



PHNOM PENH WATER SUPPLY  
AUTHORITY



# QUARTERLY REPORT Q2 / 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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## FINANCIAL HIGHLIGHTS



Financial Position	Second Quarter		
	2020	2019	2018
Total assets (KHR'000)	1,674,327,861	1,604,343,922	1,449,408,815
Total liabilities (KHR'000)	738,201,856	690,639,283	550,770,729
Total shareholders' equity (KHR'000)	936,126,005	913,704,639	899,338,086

Profit/(Loss)	Second Quarter	Second Quarter	Second Quarter
	2020	2019	2018
Total revenues (KHR'000)	75,245,090	57,254,329	62,602,418
Profit/ (Loss) before Tax (KHR'000)	22,576,813	11,389,090	24,374,174
Profit/ (Loss) after Tax (KHR'000)	15,821,249	9,228,405	19,672,222
Total Comprehensive income (KHR'000)	15,821,249	9,228,405	19,718,784

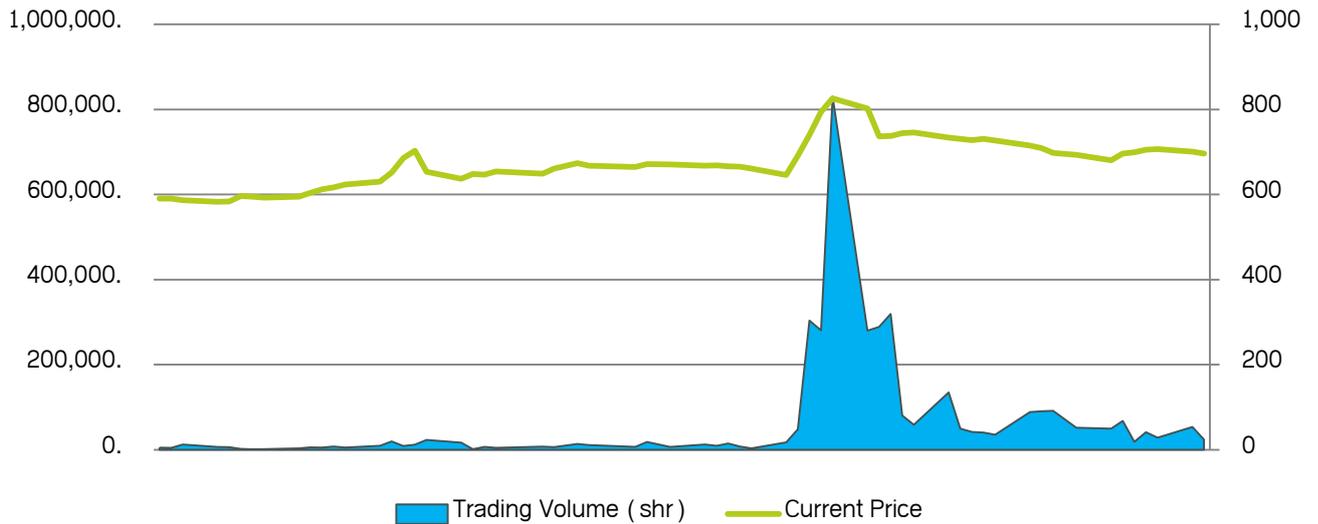
Financial Ratios	Second Quarter			
	2020	2019	2018	
Solvency ratio				
Liquidity ratios	Current ratio (times)	1.31	1.15	1.79
	Quick ratio (times)	0.79	0.62	1.15

		Second Quarter	Second Quarter	Second Quarter
		2020	2019	2018
Profitability ratios	Return on assets (%)	0.96	0.62	1.40
	Return on equity (%)	1.69	1.03	2.34
	Gross profit margin (%)	35.69	32.35	33.15
	Profit margin (%)	21.03	16.12	31.50
	Earnings per share (KHR)	181.91	106.11	226.72
Interest Coverage ratio (times)	4.87	2.04	2.12	

