shareholder(s) related to buy/sell asset and service

There are no such transactions.

### D. Material Transactions with Immediate Family Members of the Director(s), Senior Officer(s) and Shareholder(s) who hold at least 5% or more shares

There are no such transactions.

### E. Material Transactions with the Person, who associated with Director(s) of the Listed Entity, its Subsidiary or Holding Company

There are no such transactions.

### F. Material Transactions with Former Director(s) or a Person who involved with Former Director(s)

There are no such transactions.

### G. Material Transactions with Director(s) who is holding any position in a non-profit organization or in any other company other than the listed entity

There are no such transactions.

### H. Material Transactions with Director(s) who get benefit whether finance or non-financial from the listed entity

There are no such transactions.

## PART8.- Management's Discussion and Analysis

### A. Overview of operations

#### 1- Revenue analysis

PPWSA generates revenues from three main sources – water sales, construction service fees and other incomes.

- **Water sales revenue** is sourced from water consumption – domestic/households, commercial and industrial, administrative, rented rooms, and wholesalers. This revenue is reported net of discounts, allowances and credits and is recognized based on the volume of water supplied to the customers. Water bills are issued every two months.
- **Construction service revenue** is sourced from the fees of construction services related to the expansion of distribution network PPWSA constructs for a construction company.
- **Other revenues/incomes** are sourced from water meter maintenance charge, sales of water connection materials, penalty charges for unauthorized water use, and others.
  - **Water meter maintenance revenue** is generated from the monthly meter maintenance charge on a basis of KHR50 per 1mm of water meter diameter. This revenue is used to cover the cost of future replacement of water meters for the customers.
  - **Plumbing material sales revenue** is generated from the sale of water meters, pipes and fittings.
  - **Penalty fees** is a revenue generated from penalties for customers' late payments penalties and illegal connections.
  - **Other revenues** are generated from contributions by commercial and industrial customers for installing special network connections into their properties and fees earned for collection of sewerage maintenance charges on behalf of Phnom Penh Municipality.

➤ Year ended 31 December 2020 compared to year ended 31 December 2019

	2020 (KHR'000)	2019 (KHR'000)	CHANGES (KHR'000 / %)	
Total revenues	324,367,856	216,496,816	107,871,040	49.83%

Revenue increased by KHR 107,871,040.000 or 49.83%, from KHR 216,496,816,000 in 2019 to KHR 324,367,856,000 in 2020. The increase in 2020 was due to and increase in the revenue of the water sale by KHR 87,377,077,000 or 44.98% and an increase in construction services by KHR 19,964,401,000 or 594.21%.

#### 2- Revenue analysis by segment

The analyses of PPWSA's revenues by segment are shown as below

	2020 (KHR'000)		2019 (KHR'000)	
Sales	281,649,338	86.83%	194,272,261	89.73%
Construction service fees	23,324,228	7.19%	3,359,827	1.55%
Foreign exchange gain – net	-	-	1,461,237	0.67%
Other income	19,394,290	8.98%	17,403,491	8.04%

## A. Overview of operations (con't)

### 2- Revenue analysis by segment (con't)

The following are the only analyses of significant revenue streams by segment:

➤ Year ended 31 December 2020 compared to year ended 31 December 2019

	2020		2019		Changes		
	Volume (M <sup>3</sup> )	Amount (KHR'000)	Volume (M <sup>3</sup> )	Amount (KHR'000)	Volume (M <sup>3</sup> )	Amount (KHR'000)	Amount (%)
Water Sales- Household	96,690,758	111,165,503	92,897,090	81,972,006	3,793,668	29,193,497	35.61%
Water Sales- Commercial	75,051,455	131,475,633	70,512,812	84,996,364	4,538,643	46,479,269	54.68%
Water Sale- Administrative Institution	7,728,955	19,365,133	6,442,378	6,624,225	1,286,577	12,740,908	192.34%

#### - Revenue from household sales

Revenue increased by KHR 29,193,497,000 or 35.61%, from KHR 81,972,006,000 in 2019 to KHR 111,165,503,000 in 2020 due to and increase in number of customers by 11,963 connections, from 321,136 to 333,099 connections and an increase in the average tariff by KHR189.54/m<sup>3</sup>, from KHR 882.81/ m<sup>3</sup> to KHR 1,072.35/ m<sup>3</sup>.

#### - Revenue from commercial and industrial sales

Revenue increased by KHR 46,479,269,000 or 54.68%, from KHR 84,996,364,000 in 2019 to KHR 131,475,633,000 in 2020 due to and increase in number of customers by 5,762 connections, from 62,374 to 68,136 connections and an increase in the average tariff by KHR 545.13/m<sup>3</sup>, from KHR 1,191.06/ m<sup>3</sup> to KHR 1,736.19/ m<sup>3</sup>.

#### - Revenue from government institution sales

Revenue increased by KHR 12,740,908,000 or 192.34%, from KHR 6,624,225,000 in 2019 to KHR 19,365,133,000 in 2020 due to and increase in number of customers by 48 connections, from 696 to 744 connections.

## A. Overview of operations (con't)

### 3- Gross profit margin analysis

PPWSA prepared and presented its income statements by nature, without showing gross profit. However, this presentation enables discussions and analyzes on the operating profit which is calculated by subtracting operating expenses from total income.

Details of the operating expenses will be discussed in Item “a-4” below.

### 4- Profit before tax

Profit before tax is derived from the subtraction of operating expenses from the gross revenues and net finance income (expenses). In discussing and analyzing the operating expenses, we considered the total expenses as follows.

➤ Year ended 31 December 2020 compared to year ended 31 December 2019

	<b>2020 (KHR'000)</b>	<b>2019 (KHR'000)</b>	<b>CHANGES (KHR'000 / %)</b>	
Total revenues	324,367,856	216,496,816	107,871,040	49.83%
Depreciation and amortisation charges	(50,402,360)	(49,703,532)	(698,828)	(1.41%)
Electricity costs	(37,062,063)	(37,308,266)	246,203	0.66%
Salaries, wages and related expenses	(56,041,219)	(51,409,104)	(4,632,115)	(9.01%)
Raw materials for water treatment	(10,523,255)	(7,671,340)	(2,851,915)	(37.18%)
Construction service expenses	(18,220,555)	(2,752,932)	15,467,623	561.86%
Finance income	7,622,934	8,824,404	(1,201,470)	(13.62%)
Finance costs	(16,463,129)	(11,508,318)	(4,954,811)	(43.05%)
Profit before tax	120,746,477	49,290,530	71,455,947	144.97%

PPWSA earned profit before tax of KHR 49,290,530,000 in 2019 and KHR 120,746,477,000 in 2020, representing an increase of KHR 71,455,947,000 or 144.97%. The increase in profit before tax was primarily due to the increase in total revenues by KHR 107,871,040,000 or 49.83%, despite the reduction in total expenses, there was increase by KHR 30,258,812,000 or 18.39% and an increase in finance cost-net by KHR 6,156,281,000.



## A. Overview of operations (con't)

### 5- Profit for the financial year

Under the Law on Commercial Enterprises, in the context of duties and taxes, PPWSA had to pay annual taxes at the rate of 20%. This 20% tax is calculated by applying the 20% tax rate on the taxable profit.

➤ Year ended 31 December 2020 compared to year ended 31 December 2019

	2020 (KHR'000)	2019 (KHR'000)	CHANGES (KHR'000 / %)	
Profit before tax (a)	120,746,477	49,290,530	71,455,947	144.97%
Tax expense (b)	(32,394,632)	(15,998,617)	16,396,015	102.48%
Profit for the financial year	88,351,845	33,291,913	55,059,932	165.39%
Total comprehensive income for the financial year	88,351,845	33,291,913	55,059,932	165.39%
Effective tax reate (b)/(a)	26.83%	32.46%		

PPWSA earned profit for the financial year of KHR 33,291,913,000 in 2019 and KHR 88,351,845,000 in 2020, representing an increase of KHR 55,059,932,000 or 165.39%. The increase in profit for the financial year was due to the increase in profit before tax by KHR 55,059,932,000 or 144.97%.

### 6- Analysis of factors and trends analysis affecting financial conditions and results

All the past profits as well as its year-on-year growth were generated due to the following contributory factors:

- **NRW rate:** PPWSA utilized an effective mechanism to reduce NRW to 9.74% in this year. It is a critical factor enabling PPWSA to ensure its financial viability and sustainable enterprise development.
- **Increase in customer base:** To generate revenues from water sales, PPWSA increased its customer base, expanding its service coverage to unserved areas by filling up its coverage with distribution network in Phnom Penh and its surroundings areas, in particular, the economically potential ones.
- **Increase in average water tariff:** Finding new commercial and industrial customers increased PPWSA's average water tariff because the tariff for this customer category is higher than that of other customer categories.
- **Operating expenses management:** PPWSA managed these expenses, especially the electricity consumption cost which is huge and significant in the water treatment process, through the introduction of new technologies such as variable speed distribution pumps. In 2012, PPWSA started using low-cost raw materials for water treatment efficiency – Poly Aluminium Chloride (PAC) instead of alum.

## A. Overview of operations (con't)

### 6- Analysis of factors and trends analysis affecting financial conditions and results (con't)

- **Strict practices in procurement process:** The Authority has strictly adhered to applicable laws, regulation and other guidelines in relation to the procurement process for purchases of pipelines, material and raw materials. This process is transparency and encourages market price competition, which allows the Authority to make low cost purchases, without neglecting quality.
- **Collection ratio:** This rate not only gave PPWSA high liquidity but also adequate capability to use the working capital effectively.
- **Cash management:** With the above high collection ratio, PPWSA was capable enough to manage its cash efficiently. With this, PPWSA reserved cash as working capital for 2-3 months, and invested available cash in short-term fixed deposits at commercial banks with high interest rates. PPWSA also scrutinize risks and benefits associated with the high interest rates.
- **Selection of low-rate financiers:** Due to the increasing water demand, PPWSA is in need of finance for its investment projects, such as construction of WTPs, and laying of transmission and distribution pipes. PPWSA has sought international development partners such as AFD to get the low interest rate financing.
- **Economic situation:** Changes in economic circumstances impacted on the average monthly water consumption per connection, which led to fluctuations in the average water tariff.

## B. Significant Factors Affecting Profit

### 1- Demand and supply conditions analysis

According to a study on water demand against the population growth in Phnom Penh due to the expansion of its surrounding areas, PPWSA will construct additional water treatment plants in 2 phases at Bakheng. The investment project for Bakheng WTP Phase 1, with a production capacity of 195,000m<sup>3</sup>/day, is scheduled to be put into operation in 2022. Bakheng WTP Phase 2 will constructed soon after 2021, with additional production capacity of 195,000m<sup>3</sup>/day to meet the clean water demand from 2025 onwards.

### 2- Variations in prices of raw materials analysis

Variation in prices of raw materials for water treatment might slightly affect the production cost because the portion of this cost is not higher than 10% of the operating expenses. However, PPWSA adhered very strictly to the procurement procedures to ensure the conformity of raw material prices to market prices, and this procedure allows PPWSA to obtain low competitive prices.

### 3- Tax analysis

Under the Law on Commercial Enterprises, in the context of duties and taxes, PPWSA is obliged to pay duties and taxes as stipulated in the existing laws and regulations. PPWSA is required to pay taxes under the real regime tax system and is a large taxpayer determined by General Department of Taxation.

#### 4- Exceptional and extraordinary items analysis

At the end of the period ended 31 December 2020, the management learned that PPWSA did not have any exceptional and extraordinary items.

#### C- Material changes in sales and revenues

PPWSA's main revenues are the sales of safe water which is a basic need of Phnom Penh residents. The water sales represented more than 80% of gross revenue in 2020. PPWSA is also the monopoly water supplier in Phnom Penh and its outskirts. Revenues may grow, subject to the demography including the enlargement of Phnom Penh capital and the migration of provincial residents to Phnom Penh.

#### D- Impact of foreign exchange, interest rates and commodity prices

##### D.1- Impact of exchange rate

The Authority maintains its accounting records in functional currency – “Cambodian Riel (KHR)”. All transactions carried out in foreign currencies must be converted into Cambodian Riel based on the average exchange rate on the transaction date. Gain or loss arising from the translation and the settlement of assets and liabilities denominated in foreign currencies into Riel is recognized in the comprehensive income statement.

##### D.2- Impact of interest rates

###### D.2.1- Impact of interest rate on interest income

Due to the absence of currency market in Cambodia, PPWSA could afford only short-term investments in one-year fixed deposits at local commercial banks.

###### D.2.2- Impact of interest rate on interest expense

PPWSA has had two financing sources with floating and fixed interest rates. The fixed-rate financing was received via MEF from ADB at the interest rate of 1.65% per annum, and from JICA at the interest rate of 0.66% per annum. The floating-rate loan is received directly from AFD at the interest rate of 6-month EURIBOR - 1.35%. The interest rate must range from 0.25% to 5.21% per annum.

###### D.2.3- Impact of raw materials prices

Through PPWSA's procurement procedure in compliance with the existing laws and regulations, as well as other guidelines, the Authority has to sign contracts with material and raw material suppliers at a competitive price or negotiable price. Despite of fluctuation, raw material for clean water treatment accounts for relatively small portion of operating expense in each year. Management believes fluctuation of this amount does not seriously affect the financial situation of the Authority .

## E- Impact of inflation

PPWSA's water tariff remained unchanged from 2001 to 2019. To adjust to the variations in inflation, PPWSA has been implementing the revised tariff since 1 January 2020, and maintained better financial stability.

## F- Economic / Fiscal / Monetary Policies of the Royal Government

PPWSA's business was influenced by a number of the government policies such as:

- **Water tariff:** As clean water is the vital need for the population in Phnom Penh, its tariff is set by the government.
- **Service coverage expansion:** Further expansion of the water service coverage is restricted due to PPWSA's mission that allows water production and distribution to the public in Phnom Penh only. This restriction is stipulated in Sub-decree No. 52 ANKR.BK, dated 19 December 1996, on the Establishment of PPWSA.
- **Enlargement of Phnom Penh area:** The Royal Government had a policy to enlarge Phnom Penh area by integrating 20 additional communes into Phnom Penh, that expanded PPWSA service coverage.
- **Immovable property tax policy:** Ministry of Economy and Finance (MEF) has put into force PRAKAS No. 493 សហវិ.ប្រកាស, dated 19 July 2010, on Immovable Property Tax Collection. PPWSA's immovable properties are used to process the water treatment facilities, and tax-exempt according to MEF's Notification No. 006 សហវិ.អ ពជី, dated 18 May 2011.

# SIGNATURE OF DIRECTORES OF PHNOM PENH WATER SUPPLY AUTHORITY

Phnom Penh, 26 March 2021

Read and Approved

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Signature

**Oum Sotha**

Chairman of the Board

Phnom Penh, 26 March 2021

Read and Approved

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Signature

**Sim Sitha**

Director

Phnom Penh, 26 March 2021

Read and Approved

---

Signature

**Mey Vann**

Director

Phnom Penh, 26 March 2021

Read and Approved

---

Signature

**Noun Pharath**

Director

Phnom Penh, 26 March 2021

Read and Approved

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Signature

**Ma Noravin**

Director

Phnom Penh, 26 March 2021

Read and Approved

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Signature

**Zhang Yun Feng**

Director

Phnom Penh, 26 March 2021

Read and Approved  
**R. Independent Director**

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Signature

**Sim Sitha**

Director

**ANNAUL REPORT APPENDIX  
FOR 2020  
ANNUAL CORPORATE  
GOVERNANCE REPORT**

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**ANNAUL REPORT APPENDIX**  
**FOR 2020**  
**ANNUAL CORPORATE GOVERNANCE REPORT**

**Part 1.- Shareholders**

**A. Shareholders Structure (by 31 December 2020)**

**1- Shareholder Information**

Description	Nationality	Types of Shareholder	Number of Shareholders	Number of Shares	Percentage
<b>Less Than 5%</b>	Cambodian	Individual	1,790	4,452,072	5.119%
		Legal Person	6	2,688,710	3.091%
	Non-Cambodian	Individual	572	5,183,365	5.960%
		Legal Person	6	721,828	0.830%
<b>From 5% to 30%</b>	Cambodian	Individual	N/A	N/A	N/A
		Legal Person	N/A	N/A	N/A
	Non-Cambodian	Individual	N/A	N/A	N/A
		Legal Person	N/A	N/A	N/A
<b>From 30%</b>	Cambodian	Individual	N/A	N/A	N/A
		Legal Person	1	73,927,187	85%
	Non-Cambodian	Individual	N/A	N/A	N/A
		Legal Person	N/A	N/A	N/A

**2- Shareholders who are directors, senior officials, and employees of the PPWSA**

Shareholders	Number of Shareholders	Number of Shares	Percentage
Directors	1	7,454	0.009%
Senior officials	16	138,197	0.159%
Employees	407	780,053	0.897%
<b>Total:</b>	<b>424</b>	<b>925,704</b>	<b>1.065%</b>



## B. Shareholders' and Protection of Shareholders' Rights

### 1- Shareholders' rights

PPWSA's ordinary shareholders have been had equal rights as follow:

- The rights in receiving information disclosed by the PPWSA in compliance with the applicable Laws and Regulations.
- The rights for participating in the PPWSA's general shareholder meeting according to the instruction of participating in the general shareholder meeting.
- The voting rights in the general shareholder meeting according to the instruction of participating in the general shareholder meeting.
- The rights in receiving the dividend declared by the PPWSA according to the shareholding proportion of shareholders.
- The rights in receiving the remaining assets from the PPWSA's dissolution according to the shareholders' shareholding proportion.
- Other rights are determined by the applicable Laws and Regulations.