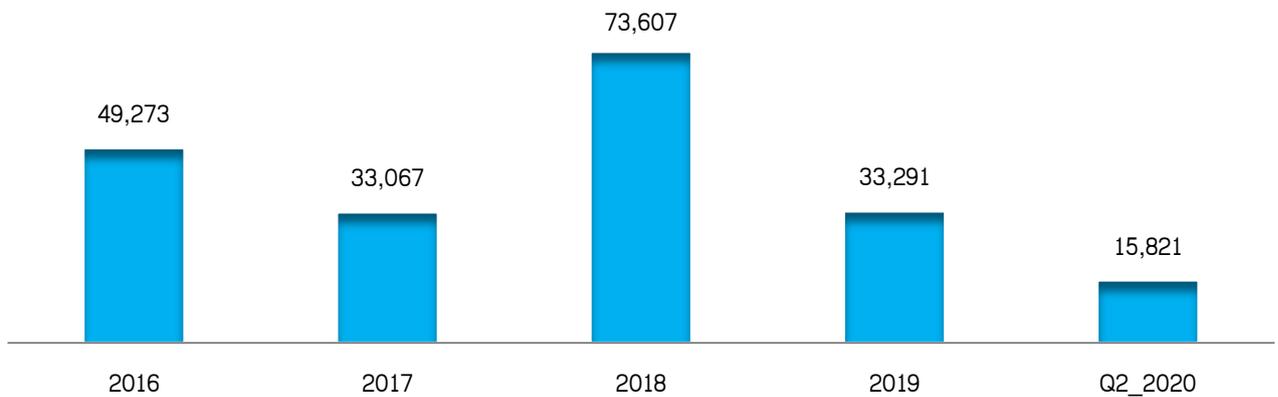


# Financial Summary Charts

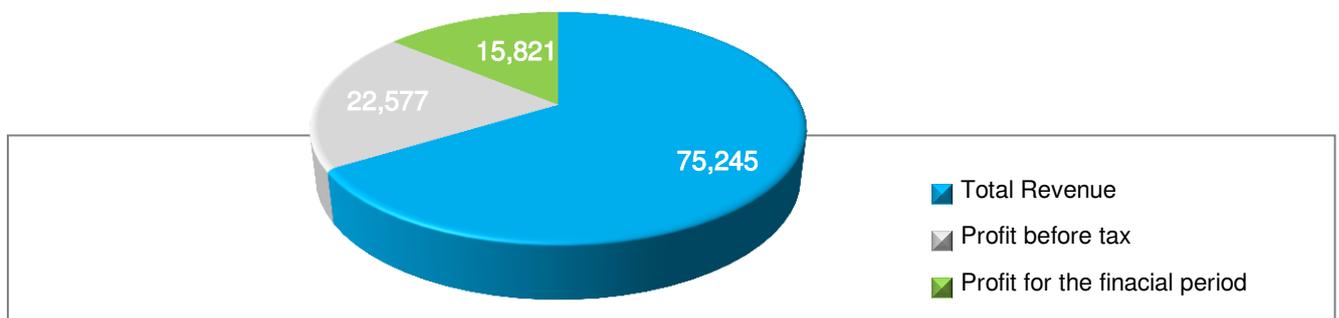
## CHANGES IN STOCK PRICE (in KHR) AND TRADING VOLUME



## PROFIT FOR EACH YEAR (in million KHR)



## PROFIT FOR THE FOURTH QUARTER 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 of the Board

## In the 2<sup>nd</sup> quarter of 2020

“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 the 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 this quarter, PPWSA reported total revenues of KHR 75,245,090,000 and profit before tax of KHR 22,576,813,000. Total comprehensive was KHR15,821,249,000 while the basic earnings per share was KHR181.91.

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 overseas 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 pertaining to social interests; 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 this quarter, we produced 56,654,073m<sup>3</sup> of clean water, and we use poly aluminum chloride (PAC) instead of sourdough to improve water quality and reduce chemical costs.



As a result, in this quarter we installed 4,835 new house connections including 149 connections for the low-income whom we always care for. The rate of water loss in this quarter was 14.47%, due to the leakage of pipes caused by the development and repair of road infrastructure.

We raised the awareness on our water supply – regularly among the population living in communities – and timely responded to their complaints about water service. Transmission pipeline and distribution network are extended everyday. As a result, 54,856.74m of pipes were laid in this quarter.

## **Performance of the Board of Directors for Mandate 7**

### **A) Outcomes of the first 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) 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) Acknowledged the report on financial status for the first 3 months of 2020.
- 3) Approved the nomination of senior staff at the request of the Nomination and Remuneration Committee. But, the job responsibilities of the Deputy Director General will be defined by the Director General via a separate decision.
- 4) 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.
- 5) Acknowledged the progress reports of 3 grant aid projects, and accepted H.E. Mey Vann’s recommendation concerning the project for updating the master plan.

### **B) 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) 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) Adopted the renewal of 2-year term for Chief Internal Auditor, Ms. Seng Keadara.
- 3) 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) Agreed to the social fund report for the 2<sup>nd</sup> quarter of 2020.

- 5) After the detailed discussion on the request for approval on the audited financial report in 2019 and on the distribution of net income and dividend to shareholders, the Board had the following resolutions:
- a) Unanimously adopted the proposed allocations of net income in 2019, where:
 

▪ Reward to staff (3 months)	:	KHR 9,380,566,823
▪ Social fund	:	KHR 2,743,528,661.38
▪ Mandatory reserved fund (5%)	:	KHR 1,664,595,837.25
▪ Voluntary reserved fund (5%)	:	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	:	KHR230 / share
▪ Dividend payout ratio	:	60.09%
▪ Record date	:	02 July 2020
▪ Payment date	:	13 July 2020
- 6) 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 existing procedures; as well as acknowledged the Director General’s concerns and considerations about the river water levels in the dry season.
- 7) Agreed to cancel Agenda 7 – Request for intervention in trial pit issue as PPWSA had already handled it.
- 8) Acknowledged the progress report on implementation of the approaches to managing the sludge discharged from Bakheng water treatment plant.
- 9) Acknowledged the reported impact, of backfilling undertaken by Overseas Cambodia Investment Corporation (OCIC) for Koh Norea development project, on PPWSA’s water supply system and water service to Phnom Penh residents.
- 10) Unanimously adopted the proposal for approval on the Board’s 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 meetings with PPWSA for reference.
- 11) Others:
- 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.



### Expectations in the 3<sup>rd</sup> Quarter of 2020

To realize its vision, PPWSA will carry out the main tasks as follows:

- Institutional and human resource developments
- Development of all the techniques and facilities
- Review of the service and performance indicators

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 Takhmao, and a strong commitment to social and environmental responsibility. In the third quarter of 2020, PPWSA plans to produce 58,313,600m<sup>3</sup> of clean water, expand 49,500m of additional distribution network, and generate total revenues of KHR 83,383,659,000 with total expenses of KHR 48,381,405,000 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, 13 August 2020

**Chairman**

# CONTENT

<b>Financial Highlight</b>	i
<b>Financial Summary Charts</b>	ii
<b>Board of Directors</b>	iii
<b>Message from Chairman</b>	v
Part 1 - General information on Phnom Penh Water Supply Authority (PPWSA)	01
A- Identity of Phnom Penh Water Supply Authority	01
B- Nature of Business	01
PART2.-Information on Business Operation Performance	02
A- Business Operation	02
B- Revenue Structure	08
PART3.- Financial Statements Reviewed by the External Auditor	09
PART4.-Management's Discussion and Analysis	32
A- Operational Overview	32
B- Significant Factors Affecting the Profit	36
C- Material Changes in Sales and Revenues	36
D- Impacts of Foreign Exchange, Interest Rates and Commodity Prices	37
E- Impact of Inflation	37
F- Economic, Fiscal, Monetary Policies of the Royal Government	37
PART5.- Other Necessary Information for Investor Protection	38
Signature of Directors of Phnom Penh Water Supply Authority	39

## PART 1.- General Information of PPWSA

### A- IDENTITY OF PHNOM PENH WATER SUPPLY AUTHORITY

- ◆ 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.០៨៣៩Et/២០១២  
Date: 27 March 2012
- ◆ License number: Sub-decree No. 52អនក្រ.បក  
Issued by: Royal Government of Cambodia  
Date: 19 December 1996
- ◆ Disclosure Document approved and registered by SECC's Resolution No.: ០12/12គ.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 business 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.