### 2- The rights prevention of shareholders and minority shareholders

The board of directors has prevented rights of PPWSA's shareholders and minority shareholders through establishing the Code of Conduct for Directors and Senior officials to:

- encourage having a good-faith and ethical attitude in doing business to ensure equality and avoid conflict of interest.
- encourage disclosing the vital information required by the Laws and Regulations in a complete, precise, accurate, and timely manner.
- encourage implementing the applicable Laws and Regulations.
- ensure the business's interest protection, including the business opportunities, tangible and intangible assets, and the confidential information of the PPWSA.
- avoid misconduct and tricky actions.

### Implementation of the Laws and Regulations

Directors and senior officials shall implement and ensure that the PPWSA complies with the applicable Laws and Regulations while performing their roles and responsibilities. Suppose the director or senior official has known the reliable information relating to the breach of the applicable Laws and Regulations by the PPWSA, directors, senior officials, or employees; in that case, they shall inform the Director General, Chairman of the board of directors, head of the Audit Committee, or the Internal Auditor.

## Conflict of interest

Adding to articles 134, 135, 136, and 138 of the Law on Commercial Enterprises, directors and senior officials shall avoid any conflict-of-interest acts with the PPWSA.

A conflict of interest, in general, arises when the interest of directors or senior officials or their family members are directly related to or may severely affect to:

- (a) the PPWSA's interest or business.
- (b) the abilities of other directors or senior officials in performing their roles and responsibilities.

Directors and senior officials shall disclose to the PPWSA board of directors and publicly disclose transactions or relations that are led to the conflict of interest with the PPWSA, as determined by the Securities and Exchange Regulator of Cambodia (SERC) or the Cambodia Securities Exchange (CSX).

Directors and senior officials shall inform PPWSA or request to disclose their interests in writing in the minute of meeting of the board of directors, in case of:

- (a) A director or senior official is a contractual party or those who request to entering into a contract with the PPWSA; or
- (b) A director or senior official has significant interest with individual or legal persons who are the contractual party or party who requests entering into a contract with the PPWSA.

According to the applicable Laws and Regulations, the Independent Director shall not have any interest in the PPWSA affected to the independence and shall not hold more than 1% of the PPWSA's total share.

## Business opportunity

During the performance and responsibility, directors and senior officials shall concentrate on the PPWSA interest.

Directors and senior officials shall avoid:

- (a) working for the personal interest while performing in the role and responsibilities as the director or senior official of the PPWSA.
- (b) using PPWSA's assets and information or the position and role as the director or senior official of the PPWSA for the personal interest.
- (c) competing with the PPWSA.

The board of directors will determine the non-compliant acts, considering the facts and the circumstances related to those acts.

## Equal relations

While performing their roles and responsibilities, directors and senior officials shall have equality between customers, suppliers, competitors, contractors, and employees of the PPWSA.

Directors and senior officials shall not take advantage of anybody dishonestly by playing a trick, concealing or misrepresenting important information, misrepresenting events, or acting dishonestly in the business.

The use of information about the rights, the confidential information of the PPWSA, or persuading both former and current directors, senior officials, and employees of the PPWSA to leak such information are prohibited.

Directors and senior officials shall perform their roles and responsibilities in good faith and for the PPWSA and shareholders' interests. Directors and senior officials shall not take advantage of their positions as directors or senior officials and shall not receive any gifts from third parties for the director and senior official position.

## The protection and the use of PPWSA's assets

While performing their roles and responsibilities, directors and senior officials shall promote the control and proper use of PPWSA's assets, tangible and intangible assets.

PPWSA's assets are information, material, equipment, intellectual property, tool, resource, IT system, and other assets which the PPWSA owns or the leased assets or assets hold by the PPWSA are used for the PPWSA's legal business.

## The accounting complaint

The PPWSA Audit Committee or the Internal Auditor shall be responsible for establishing the appropriate procedures for receiving and maintaining the complaints and reviewing the complaints related to the accounting, internal accounting control, or other issues in connection with the audit. Directors or senior officials can file the complaint on the above issues to the PPWSA Audit Committee or the Internal Auditor. The request for the confidential review may be made in compliance with the applicable Laws and Regulations.

## The encouragement to report immoral or illegal acts

Directors and senior officials shall promote the PPWSA to adhere to the Code of Conduct and encourage employees to report the evidence of immoral or illegal acts to the department or competent officials of the PPWSA.

### Insider trading

Directors and senior officials shall perform and adhere to the applicable Laws and Regulations and the bylaw and policy of trading PPWSA's shares.

### Confidentiality

Directors and senior officials shall keep the PPWSA's confidential information that they know unless the PPWSA allows disclosing or is required by the applicable Laws and Regulations, the competent authority, or the competent court in the Kingdom of Cambodia.

The term "confidential information" consists of the non-public information that may be used by competitors or non-public information that affect the PPWSA or its customers if that information is disclosed.

Directors or senior officials shall discuss with the Director General or Chairman of the board of directors before disclosing that confidential information as per the Laws and Regulations.

### Disclosure

Director and senior officials must clearly understand the procedures and review the PPWSA disclosure to do the press release, report, and disclosure document for filing to the regulators included the SERC, in compliance with the applicable Laws and Regulations, the guideline of the SERC, and the CSX.

On the other hand, the scope of roles and responsibilities of directors and senior officials, who have the power of directing or managing to file documents to SERC and/or the CSX or other public disclosure associated with the general business, the results, terms, and financial performance, shall discuss with directors, senior officials, and the relevant employees; and take the appropriate action for the procedure and the review of disclosure to ensure that the disclosures have been entirely, clearly, appropriately, timely and understandable.

In the scope of the procedure and the review of disclosing, the director and the senior official:

- shall clearly understand the PPWSA disclosure requirements, the business and financial operation of the PPWSA.
- shall not do the false statement or misrepresentation, regarding the PPWSA information, to others whether they are inside or outside the PPWSA, including the Independent Auditor, government's regulator, or other institutions.

### Amendment and exemption

This Code of Conduct may be amended or exempted for not performing by the PPWSA board of directors regarding disclosure requirements and the applicable Laws and Regulations. In the general rule, the board of directors will not provide any exemption for not performing this Code of Conduct if there is no appropriate and necessary reason.

### Amendment and exemption (con't)

Directors and senior officials shall adhere to the content of this Code of Conduct. Directors and senior officials must understand this Code of Conduct and seek explanation and additional advice regarding the interpretation of this Code of Conduct when there is an event that may be conflicted with this Code of Conduct.

The board of directors shall take the appropriate action in the case of violating this Code of Conduct.

Directors and senior officials can directly ask the Director General in relating to the performance or interpretation of this Code of Conduct.

### Effect

The PPWSA board of directors approved this Code of Conduct on February 15th, 2012, and it is effective since the PPWSA has received approval from the SERC on public offering and listed on the CSX.

## C. General Shareholder Meeting

### 1- Procedures of General Shareholder Meeting and Voting

General Shareholder Meeting and Voting may be made in compliance with the applicable Laws and Regulations.

### 2- Information of the General Shareholder Meeting and voting

No.	Date	Type of Meeting	Quorums	Agendas	Resolutions
1	26 June 2020	Ordinary	114 shareholders (79,204,792 shares)	<ol style="list-style-type: none"><li>1. Report of the Annual Business Performance for 2019</li><li>2. The Annual Business Plan for 2020</li><li>3. Q &amp; A</li><li>4. The voting program:<ul style="list-style-type: none"><li>➢ Approval of the dividend distribution to shareholders for 2019.</li><li>➢ Approval of the remuneration of the Board of Directors for 2020.</li><li>➢ Approval of the extension of the mandate of the Independent Director and Non-Executive Director representing private shareholders.</li></ul></li></ol>	<p><b>The voting results:</b></p> <ul style="list-style-type: none"><li>➢ Approve on the dividend distribution:<ul style="list-style-type: none"><li>• Dividend per share: KHR230</li><li>• Record date: 02 July 2020</li><li>• Payment date: 13 July 2020.</li></ul></li><li>➢ Approve the remuneration for the seven BOD members and one State Controller amounting to KHR915,685,452 for 2020.</li><li>➢ Approve the extension of the mandate of the Independent Director, Mr. OM Sengbora, and Non-Executive Director representing private shareholders, Mr. Zhang Yun Feng, until February 20<sup>th</sup>, 2022.</li></ul>

## D. Dividend Distribution

### 1- Dividend Policy

After approving the accounting, if having profit, the Board of Directors of the PPWSA may decide to transfer money for:

- 1.1 Settlement of loss of the previous year;
- 1.2 After the settlement of loss of the previous year, if there is still any profit left, the board of Directors may use the profit for:
  - (a) Allocating the Management and employees as follows:
    - In case the profit is from 5% to 10% of the total annual operating expenses of the PPWSA, the allocation shall be equal to one (1) month of net salary to Management and each employee.
    - In case the profit is from 10% to 20% of the total annual operating expenses of the PPWSA, the allocation shall be equal to two (2) months of net salary to Management and each employee.
    - In case the profit is more than 20% of the total annual operating expenses of the PPWSA, the allocation shall be equal to three (3) months of net salary to Management and each employee.
  - (b) 2% of retirement benefit for the professional disabilities.
  - (c) Creating mandatory reserve: 5%
  - (d) Creating voluntary reserve: 5%
  - (e) 5% for the social fund shall be recorded as expenses in the year of the transaction.
- 1.3 After the above allocation, the remaining profits shall be:
  - (a) Kept for investment reserve as approved by the Board of Directors.
  - (b) The remainder of the investment reserve shall be distributed 85% to the Ministry of Economy and Finance and 15% to shareholders who are public investors.