## 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

PPWSA continued to supply clean water in response to customer demand through operation of the existing treatment system, and assured that treated water is clean, uncontaminated and directly drinkable from the tap. As a result, water treatment in the 2<sup>nd</sup> quarter of 2020 was summarized in the table below.

Description (water treatment plant)	PLAN (m <sup>3</sup> )	ACTUAL (m <sup>3</sup> )	RATE (%)
Phum Prek	14,196,000	14,312,758	101
Chruoy Chang War	15,108,000	15,384,470	102
Chamkar Morn	3,460,000	5,013,090	145
Niroth	22,796,190	21,936,859	96
Mlech	25,600	6,896	27
<b>TOTAL</b>	<b>55,585,790</b>	<b>56,654,073</b>	<b>102</b>

The quality of treated water at the 5 water treatment plants (WTPs) was tested 3 times a day, and that at 80 checkpoints along the distribution network was tested weekly. In consequence, the water quality complies with Cambodian National Drinking Water Quality Standard (CNDWQS). The water quality control at each WTP and along the distribution network is implemented regularly based on the Standard Operating Procedure (SOP) and the working schedule, assuring that water is safe and drinkable from the tap in accordance with WHO guidelines for drinking water.

Parameters	Unit	WHO	Phum Prek WTP	Chroy Chang War WTP	Chamcar Morn WTP	Niroth WTP	Along Distribution Pipes
Turbidity	NTU	≤5	0.15	0.30	0.08	0.19	0.34
pH Value		6.50-8.50	7.83	7.91	7.82	7.65	7.83
Free Available Chlorine	mg/l	0.10-1.0	1.57	1.06	1.2	0.95	0.32
Total Available Chlorine	mg/l	<2	1.79	1.19	1.17	1.07	0.44
Total coliforms	cfu/100ml	0	0	0	0	0	0
E. Coli	cfu/100ml	0	0	0	0	0	0



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

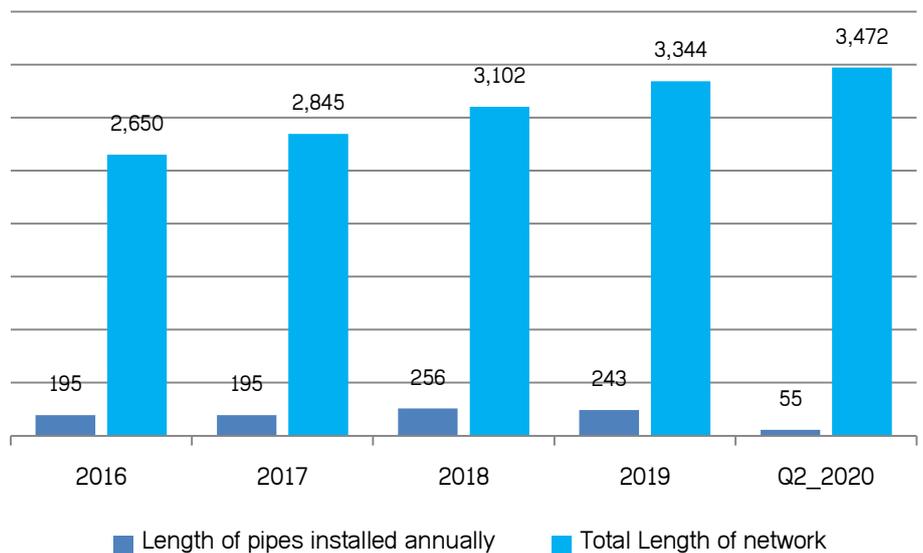
A.1- Water Treatment and Distribution System and Water Loss Reduction (con't)

A.1.2- Pipes Laying

Description	Actual (m)
1- Khan Doun Penh	23.40
2- Khan Chamkar Morn	736.23
3- Khan Roeusei Keo	4,984.20
4- Khan Meanchey	318.86
5- Khan Dankor	9,521.10
6- Khan Po Senchey	8,061.05
7- Khan Sen Sok	5,737.00
8- Khan Chroy Chanva	9,422.90
9- Khan Chba Ampov	13,510.10
10- Khan Prek Phnov	1,950.30
11- Takhmao	561.60
<b>TOTAL</b>	<b>54,856.74</b>



Lengths of pipes installed each year  
(Km)