### 2- Historical information of dividend distribution for the last three years

No.	Detail of Dividend Distribution	2019	2018	2017
1	Announcement date of dividend distribution	June 26, 2020	March 27, 2019	March 29, 2018
2	Record date	July 2, 2020	April 12, 2019	April 18, 2018
3	Dividend payment date	July 13, 2020	April 25, 2019	April 27, 2018

## Part2.- Board of Director

### A. Board of Director

#### 1- Board Composition

No.	Name	Position	Date of being a governor	Deadline of current mandate
1	H.E. OUM Sotha	Board Director	25 February 2020	25 February 2023
2	H.E. Dr. SIM Sitha	Member	27 July 2012	25 February 2023
3	H.E. MEY Van	Member	24 February 2014	25 February 2023
4	H.E. NOUN Pharoth	Member	18 August 2017	25 February 2023
5	Mr. Ma Noravin	Member	24 February 2020	24 February 2023
6	Mr. Zhang Yun Feng	Non-Exicutive Director representing private shareholders	20 February 2013	20 February 2022
7	Mr. OM Seng Bora	Independent Director	20 February 2013	20 February 2022

#### ◆ PPWSA Secretary

- Dr. CHEA Visoth Deputy Director General (Retired on 01 December 2020)
- Mr. HUOT Sok Heng Secretary

#### 2- Short biography of directors

##### - H.E. OUM SOTHA

Khmer, Khmer nationality, His Excellency was born on September 29, 1963. In 2005, he graduated with Bachelor of Laws degree from the University of Law and Economics (Phnom Penh, Kingdom of Cambodia) and a Master of Laws degree from Chamroeun University of Technology (Phnom Penh, Kingdom of Cambodia) in 2008. From 2014 to 2018, His Excellency is the Undersecretary of State and has been promoted to Secretary of State of the Ministry of Industry and Handicrafts until now. His Excellency Oum Sotha is the Chairman of the Board of Directors of the 7th mandate of PPWSA from February 25, 2020 to the present.

##### - H.E. MEY VANN

Khmer, Khmer nationality, His Excellency was was born on October 6, 1969 and graduated with Master of Economic Policy from the University of D'AUVERGNE, France in 1999. He graduated with PhD in Business Economics from PRESTON University, USA in 2009. His Excellency is the Director General of the General Department of Financial Industry at the Ministry of Economy and Finance. His Excellency Mey Van is a member of the Board of Directors of the 5th Mandate of Phnom Penh Water Supply Authority from February 24, 2014 to the present.

- **H.E. SIM SITHA**

Khmer, Khmer nationality, His Excellency was born on August 3, 1961 and was awarded the Industrial-Civil Engineering Engineer at the Cambodia-Soviet Friendship High Technology Institute (Phnom Penh, Kingdom of Cambodia) in 1989. He graduated with Master's Degree in Business Administration from the University of Management and Economics, Sihanoukville, Kingdom of Cambodia in 2007. In 2014, he successfully completed his PhD thesis in Business Management at Asia Europe University, Phnom Penh, Kingdom of Cambodia. His Excellency was Deputy Chief of Sihanoukville Water Supply Authority, from February 1996 to June 2003. From June 2003 to July 1, 2012, HE was the Chairman of Sihanoukville Provincial Water Supply Authority. From July 01, 2012, H.E. Sim Sitha is the Director General of PPWSA. And a member of the Board of Directors of PPWSA the fifth mandate from July 27, 2012 to the present.

- **H.E. NOUN PHARATH**

Khmer, Khmer nationality, His Excellency was born on January 1, 1980 and graduated with Bachelor of Laws in Public and Private Sector in 2001 at the Royal University of Law and Economics. At Jean Moulin Lyon3, he graduated with Master's Degree in Judicial and Criminal Science and a Bachelor of Laws in 2003. From 2003 to 2005, he was the Assistant Director at the Royal School of Judges. From 2005 to 2006, he was the officer in charge of International Relations at the Royal Academy of Judicial Professions. From 2006 to 2008, he was a professor of law at three universities. From 2008 to 2015, he was the Chief Legal Officer of the Office of the Investigating Judge at the Extraordinary Chambers in the Courts of Cambodia. From 2007 to present, he is a member of the Council of Jurists at the Office of the Council of Ministers. From 17/06/2017 to the present, His Excellency is the Deputy Governor of Phnom Penh Municipality. H.E. Nuon Pharath is the member of the Board of Directors of the 6th Mandate of Phnom Penh Water Supply Authority from August 18, 2017 to the present.

- **Mr. MA NORAVIN**

Khmer, Khmer nationality, born on June 15, 1973. In 1996, he graduated with a bachelor's degree in hydrology from the Institute of Technology of Cambodia. Then in 2008 he received a master's degree in Socio-Environmental Engineering in Japan. He joined the PPWSA. In 1997, he was appointed Director of the Office of Project Studies in 2003. In 2008, he was appointed Deputy Director of the Department of Production and Water Supply, and from 2012 to the present, he is the Director of the Department of Production and Water Supply. He became a member of the Board of Directors of the 7th mandate of PPWSA. From February 24, 2020 to the present.



- **Mr. ZHANG YUN FENG**

Chinese, Khmer, born in 1971. In 1995, he graduated with a bachelor's degree in chemistry from the Technical University of Talan. From 2003-2008, he was the General Manager of Cambodia of China State Farms Group. From 2008-2010, he was the Chairman of the Board of Union Resource Investment Group Co., Ltd. From 2010 to present, he was the Chairman of the Board of Directors of Golden Fortune (Cambodia) Securities Plc / Golden Fortune Investment Group Co., Ltd / Golden Fortune Real Estate Co., Ltd and Golden Fortune Mining Investment Co., Ltd. He is a member of the Board of Directors (Non-Executive Governor, Representative of Private Shareholders) for the 5th mandate of Phnom Penh Water Supply Authority from February 20, 2013 to the present.

- **Mr. OM SENGBORA**

Khmer, Khmer nationality, born in 1977. He holds a Bachelor's degree in Accounting Management, a Master's degree in Business Administration and an honorary doctorate in Business Administration. From 2004 to 2009, he was the General Director of Vision Fund Cambodia. From 2006 to 2009 he was a member of the Cambodian Microfinance Association. He is currently the CEO of Garuna Fund and Investment Coordinator of HG Capital Partners and Blue Energy Partners. He is the Chairman of the Board of Aplus Consulting. He is the Chairman of the Board of Directors of the Aplus School For Professionals Development Center, CEO and Entrepreneur. He is a member of the Independent Board of Directors of AEON Microfinance. He is a member of the Board of Directors (Independent Governor) of the 5th mandate of the Phnom Penh Water Supply Authority from February 20, 2013 to the present.

### 3- If Any Director is Director, Shareholders or Co-owner of Other Company

PPWSA does not have any director is director, shareholders or co-owner of other company.

### 4- Board Roles, Duties, and Responsibilities and Performance

- ◆ Define enterprise development projects in accordance with the guidelines set by the Royal Government according to the request of the Director General
- ◆ Define annual budgets and investment programs, as well as reserve financing for investment programs. Approve accounting statements (financial statements and detailed results report)
- ◆ Define the organizational structure, number of frameworks, division of general functions and salaries of employees at the request of the Director General
- ◆ Allow to open or decide to close the activities of the agency or representative office
- ◆ Allow the purchase of all types of real estate in accordance with Prakas No. 997 MEFORT dated 25 December 1997 on procurement management in public enterprises
- ◆ Select the account commissioner and determine the bonus to the account commissioner

#### 4- Board Roles, Duties, and Responsibilities and Performance (con't)

- ◆ Decide on other contracts or treaties
- ◆ Regularly review the objectives set for the enterprise and take corrective measures on requests for amendments to the statute.