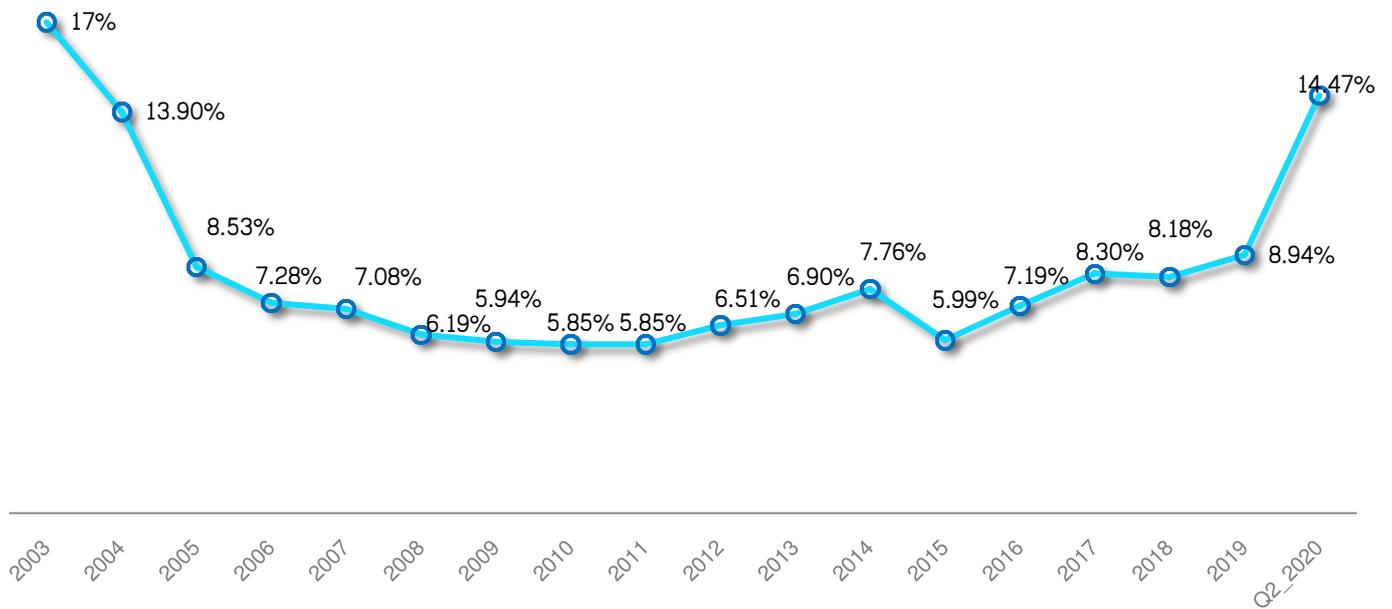
A. Business Operation Performance including business segments information (con't)

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

A.1.2- Water Loss Reduction

In this quarter, PPWSA's water loss rate was kept in single digits – 14.47%, as shown in the graph below.

NRW trend from 2003 to the 2nd Quarter of 2020 (in percent)



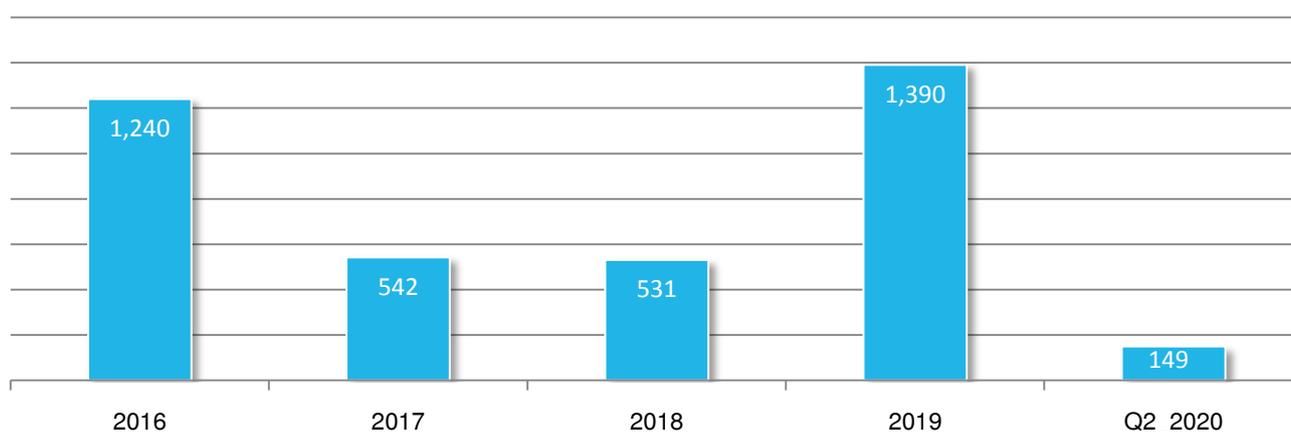
## A. Business Operation Performance including business segments information (con't)

### A.2- Business Activities and Results

#### A.2.1 - Water for All Program

From the inception of “Water for All” program till the end of the 2<sup>nd</sup> quarter of 2020, PPWSA has supplied clean water to 36,694 low-income families. In this quarter, a total of 149 connections were subsidized.

Increase in low-income household connections



### Evaluation

The provision of clean water service to the low-income, particularly those living in communities that have never had direct access to PPWSA’s clean water at an affordable tariff cheaper than private vendors, with 24/7 supply, assured quality and subsidy, made the low-income happy and very grateful to the Royal Government and donors for the care of their livings.

Connections for the low-income		TOTAL (Households)	URBAN (Households)	SUBURBAN (Households)
	12-month installment payments	-	-	-
Subsidy 30%	with 12-month installment payments	03	-	03
Subsidy 50%	with 12-month installment payments	86	16	70
Subsidy 70%	with 12-month installment payments	40	02	38
Subsidy 100%	with 12-month installment payments	20	-	20
<b>TOTAL</b>		<b><u>149</u></b>	<b><u>18</u></b>	<b><u>131</u></b>

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

### A.2- Business activities and results

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

##### - House Connection

House connection work is carried out based on a simple Standard Operating Procedure (SOP) for both PPWSA employees and customers. PPWSA's is to help people quickly apply for house connections with down payment of connection fees on site, that reduces their travel costs.