#### 5- Board Meetings

##### Performance of the Board of Directors

In 2020, the Board convenes 5 meetings are as follow:

- **Outcomes of the 1<sup>st</sup> ordinary meeting**

This meeting was held on March 18, 2020 at 8:30 AM at the headquarter of PPWSA with the following resolutions:

1. Internal Audit Report for the 1<sup>st</sup> quarter of 2020.

The Board acknowledged the Internal Audit Report for the 1st quarter of 2020, focusing on the auditing works at Commercial Department.

2. Request for approval on negotiation of audit service fee in 2020 proposed by BDO (Cambodia) Limited, and for selection of BDO as the auditor for the Project for the Construction of Chamcar Morn Water Treatment Plant and Water Distribution System.

- a) Request for approval on negotiation of audit service fee in 2020 proposed by BDO.

The Board accepted in principle BDO (Cambodia) Limited as the external auditor. But, due to the present financial situation, the Internal Audit shall negotiate the audit fee again without re-submitting the negation result to the Board.

- b) Request for approval on selection of BDO as the auditor for the Project for the Construction of Chamcar Morn Water Treatment Plant and Water Distribution System.

The Board accepted in principle BDO (Cambodia) Limited as the external auditor, and authorized the Director General to negotiate the audit fee and sign the audit service contract.

3. Procurement Report for the end of 2019 and for the 1<sup>st</sup> quarter of 2020.

The Board approved the Procurement Report for the end of 2019 and for the 1<sup>st</sup> quarter of 2020.

4. Report on the Social Fund for the end of 2019 and for the 1<sup>st</sup> quarter of 2020.  
The Board approved the Social Fund Report for the end of 2019 and for the 1<sup>st</sup> quarter of 2020, and accepted for consideration the Phnom Penh Municipality's request for installation of fire hydrants at markets around Phnom Penh.
5. Business Report for the 1<sup>st</sup> quarter of 2020 and Business Plan for the 2<sup>nd</sup> quarter of 2020.  
The Board acknowledged the Business Report for the 1<sup>st</sup> quarter of 2020 and the Business Plan for the 2<sup>nd</sup> quarter of 2020.
6. Request for approval on Annual Report 2019, and on distribution of profit and dividend.  
The Board acknowledged the 2019 Annual Business Report whereas the distribution of profit and dividend is proposed to be discussed in the next meeting, since the external auditor has not completed their annual auditing works yet.
7. Request for approval on the organization of the 8th General Meeting of Shareholders.  
The Board adopted the following settings:
  - Date of the 8th General Meeting of Shareholders (GMS): 26 June 26 2020;
  - Venue of the GMS: Conference Hall of PPWSA;
  - The proposed agendas of the GMS are:
    - 08:00 – 09:00 : Registration
    - 09:00 – 09:30 : Opening call
    - 09:30 – 10:00 : Presentation on the 2019 Annual Business Report
    - 10:00 – 12:00 : Voting program (to approve the distribution of dividend, the Board remuneration in 2020, and the term extension for Independent Director and Non-Executive Director Representing Private Shareholders)
    - 12:00 – 12:20 : Closing remarks
  - Assigning Mr. Ros Kimleang to make the presentation on Business Results.
  - Authorizing the Director General to organize and conduct the 8<sup>th</sup> GMS.
8. Request for approval on the change in composition of Board committees.  
The Board accepted the proposed change in the composition of the Board committees.
9. Request for approval on recommendations of National Audit Authority of Cambodia regarding bonuses.  
The Board decided not to receive any bonuses according to the recommendations of National Audit Authority of Cambodia.
10. Request for approval on composition of the Commission for Liquidation and Sales of State-Owned Property.  
The Board acknowledged the 12 proposed members of the internal inventory control commission, and principally adopted the creation of a commission following article 16 of PRAKAS No.002 សហវិ.ប្រក, dated 06 January 2020, of the Ministry of Economy and Finance, with the following members:
  - 1) Director General of PPWSA Chairman
  - 2) Representative of Ministry of Economy and Finance Vice-Chairman
  - 3) Representative of Ministry of Industry, Science, Technology and Innovation Member
  - 4) Deputy Director General in charge of Finance and Stock Exchange Member

11. Report on the impact of deconstruction of PPWSA water tower's fence in Phum Trapeang Thlong 1, Sangkat Chom Chao 1, Khan Porsenchey.  
The Board agreed in principle to PPWSA's fixed assets liquidation following the existing procedures.
12. Report on PPWSA's proposed approaches to managing sludge discharged from Bakheng water treatment facilities.  
The Board granted the support for the tasks and approaches to managing sludge discharged from Bakheng water treatment facilities.
13. Report on the progress of Takhmao Water Supply Project, and of Phnum Prek Water Supply Rehabilitation and Expansion Project.  
The Board acknowledged and agreed to the progress reports of Takhmao Water Supply Project, and of Phum Prek Water Supply Rehabilitation and Expansion Project.
14. Report on the situation of water supply in Tbong Khmum province.  
The Board acknowledged and agreed to the report on the situation of water supply in Tbong Khmum province.
15. Others – Request for approval on the dates of the Board meetings in 2020.  
The Board approved the following dates of the Board meetings in 2020:
  - June 12, 2020 is for the 2nd quarter's meeting.
  - September 30, 2020 is for the 3rd quarter's meeting.
  - December 18, 2020 is for the 4th quarter's meeting.

Present members : 06 persons and the State Controller attached to PPWSA  
Absent members : 01 person

- **Outcomes of the 1st extraordinary meeting (or the 2nd meeting)**

This meeting was held on April 30, 2020 at 9:00 AM at the headquarter of PPWSA with the following resolutions:

1. Report on the situation of water supply in Tbong Khmum province, and request for approval on purchase of pipes and fittings for distribution network expansion.  
The Board acknowledged the report on the situation of water supply in Tbong Khmum province, and recommended to accelerate the transfer of the fixed assets of Tbong Khmum water treatment plant pursuant to the existing procedures as well as adopted the proposed purchase of pipes and fittings using an exclusive procurement mechanism, that is, signing a direct contract with a local supplier.
2. Financial report for the first 3 months of 2020.  
The Board acknowledged the report on financial status for the first 3 months of 2020. For the proposal of the extension on bonus compensation to Ministry of Economic and Finance, PPWSA doesn't need to make the proposed letter because this is already recorded in the minute of meeting.
3. Request for nominating senior staff.  
The Board approved the nomination of the following senior staff at the request of the Nomination and Remuneration Committee.
  - 1) Ms. ROEUNG Nary nominated as Deputy Director General
  - 2) Mr. OM Atharous transferred and posted as Director of Administration and Human Resource Department
  - 3) Mr. SOM Sovan nominated as Director of Commercial Department

But, the job responsibilities of the Deputy Director General will be defined by the Director General via a separate decision.

4. Request for approval on the organization of the 8<sup>th</sup> General Meeting of Shareholders.

The Board approved the following:

- 1) Adopted the first option – holding the 8<sup>th</sup> General Meeting of Shareholders at the conference hall of PPWSA, keeping at least 1.5 meters of physical distance, wearing face masks, and being well-equipped with medical supplies following the guidance of Ministry of Health.
- 2) The GMS agendas agreed in the previous meeting shall remain the same.
- 3) Adopted 22 May 2020 as the record date for the 8<sup>th</sup> General Meeting of Shareholders. This record date enables us to assess the number of shareholders participating in this GMS, which eases the organization and conduct of the GMS according to SECC's instructions.

Meanwhile, the Board advised PPWSA to make a letter reminding SECC of PPWSA's request for recommendations on the implementation of the Board remuneration policy, to which SECC had not replied yet.

5. Others

The General Director updated the Board on the progress reports of the 3 grant aid projects – the project for construction of Takmao Water Treatment Plant under the Japanese grant aid in the form of Special Purpose Company (SPC), the project for updating master plan under the Japanese grant aid, and the EU grant aid of USD 15 million.

The Board acknowledged the progress reports of the 3 grant aid projects, and accepted H.E. Mey Vann's recommendation concerning the project for updating the master plan.

Present members : 07 persons and the State Controller attached to PPWSA  
Absent members : 00 person

• [Outcomes of the 3rd ordinary meeting](#)

This meeting was held on June 12, 2020 at 9:00 AM at the headquarter of PPWSA with the following resolutions:

1. Internal Audit Report for the 2<sup>nd</sup> quarter of 2020

The Board acknowledged the Internal Audit Report for the 2<sup>nd</sup> quarter of 2020, focusing on the auditing works at Procurement Unit for fiscal year 2019.

2. Request for approval on nomination of the Chief Internal Auditor.

The Board adopted the renewal of 2-year term for Chief Internal Auditor, Ms. Seng Keadara.

3. Procurement Report for the 2<sup>nd</sup> quarter of 2020, and request for approval on the Revised Procurement Plan for the 2<sup>nd</sup> semester of 2020.

The Board agreed to the Procurement Report for the 2<sup>nd</sup> quarter of 2020, and adopted the Revised Procurement Plan for the 2<sup>nd</sup> semester of 2020.

4. Social Fund Report for the 2<sup>nd</sup> quarter of 2020

The Board agreed to the Social Fund Report for the 2<sup>nd</sup> quarter of 2020.

5. Business Report 2019, and request for approval on distribution of profit and dividend.

After the detailed discussion, the Board had the following resolutions:

a) Unanimously adopted the proposed allocations of net income in 2019, where:

- Staff rewards of 3-month basic salaries : KHR 6,380,566,823
- Social fund : KHR 2,743,528,661.38
- Mandatory reserved fund : KHR 1,664,595,837.25
- Voluntary reserved fund : KHR 1,664,595,837.25

b) Unanimously adopted the retained earnings : KHR 9,958,897,811

c) Total dividend to be distributed : KHR 20,003,827,260

- Dividend yield : 4.09%
- Dividend per share : KHR 230/share
- Dividend pay-out ratio : 60.09%
- Record date : 02 July 2020
- Payment date : 13 July 2020

On the other hand, regarding the dividend payment to Ministry of Economy and Finance, it is indicated that as PPWSA needs enormous investment capital including counterpart budget, the Board suggested PPWSA should inform the Ministry of the this shortage, and request for a delay in the payment.

6. Business Report for the 2<sup>nd</sup> quarter and the 1<sup>st</sup> semester of 2020, and Business Plan for the 3<sup>rd</sup> quarter of 2020.

The Board totally agreed to the Business Report for the 2<sup>nd</sup> quarter and the 1<sup>st</sup> semester of 2020, and the Business Plan the 3<sup>rd</sup> quarter of 2020; and recommended PPWSA to keep stimulating the transfer of the fixed assets of Tbong Khmum water treatment plant pursuant to the applicable procedures; as well as acknowledged the Director General's concerns and considerations about the river water levels in the dry season.

7. Request for intervention in trial pit issue for laying a drain to discharge sludge from Bakheng water treatment plant.

The Board agreed to cancel this agenda as PPWSA had already handled the issue.

8. Progress Report on implementation of the approaches to managing the sludge discharge from Bakheng water treatment plant.

The Board acknowledged the progress report on implementation of the approaches to managing the sludge discharged from Bakheng water treatment plant.

9. Report on the impact of backfilling undertaken by Overseas Cambodia Investment Corporation (OCOC) for Koh Norea development project on PPWSA's water supply system and water service to Phnom Penh residents.

The Board acknowledged the reported impact, of backfilling undertaken by OCIC for Koh Norea development project, on PPWSA's water supply system and water service to Phnom Penh residents.

10. Request for approval on the Board remuneration.

The Board unanimously adopted the proposal for approval on the Board remuneration to be submitted to the 8<sup>th</sup> GMS which is held on June 26, 2020, by voting on the one-year remuneration package; and also insisted that Securities and Exchange Committee of Cambodia (SECC) provide any minutes of the meeting with PPWSA for reference.

11. Others – Request for approval on the drafted answers to SECC’s questionnaire.

The Board suggested that some drafted answers to SECC’s questionnaire are revised, and permitted to send the finalized questionnaire to the SECC as well as required all the Board members to declare their conflicts of interest in PPWSA following the PPWSA’s ethic code for directors and senior staff, and the mechanisms for corporate governance practices.

Present members : 07 persons and the State Controller attached to PPWSA  
Absent members : 00 person

- **Outcomes of the 4th ordinary meeting**

This meeting was held on September 29, 2020 at 8:30 AM at the headquarter of PPWSA with the following resolutions:

1. Request for Ministry of Economy and Finance’s recommendations on managing the new intake construction project in the context of reduction of the impact of the Koh Norea Development Project on PPWSA’s Niroth water treatment plant and water supply service.  
The Board agreed and suggested PPWSA to make requests for in-principle approval from the 2 tutelary ministries due to the Board comments, and authorized the Director General to do this work.
2. Request for approval on the project for backfilling PPWSA’s land property of 25 hectares at Tamoak Lake.  
The Board agreed in principle to the needs for backfilling of PPWSA’s land property at Tamoak Lake, but the investment cost shall be considered later as it is not urgent, and granted the support for one of the following alternative approaches to implementing this project.
  - a) Backfilling property with soil dredged from the nearby areas in the lake with possible support from Phnom Penh Municipality.
  - b) Allocate PPWSA’s budget to build the fence surrounding the property.
  - c) Request for grants from the government for this investment cost in cause of water supply in Phnom Penh.
3. Business Report 2020 (8 months actual and 4 months estimate), and request for approval on Business Plan 2021.  
The Board totally acknowledged the Annual Business Report 2020 (8 months actual and 4 months estimate), and unanimously adopted the Business Plan 2021, and agreed to increase 10% of basic salary for PPWSA’s staff of the 4 cadres as well as allowed PPWSA to install house connections to its customers in Tbong Khmum for free of charge, articulating the validity of these free-of-charge connections in the announcement.
4. Procurement Report for the 3<sup>rd</sup> quarter of 2020 and Plan 2021  
The Board totally approved and agreed to the Procurement Report for the 3<sup>rd</sup> quarter of 2020, and the Procurement Plan 2021.
5. Social Fund Report for the 3<sup>rd</sup> quarter of 2020 and Plan 2021

The Board totally agreed to the Social Fund Report for the 3<sup>rd</sup> quarter of 2020, and the Social Fund Budget Plan 2021.

6. Request for approval on the drafted documentation of the Board job description in accordance with SECC's Prakas No. 011/18 SECC.  
The Board agreed and asked the Lawyers to move a step forward with Board collaborating with the company secretary to follow all the recommendations. In the upcoming meeting, the lawyers have to resume their presentation to the Board.
7. Report on the situation of water treatment plant and water distribution network in Tbong Khmum province and request for approval on Business Plan in 2021.  
As already discussed and agreed in agenda 2 above.
8. Report on the project for installing water transmission pipelines with big diameters, ranging from 800mm to 2000mm to collect water from Bakeng water treatment plant.  
The Board acknowledged the report and suggested PPWSA to make a letter informing Phnom Penh Municipality about its network extension plan from 2020 to 2025.
9. Internal Audit Report for the 3<sup>rd</sup> quarter of 2020 and request for approval on the audit services plan 2021.  
The Board totally acknowledged the Internal Audit Report for the 3<sup>rd</sup> quarter of 2020, and approved the audit service plan in 2021.
10. Others - Organizational Chart of PPWSA  
The Board agreed to promote the Secretariat and Procurement Unit to department level, like Legislation and Inspection, Internal Audit, and Information Technology Center.

Present members : 07 persons and the State Controller attached to PPWSA  
Absent members : 00 person

- [Outcomes of the 5th ordinary meeting](#)

This meeting was held on December 18, 2020 at 8:30 AM at the headquarter of PPWSA with the following resolutions:

1. Request for in-principle approval on selection of an external auditor for the 2021 financial reports.  
The Board adopted in principle BAKER TILLY (CAMBODIA) CO.,LTD as the external auditor for the 2021 financial reports, suggesting that the proposed audit fee be additionally negotiated, and authorized the Director General to negotiate the fee and sign a contract for the audit service.
2. Request for in-principle approval on setting the capital for Thbong Khmum water treatment plant.  
The Board approved in principle the setting of capital for Thbong Khmum water treatment plant.
3. Request for adopting ESOP debts of PPWSA employees, incurred during IPO stage



The Board acknowledged the report on the ESOP debt, and recommended PPWSA to carry on its procedure and to quickly find solutions in which the Employees Representative has to conduct a survey and collect from each concerned employee's feedback on the applicable alternative (based on the number of relevant employees indicated in the report) as well as to report to the Board in the next meeting.

4. Request for approval on the nomination of senior staff.

The Board decided the following:

a) Accepted the Nomination and Remuneration Committee's request for nominating 2 senior staff:

1- Mr. Om Atharous, Director of Administration and Human Resources, nominated as Deputy Director General

2- Mr. Heng Sophannarath, Deputy Director of Administration and Human Resources, nominated as Director of Administration and Human Resources.

b) Approved in principle the selection of Dr. Chea Visoth as advisor to the Board, but the term of reference (TOR) for the employment contract needs to be discussed, by matching the benefits to be offered to the jobs and duties to be performed in assisting the Board.