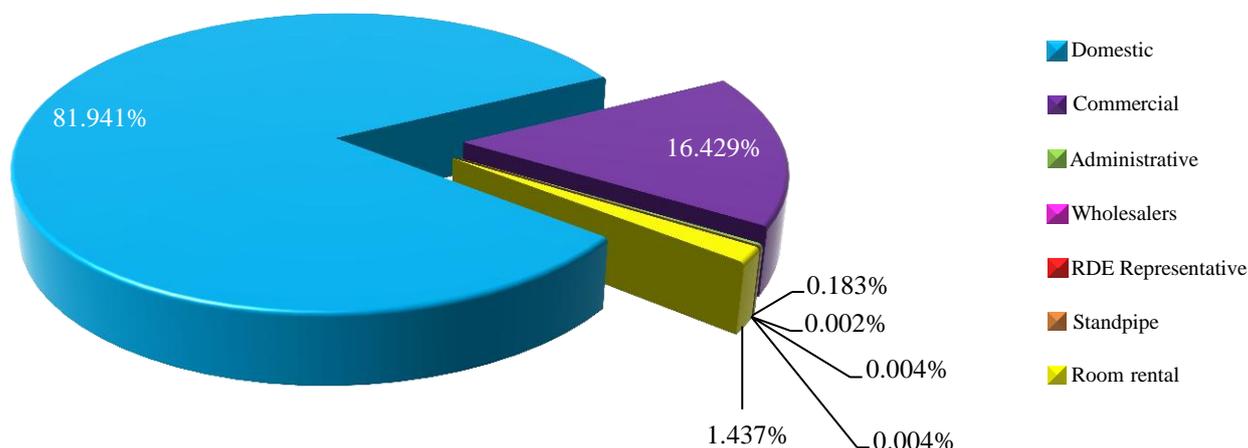
##### - Customer Management

PPWSA manages its customers well and effectively by:

- ◆ Entering data of new connections and newly replaced meters into the customer database accurately and timely – No more than three working days after the installation and replacement date.
- ◆ Entering all the requests for customer data change into the system in a timely manner.
- ◆ Securing customer data with daily and weekly backups to be checked at the end of each quarter.
- ◆ Maintenance of the computers and hardwares in the whole PPWSA based on the fixed schedule.

Types of Customers	Second Quarter				
	2016	2017	2018	2019	2020
Domestic	251,067	271,317	301,834	321,212	328,175
Commercial	54,228	55,891	58,789	62,366	65,798
Administrative	655	655	664	696	733
Wholesalers	11	08	07	07	07
RDE Representative	22	20	21	17	17
Standpipe	-	-	14	17	16
Room rental	4,852	5,397	5,703	5,752	5,754
<b>Total</b>	<b><u>310,835</u></b>	<b><u>333,288</u></b>	<b><u>367,032</u></b>	<b><u>390,067</u></b>	<b><u>400,500</u></b>

Distribution of customers by type at end of the second quarter of 2020 (Total connections: 400,500)



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

### A.3- Human Resource Management

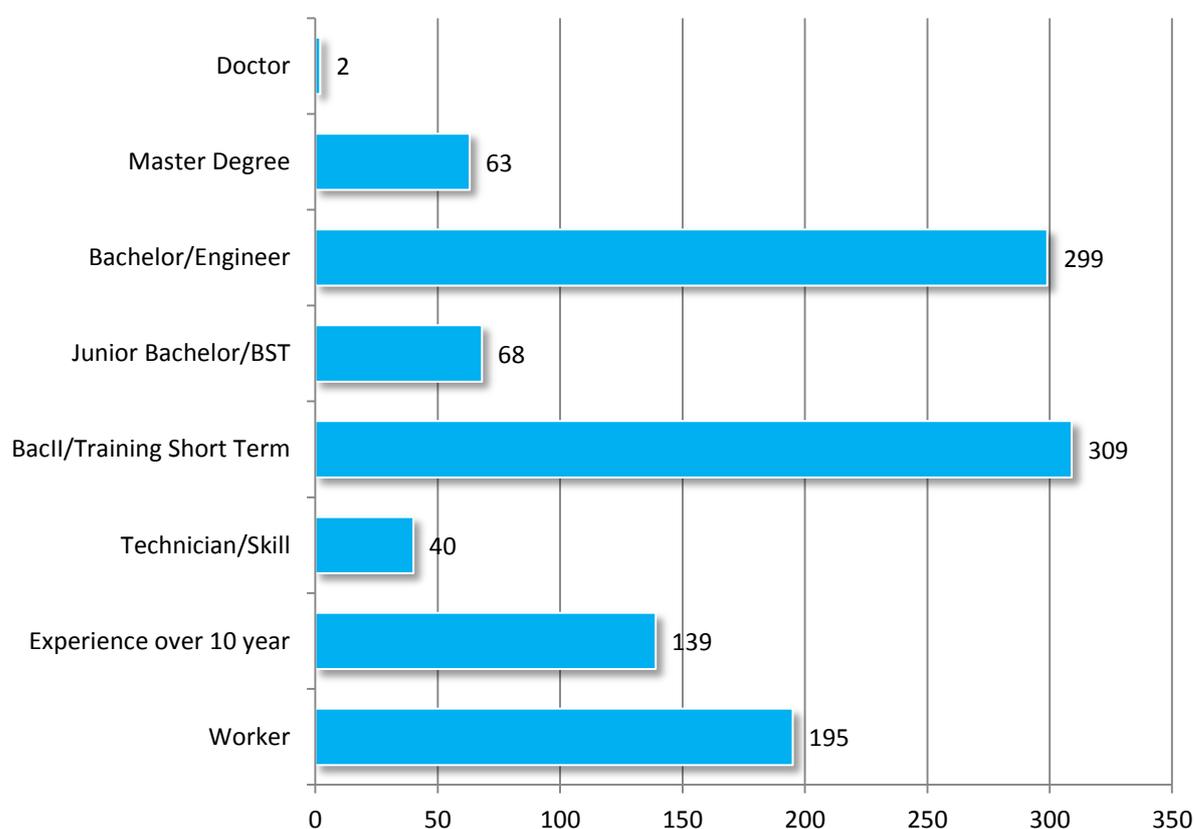
In this quarter, PPWSA has a total of 1,115 employees (including 195 females) which is categorized as follows:

- ◆ 2 government officials – Director General and Deputy Director General in charge of Finance and Securities Exchange.
- ◆ Permanent Employees                      1,062    (189 females)
- ◆ Probation Employees                        09      (04 females)
- ◆ Contractual Employees                      42      (02 females)

#### A.3.1- Enforcement of Personnel Statute and Internal Regulation

- ◆ Staff ratio was 2.78 per 1000 connections (while the total connections as of 30 June 2020 were 400,500).
- ◆ Enforcement of duties, work discipline, and employee punctuality, uniform and safety protection have been improved.