5. Request for approval on the Board meeting calendar in 2021.

The Board approved the following dates for the Board meetings in 2021:

- March 26, 2021 is for the 1<sup>st</sup> quarter's meeting.
- June 25, 2021 is for the 2<sup>nd</sup> quarter's meeting.
- September 22, 2021 is for the 3<sup>rd</sup> quarter's meeting.
- December 24, 2021 is for the 4<sup>th</sup> quarter's meeting.

6. Business Report 2020 (10 months actual and 2 months estimate), and plan for the 1<sup>st</sup> quarter of 2021

The Board totally agreed to the Business Report 2020 (10 months actual and 2 months estimate), and plan for the 1<sup>st</sup> quarter of 2021.

7. Internal Audit Report for the 4<sup>th</sup> quarter of 2020

The Board acknowledged the Internal Audit Report for the 4<sup>th</sup> quarter of 2020.

8. Procurement Report for the 4<sup>th</sup> quarter of 2020

The Board totally agreed to the Procurement Report for the 4<sup>th</sup> quarter of 2020.

9. Social Fund Report for the 4<sup>th</sup> quarter of 2020

The Board totally agreed to the Social Fund Report for the 4<sup>th</sup> quarter of 2020, and accepted the 4 proposals worth an estimate of KHR 383,640,000.

## 10. Others

- a) Request for approval on modification of the composition of Procurement Committee.

The Board adopted the 3 proposed members as follows:

- 1- Mr. Ma Noravin, Deputy Director General of Water Production and Distribution, as the 1<sup>st</sup> vice chairman of the Committee.
- 2- Mr. Chea Sotephoat, Director of Plan and Project, as the 2<sup>nd</sup> vice chairman of the Committee.
- 3- Mr Oeur Luxe, Administration office Manager, as member of the Committee.

- b) Request for approval on additional scope of works and service charges for preparing documentations and tools in compliance with PRAKAS No.011/18 SECC/BB.K

The Board agreed to hire HML & Consultants Law Group at a full-package fee of USD30,000, NOT on hourly fee basis, and the TOR for the service shall include the HML & Consultants Law Group's obligations to attend meetings with Securities Exchange Committee of Cambodia (SECC) or relevant institutions to defend the draft of the formulated documentations at PPWSA's request if necessary.

Present members : 07 persons and the State Controller attached to PPWSA  
Absent members : 00 person

## B. Board Committees

### 1- Board Committee Structure

#### 1.1- Audit Committee

N.	Name	Position	Appointing Date	Number of Attending the Meeting	Total Number of Meetings
1	Mr. Om Sengbora	Member of the BoD- Independent Director	02-April-2020	5	5
2	H.E. Mey Vann	Member of the BoD	02-April-2020	4	5
3	Mr. Zhang Yun Feng	Member of the BoD	02-April-2020	5	5
4	H.E. Neth Mony	State Controller of PPWSA	02-April-2020	5	5
5	Mr. Ma Noravin	Member of the BoD	02-April-2020	5	5

## Roles and Responsibilities of Audit Committee

- Review financial reports
- Check the internal control
- Review of internal audit
- Examine the external audit
- Review risk management in case there is no risk management committee
- Report to the Board of Directors
- Perform other duties as determined by the Board.

## Results of Audit Committee Performance

- Defining risk priorities (high, medium and low) included in the report summary for easy review and follow-up.
- Approve the negotiation of the audit price for 2020 and the audit selection for the construction project of Chamkar Mon Water Treatment Plant and Water Distribution System and proposed to be included in the agenda of the Board of Directors for further review and approval.
- Approve the extension of the mandate to appoint PPWSA Internal Auditor. And request the Board to review and decide.
- Agreed on all points in response to the questionnaire evaluating the corporate governance practices of the issuer related to the work of the internal audit.
- Review risk management during quarterly inspections related to the spread of Kovid-19 disease.
- Review and approved the working conditions, provided audit services and checked the financial statements for 2021 and the working conditions (Term of Reference) and the letter of approval (No Objection Letter) for the Bak Kheng project pending approval from the French Agency for Development. (AFD).
- In preparing the annual plan, the Audit Committee requires an annual plan.
- Surprise audit.

## 1.2- Nomination and Remuneration Committee

N.	Name	Position	Appointing Date	Number of Attending the Meeting	Total Number of Meetings
1	H.E OUM Sotha	Chairman	02 April 2020	3	3
2	H.E MEY Van	Member	02 April 2020	3	3
3	H.E NOUN Pharoath	Member	02 April 2020	3	3
4	Dr. CHEA Visoth	Secretary	02 April 2020	2	2
5	Mr. HOUT Sokeng	Secretary	04 December 2020	1	1

**Note:**

- Mr. HUOT Sok Heng, Company Secretary, was nominated as new secretary of the Committee to substitute
- Dr.CHEA Visoth, Deputy Director General and Company Secretary, who got retired on 01 December 2020.

## Roles and Responsibilities of Nomination and Remuneration Committee

- Review and make recommendations on the conditions, qualifications and procedures for selecting candidates for directors and senior officers.
- Evaluate the candidacy for directors and senior officers to submit to the Board of Directors.
- Review and update the mechanism and evaluate the efficiency of the Board of Directors, directors and Committees at least once a year
- Prepare procedures for reviewing and recommending Nomination or Remuneration for directors and senior officers.
- Perform other duties as determined by the Board of Directors.

## Results of Nomination and Remuneration Committee Performance

- Meeting to appoint Mr. Huot Sokheng as Enterprise Secretary on December 5, 2019.
- On 30 April 2020, the Committee convened a meeting to discuss a request for nomination of the following senior staff:
  - 1- Mrs. REOUN Nary                      nominated as Deputy Director General
  - 2- Mr. OM Atharous                      transferred and posted as Director of Administration and Human Resources
  - 3- Mr. SOM Sovan                      nominated as Commercial Director
- On 12 June 2020, the Committee convened a meeting to discuss a request for renewal of 2-year term for the Chief Internal Auditor, Ms. Seng Keadara.
- On 18 December 2020, the Committee convened a meeting to discuss a request for nomination of the following senior staff:
  - 1- Mr. OM Atharous                      nominated as Deputy Director General
  - 2- Mr. HENG Sophannarath              nominated as Director of Administration and Human Resources

## 2- Changes of Committee Member

Committees	Name	Reasons
Nomination and Remuneration	1- H.E. OUM SOTHA (Chairman)	His Excellency was appointed as the Chairman of the Board of Directors of the 7th Mandate as the Board of Directors of the 6th Mandate was completed.
	2- Mr. Huot Sokheng (Secretary)	He was appointed as the new secretary to replace Dr. Chea Visoth, who retired on December 1, 2020.

## C. Remuneration or Compensation

### 1- Brief Policies of Remuneration or Compensation for Directors and Senior Officers

PPWSA has been preparing and developing a summary policy on Remuneration or Compensation for Directors and Senior Officers.

## 2- Remuneration and Compensation Receivers

N.	Remuneration and Compensation Receivers	Remuneration and Compensation Amount (KHR'000)	Other
1	Directors	696,238	
2	Executive Directors	365,520	
3	Senior Officers	2,472,194	
4	Top 5 Employees receiving Remuneration and Compensation Receivers	1,104,838	

### D. Annual Performance Evaluation of Board of Directors, Directors

In 2020, PPWSA does not performance evaluation of board of directors, directors.

### E. Training for Directors and Senior Officers

In 2020, PPWSA does not training for directors and senior officers.

## Part3. Code of Business Conducts Practices

### A. Code of Business Conducts Practices for Director and Senior Officers Policies

There are no such transaction.

### B. Publishing of Code of Business Conducts Practices

On November 14<sup>th</sup>, 2020, the Ministry of Economy and Finance (MEF) and the Phnom Penh Water Supply Authority (PPWSA) had entered into the Subsidiary Credit Agreement for debt financing amounted to the total credit of USD 101,400,000, which was funded by the Agence Française de Développement (AFD), for the project of the Bakheng Water Supply (Phase 2). This project will contribute to the extension of water supply service in the Greater Phnom Penh, consisting of the three following components:

- (a) Construction of the Bakheng Water Production Facility (phase 2) brings its capacity from 195,000 m<sup>3</sup>/day to 390,000 m<sup>3</sup>/day.
- (b) Extension of the water supply network according to the Water Supply Master Plan 2016-2030.
- (c) Engineering and support to water supply service management.

The credit facility was denominated in US Dollar within 20 years, including a grace period of 7 years, starting from the Credit Facility Agreement's signing date between the MEF and the AFD dated December 24<sup>th</sup>, 2019.

## B. Publishing of Code of Business Conducts Practices (con't)

The PPWSA shall pay interest to the MEF at the Fixed Reference Rate (0.48% p.a) increased or decreased by any fluctuation of the Index Rate for the period from the Signing Date (24th December 2019) until the relevant Rate Setting Date plus 0.35%.

## C. Mechanisms and Procedures to Assess Code of Business Conducts Practices

There are no such transaction.

## D. Related Parties Transactions

There are no such transaction.

# Part 4.- Risk Management, Internal Control and Auditing

## A. Brief Risk Management System or Risk Management Policies

- The spread of Kovid-19 has affected the procurement process of foreign projects in the purchase of pipelines, distribution pipelines and fittings, and plans to expand the distribution network by 200 km / year and the main pipeline. Bring 13 km / year of water and the project to build PPWSA's water treatment plant.
- Climate change, which causes the river level to become shallower, affects insufficient pumping and changes in water quality, which increases the use of raw materials and electricity.
- Khos Norea Development Project: Land reclamation on Khos Norea could affect the quality of river water at Niroth Raw Water Pumping Station site, affecting the production process of Niroth Water Treatment Plant, unable to produce 260,000 m of clean water. 3 / days when this factor increases the cost of using raw materials and affects the cost of producing clean water.
- Infrastructure development, such as the construction of roads, sewers, excavations, underground systems, and excavation of flood roads in the past, has caused leaks in water distribution pipelines and home access networks, resulting in higher water loss rates and costs. Of the unit is also increasing.
- The supply of aggregates (PAC) and salt for the production of chlorinated water with raw materials sourced in China, which slows down the production and delivery, affects the production process and the delivery of samples (PAC); Salt for the production of water chloride to SGS laboratory in China, but was not allowed to be sampled by the Chinese Customs (PAC) because our package is a chemical product, delaying the contracting and supply. . Based on the above situation, the Procurement Unit requests the principle from His Excellency the Director General and the approval from the Ministry of Economy and Finance to order an additional 500 tons of bulk items to ensure the sustainability of the production and supply of clean water to the people, as well as to prevent The supply of new contracts is eventually delayed or in the case of a chief executive.

## B. Brief Internal Control System

According to the 2020 plan (for the period of 2019) approved by the Chairman of the Audit Committee dated 30 September 2019, inspected at:

1. Commercial Department
2. Procurement Unit
3. Accounting and Finance Department
4. Water and Sanitation Service Subsidiary
5. Production and Distribution Department

## C. Auditing

### 1- Internal Audit

#### 1.1- Roles and Responsibilities of Internal Auditors

- Prepare annual internal audit plan and submit it to the Chairman of the Audit Committee for review.
- Prepare annual internal audit plan and strategic plan for the National Audit Authority, General Department of Internal Audit, Ministry of Economy and Finance, review and divide the audit force in each department or unit.
- Review the procedures, principles, including technical standards that have been set to be implemented and make recommendations for improvement.
- Determining the appropriateness and giving good results on the operation of the unit.
- Review the reliability of compliance and operations by departments and units, as well as the methods used to identify, measure, classify and report such information.
- Supervise the quarterly and annual audit, submit to each unit of the unit in charge of improvement as recommended and submit to the Audit Committee for decision.
- Report to the Board and send to the National Audit Authority, General Department of Internal Audit of the Ministry of Economy and Finance or relevant ministries.
- Review the system in use to ensure compliance with state and local laws and regulations on operations and reporting.
- Evaluate the management, maintenance, protection and verification of assets and evaluate the efficiency, efficiency, use of resources and determine the improvement of implementation and recommendations.
- Study and analyze the risk and submit it to the Chairman of the Audit Committee and the Board to review and decide to find a solution according to the actual situation.

#### 1.2- New Appointment and Removal/Resignation of head and/or Deputy of Internal Auditors

There are no such transaction.

#### 1.3- Appointment of head and/or Deputy of Internal Auditors

There are no such transaction.

## 2- External Auditors

N.	Name of Audit Firms	Agreement Date	Auditing Fees		Non-audit Fees
			KHR	USD	
1	BDO (Cambodia) Limited	24/March/2015		19,500	
		20/January/2017	94,000,000		
		13/April/2018 & 2019		26,000	
		21/April /2020		29,000	
				34,000	

The reasons for the change, suspension and termination of the audit service provider in the securities sector are non-existent.

## Part 5.- Stakeholders

### A. Identify Policies and Activities Related to the Following:

N.	Contents	Policies	Actions
1	Customer Welfare	- Provide services and provide clean water to customers, guaranteed by national and world standards	
	Suppliers and Subcontractors Selection	- Comply with procurement procedures (Public Procurement Law of the Kingdom of Cambodia)	
3	Management and Protection of Employees	- Labor Law - Staff and Enterprise Statute - Employment contract - Internal regulations - Discipline	
4	Environment Protection	- In accordance with the policy of the Royal Government, especially the Ministry of Environment on environmental considerations and protection	
5	Community Interaction	- Expand the service area to the community according to the actual possibilities	
6	Creditors' Rights Protection	- Guaranteed by the Royal Government	
7	Anti Corruption Program	- Carry out business with customers in a transparent manner	

### B. Describe the Corporate Social Responsibilities of PPWSA

N.	Beneficiaries	Amount (KHR)	Purposes of CSR
1	communities and Low income resident	2,328,556,000	In 2020 implemented the subsidy policy for 820 connections by the PPWSA budget.



## Part6.- Disclosure and Transparency

### A. Identify the Following Information in the Annual Report:

N.	Information	Yes/No
1	Visions/ Missions/ Objectives	Yes
2	Financial Indicator	Yes
3	Non-financial Indicator	Yes
4	Main Risk Factors	Yes
5	Dividend Policy	Yes
6	Biography of Directors	Yes
7	Training for Directors	No
8	Number of Board Meeting	Yes
9	Attendance of Directors in Board Meetings	Yes
10	Remuneration or Compensation for Directors and Senior Officers	Yes

### B. The mechanism of disclosure including means, procedures, and responsible person in charge of disclosure

Mr. Ros Kimleang, the Deputy Director General in charge of Finance and Securities Exchange, was officially appointed as the Responsible Disclosure Officer, having the assistance of the Securities Exchange and Investor Relation Office of Accounting and Finance Department to disclose the PPWSA information to the public.

The quarterly and annual reports are drafted by the Deputy Head of Accounting and Finance Department in charge of Accounting and requested for approval of the board of directors and followed by submitting these reports to the SERC through the Securities Exchange and Investor Relation Office to file these reports and request to disclose to the public, after reviewing by the Deputy Head of Accounting and Finance Department in charge of Finance and Securities Exchange and Investor Relation Office and approving by the Responsible Disclosure Officer. After approval by the SERC, the Securities Exchange and Investor Relation Office shall send these reports to the Planning and Foreign Project Office of the Planning and Project Department to publicly disclose the PPWSA website.

The Securities Exchange and Investor Relation Office shall submit the special disclosure and requested disclosure, reviewed by the Deputy Head of Accounting and Finance Department in charge of Finance and the Securities Exchange and Investor Relation Office, the Responsible Disclosure Officer, and approved by the PPWSA Director General, to the SERC. After the approval by the SERC on the submitted disclosure, the Securities Exchange and Investor Relation Office shall send these reports to the Planning and Foreign Project Office of the Planning and Project Department to publicly disclose on the PPWSA's website.

Regarding timely disclosure and voluntary disclosure, the Securities Exchange and Investor Relation Office shall submit these disclosures to the CSX through the CSX electronic disclosure system, after reviewing by the Deputy Head of Accounting and Finance Department in charge of Finance and Securities Exchange and Investor Relation Office and approving by the Responsible

Disclosure Officer. After the approval of CSX on the submitted disclosure, the Securities Exchange and Investor Relation Office shall send these reports to the Planning and Foreign Project Office of the Planning and Project Department to publicly disclose on the PPWSA's website.

## C. Investor Relations

### 1- Mechanism and procedures for the Investor Relations

The PPWSA communicated with investors through the Transfer and Paying Agent of the PPWSA to inform the annual dividend distribution and the general shareholder meeting. The Investor who wishes to understand the PPWSA shall directly request the PPWSA or through their securities firms to conduct the meeting as per investors' request.

Besides the above mechanisms, investors could directly contact the Responsible Disclosure Officer and the Securities Exchange and Investor Relation Office as follows:

- The Responsible Disclosure Officer: [Ros Kim Leang@ppwsa.com.kh](mailto:Ros_Kim_Leang@ppwsa.com.kh); or
- The Securities Exchange and Investor Relation Office: [Ckakada@ppwsa.com.kh](mailto:Ckakada@ppwsa.com.kh) or [ir@ppwsa.com.kh](mailto:ir@ppwsa.com.kh)

### 2- Investor relations in 2020

In 2020, the PPWSA contacted its investors through ACLEDA Bank, Plc. to inform the dividend distribution for 2019 and the 8th general shareholder meeting.



## PHNOM PENH WATER SUPPLY AUTHORITY (PPWSA)

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