#### A.3.2- Skill Levels of Employees



## PART 2.- Information on Business Operation Performance (cont)

### B- Revenue Structure

N°	Source of Revenue	Q2_2020		Q2_2019		Q2_2018	
		Amount (KHR'000)	Percent	Amount (KHR'000)	Percent	Amount (KHR'000)	Percent
1	Water sales	67,117,431	89.20%	52,791,559	92.21%	50,975,096	81.43%
2	Construction service fee	5,474,382	7.28%	1,212,998	2.12%	3,587,623	5.73%
3	Foreign exchange gains - net	163,749	0.22%	-	-	1,162,689	1.86%
4	Other incomes	2,489,528	3.31%	3,249,772	5.68%	6,877,010	10.99%
	Total revenues	<b><u>75,245,090</u></b>		<b><u>57,254,329</u></b>		<b><u>62,602,418</u></b>	



# PART 3.- FINANCIAL STATEMENTS REVIEWED BY THE EXTERNAL AUDITOR

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020





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

**CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020**

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

<b>CONTENTS</b>	<b>PAGE</b>
STATEMENT BY THE DIRECTORS	1
REPORT ON THE REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION	2
CONDENSED STATEMENT OF FINANCIAL POSITION	3
CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	4
CONDENSED STATEMENT OF CHANGES IN EQUITY	5
CONDENSED STATEMENT OF CASH FLOWS	6 - 7
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION	8 - 19



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

**STATEMENT BY THE DIRECTORS**

In the opinion of Directors, the accompanying condensed statement of financial position of Phnom Penh Water Supply Authority (“PPWSA”) as at 30 June 2020, and the related condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and condensed notes to the interim financial information (collectively known as “Condensed Interim Financial Information”) are presented fairly, in all material respects, in accordance with Cambodia International Accounting Standard 34 *Interim Financial Reporting*.

Signed on behalf of the Board of Directors,



**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: 13 August 2020

**REPORT ON THE REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION TO THE SHAREHOLDERS OF PHNOM PENH WATER SUPPLY AUTHORITY  
(Incorporated in Cambodia)  
(Registration No: Co.0839 Et/2012)**

**Introduction**

We have reviewed the accompanying condensed statement of financial position of Phnom Penh Water Supply Authority (“PPWSA”) as at 30 June 2020, and the related condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and condensed notes to the interim financial information (collectively known as “Condensed Interim Financial Information”). The Directors of the PPWSA are responsible for the preparation of and presentation of the Condensed Interim Financial Information. Our responsibility is to express a conclusion on this Condensed Interim Financial Information based on our review.

**Scope of review**

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

**Conclusion**

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

  
BDO (Cambodia) Limited

Phnom Penh, Cambodia  
Date: 13 August 2020



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

**CONDENSED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2020**

	Note	Unaudited 30.6.2020 KHR'000	Audited 31.12.2019 KHR'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	1,409,825,035	1,374,031,554
Intangible assets		<u>13,937,716</u>	<u>13,411,013</u>
		<u>1,423,762,751</u>	<u>1,387,442,567</u>
<b>Current assets</b>			
Inventories		91,549,263	103,755,868
Trade and other receivables		39,842,925	13,564,801
Contract assets	10	32,819,809	13,321,083
Loan to employees		7,643,602	7,826,214
Short-term investments	5	23,627,750	17,909,267
Other tax receivables		5,312,052	5,312,052
Cash and bank balances		<u>49,769,709</u>	<u>55,212,070</u>
		<u>250,565,110</u>	<u>216,901,355</u>
<b>TOTAL ASSETS</b>		<u>1,674,327,861</u>	<u>1,604,343,922</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		541,227,282	541,227,282
Reserves	6	352,473,533	339,185,444
Retained earnings		<u>42,425,190</u>	<u>33,291,913</u>
<b>TOTAL EQUITY</b>		<u>936,126,005</u>	<u>913,704,639</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	7	414,412,683	303,948,144
Deferred government and other grants	8	19,827,048	20,959,838
Deferred tax liabilities		61,480,219	59,526,828
Other payables	9	<u>63,165,383</u>	<u>65,398,879</u>
		<u>558,885,333</u>	<u>449,833,689</u>
<b>Current liabilities</b>			
Trade and other payables	9	133,092,938	196,661,333
Borrowings	7	32,212,596	33,136,698
Contract liabilities	10	2,455,184	2,876,260
Current tax liabilities		<u>11,555,805</u>	<u>8,131,303</u>
		<u>179,316,523</u>	<u>240,805,594</u>
<b>TOTAL LIABILITIES</b>		<u>738,201,856</u>	<u>690,639,283</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>1,674,327,861</u>	<u>1,604,343,922</u>

*The Condensed Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to this interim financial report.*

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

**CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020**

	Note	Unaudited			
		Three-month period ended		Six-month period ended	
		30.6.2020 <sup>(1)</sup>	30.6.2019 <sup>(2)</sup>	30.6.2020 <sup>(1)</sup>	30.6.2019 <sup>(2)</sup>
		KHR'000	KHR'000	KHR'000	KHR'000
Revenue:					
Sales		67,117,431	52,791,559	134,005,269	104,048,773
Construction service fee		5,474,382	1,212,998	7,152,804	1,360,375
Foreign exchange gain - net		163,749	-	-	-
Other income		2,489,528	3,249,772	9,740,584	7,104,128
		<u>75,245,090</u>	<u>57,254,329</u>	<u>150,898,657</u>	<u>112,513,276</u>
Expenses:					
Depreciation and amortisation charges		(12,759,361)	(12,381,351)	(25,409,535)	(24,608,868)
Electricity costs		(9,152,887)	(7,833,183)	(18,891,459)	(17,336,198)
Salaries, wages and related expenses		(14,537,907)	(12,407,339)	(27,955,384)	(24,185,252)
Raw materials for water treatment		(1,708,814)	(1,463,349)	(3,995,822)	(3,159,651)
Raw materials for household water connections		(513,511)	(694,841)	(1,180,840)	(1,681,172)
Repairs and maintenance		(2,810,115)	(1,582,221)	(5,238,315)	(3,190,098)
Construction service expense		(3,722,274)	(758,243)	(5,291,267)	(896,789)
(Impairment)/Reversal of impairment on loan to employee		(130,437)	626,097	(182,612)	2,347,864
Other operating expenses		(3,051,053)	(2,147,959)	(4,389,222)	(4,175,378)
Foreign exchange loss - net		-	(90,416)	(44,700)	(178,977)
		<u>26,858,731</u>	<u>18,521,524</u>	<u>58,319,501</u>	<u>35,448,757</u>
Operating profit		26,858,731	18,521,524	58,319,501	35,448,757
Finance income	12	412,296	83,770	2,923,744	2,937,408
Finance costs	12	(4,694,214)	(7,216,204)	(5,509,519)	(9,092,810)
		<u>22,576,813</u>	<u>11,389,090</u>	<u>55,733,726</u>	<u>29,293,355</u>
Profit before tax		22,576,813	11,389,090	55,733,726	29,293,355
Tax expense	13	(6,755,564)	(2,160,685)	(13,308,533)	(11,636,888)
		<u>15,821,249</u>	<u>9,228,405</u>	<u>42,425,193</u>	<u>17,656,467</u>
Profit for the financial period		15,821,249	9,228,405	42,425,193	17,656,467
Other comprehensive income, net of tax		-	-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the financial period		<u>15,821,249</u>	<u>9,228,405</u>	<u>42,425,193</u>	<u>17,656,467</u>
Basic earnings per share	14	181.91	106.11	487.80	203.01
Diluted earnings per share	14	181.91	106.11	487.80	203.01

Notes:

(1) The Condensed Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to this interim financial report.

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



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

**CONDENSED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020**

	Note	Share capital KHR'000	Reserves KHR'000	Retained earnings KHR'000	Total KHR'000
<b>Unaudited</b>					
<b>Balance as at 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 period, representing total comprehensive income		-	-	42,425,193	42,425,193
<b>Transactions with owners</b>					
Transfer to reserves	6	-	13,288,089	(13,288,089)	-
Dividend	11	-	-	(20,003,827)	(20,003,827)
Total transaction with owners		-	13,288,089	(33,291,916)	(20,003,827)
<b>Balance as at 30 June 2020<sup>(1)</sup></b>		<b>541,227,282</b>	<b>352,473,533</b>	<b>42,425,190</b>	<b>936,126,005</b>
<b>Unaudited</b>					
<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 period, representing total comprehensive income		-	-	17,656,467	17,656,467
<b>Transactions with owners</b>					
Transfer to reserves	6	-	54,681,808	(54,681,808)	-
Dividend		-	-	(18,925,360)	(18,925,360)
Total transaction with owners		-	54,681,808	(73,607,168)	(18,925,360)
<b>Balance as at 30 June 2019<sup>(2)</sup></b>		<b>541,227,282</b>	<b>339,185,444</b>	<b>17,656,467</b>	<b>898,069,193</b>

Notes:

(1) The Condensed Statement of Change in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to this interim financial report.

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

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

**CONDENSED STATEMENT OF CASH FLOWS**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020**

	Note	Unaudited	
		30.6.2020 <sup>(1)</sup>	30.6.2019 <sup>(2)</sup>
		KHR'000	KHR'000
<b>Cash flows from operating activities</b>			
Profit before tax		55,733,726	29,293,355
Adjustments for:			
Amortisation of intangible assets		1,254,617	1,024,467
Amortisation of deferred government and other grants	8	(1,132,790)	(1,179,986)
Depreciation of property, plant and equipment	4	24,154,918	23,584,401
Finance income	12	(2,923,744)	(2,937,408)
Finance costs	12	5,509,519	9,092,810
Impairment/(Reversal of impairment) on loans to employees		182,612	(2,347,864)
Property, plant and equipment written off		1,389,567	424,201
		<u>84,168,425</u>	<u>56,953,976</u>
Operating profit before working capital changes		84,168,425	56,953,976
Changes in working capital:			
Inventories		12,206,606	(11,620,369)
Trade and other receivables		(26,549,616)	(3,334,363)
Trade and other payables		(101,293,208)	(28,421)
Contract assets		(19,498,726)	(9,877,974)
Contract liabilities		2,455,184	3,327,169
Refundable water deposits		2,351,121	3,303,578
		<u>(46,160,214)</u>	<u>38,723,596</u>
Cash (used in)/generated from operations		(46,160,214)	38,723,596
Income tax paid		(7,930,640)	(7,126,944)
		<u>(54,090,854)</u>	<u>31,596,652</u>
Net cash (used in)/from operating activities		<u>(54,090,854)</u>	<u>31,596,652</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(44,098,906)	(43,272,545)
Purchase of intangible assets		(230,167)	(101,733)
Interest capitalised on qualifying assets		(1,645,317)	(1,317,311)
Loan repayments from Pursat Water Supply		-	74,671
(Placements)/Proceeds from disposal of short-term investments		(5,718,483)	9,282,789
Interest received		782,963	1,112,842
		<u>(50,909,910)</u>	<u>(34,221,287)</u>
Net cash used in investing activities		<u>(50,909,910)</u>	<u>(34,221,287)</u>



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

**CONDENSED STATEMENT OF CASH FLOWS**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020 (continued)**

	Note	Unaudited Six-month period ended 30.6.2020 <sup>(1)</sup> KHR'000	30.6.2019 <sup>(2)</sup> KHR'000
<b>Cash flows from financing activities</b>			
Dividend paid		(6,884,787)	(2,838,804)
Drawdown of borrowings		123,983,124	27,734,669
Interest paid		(1,849,889)	(3,850,396)
Repayments of borrowings		<u>(15,690,045)</u>	<u>(19,116,084)</u>
Net cash from financing activities		<u>99,558,403</u>	<u>1,929,385</u>
<b>Net decrease cash and cash equivalents</b>		(5,442,361)	(695,250)
<b>Cash and cash equivalents at the beginning of financial period</b>		<u>55,212,070</u>	<u>13,353,758</u>
<b>Cash and cash equivalents at the end of financial period</b>		<u>49,769,709</u>	<u>12,658,508</u>

*Notes:*

(1) *The Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to this interim financial report.*

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

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

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION  
30 JUNE 2020**

**1. CORPORATE INFORMATION**

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

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

This condensed interim financial information are presented in Khmer Riel (“KHR”), which is also the functional currency of the PPWSA.

The condensed interim financial information was authorised for issue by the Board of Directors on 13 August 2020.

**2. PRINCIPAL ACTIVITIES**

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

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

**3. BASIS OF PREPARATION**

The interim financial report is unaudited and has been prepared in accordance with Cambodian International Accounting Standard 34 *Interim Financial Reporting*. The interim financial report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached herein.

The explanatory notes provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the PPWSA since the financial year ended 31 December 2019.

The accounting policies and methods of computation adopted are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2019 except for the adoption of the following amendments:

	<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)



### 3. BASIS OF PREPARATION (continued)

#### Amendments to References to the Conceptual Framework in CIFRS Standards

Together with the revised *Conceptual Framework*, the IASB issued *Amendments to References to the Conceptual Framework in CIFRS Standards*, which contains amendments to CIFRS 2, CIFRS 6, CIFRS 14, CIAS 1, CIAS 8, CIAS 34, CIAS 37, CIAS 38, IC Interpretations 12, 19, 20 and 22 as well Standard Interpretations Committee-32.

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

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

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

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

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

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

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

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

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

#### Amendments to CIFRS 9, CIAS 39 and CIFRS 7 Interest Rate Benchmark Reform

The amendments affect entities that apply the hedge accounting requirements of CIFRS 9 or CIAS 39 to hedging relationships affected by the interest rate benchmark reform.

Pursuant to the amendments, entities would apply hedge accounting requirements assuming that the interest rate benchmark is not altered as a result of the interest rate benchmark reform.

The amendments apply to all hedging relationships that are directly affected by the interest rate benchmark reform.

### 3. BASIS OF PREPARATION (continued)

#### Amendment to CIFRS 16 Covid-19-Related Rent Concessions

CIFRS 16 has been amended to:

- (a) Provide lessees with an exemption from the requirement to determine whether a COVID-19-related rent concession is a lease modification; and
- (b) Require lessees that apply the exemption to account for COVID-19-related rent concessions as if they were not lease modifications.

The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- (i) Changes in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (ii) Any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (iii) There is no substantive change to other terms and conditions of the lease.

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

	<b>Effective Date</b>
CIFRS 17 <i>Insurance Contracts</i>	1 January 2021
Amendments to CIAS 1 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2022
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 CIFRS 10 and CIAS 28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

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

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

#### 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.



### 3. BASIS OF PREPARATION (continued)

#### CIFRS 17 Insurance Contracts (continued)

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

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

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

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

#### Amendments to 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.

#### 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.

### 3. BASIS OF PREPARATION (continued)

#### 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.

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

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



#### 4. PROPERTY, PLANT AND EQUIPMENT

	<b>Unaudited 30.6.2020 KHR'000</b>	<b>Audited 31.12.2019 KHR'000</b>
<i>Cost</i>		
Balance at the beginning of financial period/year	1,827,579,498	1,621,720,340
Additions	62,889,119	207,665,634
Transfers to intangible assets	(1,551,153)	(1,077,816)
Written-off	<u>(1,389,567)</u>	<u>(728,660)</u>
Balance at the end of financial period/year	<u>1,887,527,897</u>	<u>1,827,579,498</u>
<i>Accumulated depreciation</i>		
Balance at the beginning of financial period/year	(453,547,944)	(406,040,516)
Depreciation for financial period/year	<u>(24,154,918)</u>	<u>(47,507,428)</u>
Balance at the end of financial period/year	<u>(477,702,862)</u>	<u>(453,547,944)</u>
<i>Carrying amounts</i>		
Balance at the end of financial period/year	<u>1,409,825,035</u>	<u>1,374,031,554</u>

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

	<b>Unaudited Six-month period ended 30.6.2020 KHR'000</b>	<b>30.6.2019 KHR'000</b>
Additions	62,889,119	48,834,203
Increase in payables and performance guarantee	(17,144,896)	(4,244,347)
Interest capitalised on qualifying assets	<u>(1,645,317)</u>	<u>(1,317,311)</u>
Cash payment for purchase of property, plant and equipment	<u>44,098,906</u>	<u>43,272,545</u>

#### 5. SHORT-TERM INVESTMENTS

These represent fixed deposits placed with financial institutions for a period of between four and twelve months and earn interest at rates ranging from 3.50% to 4.00% (2019: 4.00%) per annum.

Short-term investments include deposits amounting to KHR23.6 billion (2019: KHR17.9 billion).

## 6. RESERVES

	<b>Capital reserve KHR'000</b>	<b>Legal reserve KHR'000</b>	<b>General reserve KHR'000</b>	<b>Development reserve KHR'000</b>	<b>Total KHR'000</b>
<b>As at 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	9,958,897	13,288,089
<b>As at 30.6.2020 (Unaudited)</b>	<u>1,648,435</u>	<u>27,700,385</u>	<u>27,700,385</u>	<u>295,424,328</u>	<u>352,473,533</u>
<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 (Audited)</b>	<u>1,648,435</u>	<u>26,035,789</u>	<u>26,035,789</u>	<u>285,465,431</u>	<u>339,185,444</u>

On 26 June 2020, the Board of Directors approved the transfer of retained earnings to reserves amounting to KHR13.2 million.

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

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

## 7. BORROWINGS

	<b>Unaudited 30.6.2020 KHR'000</b>	<b>Audited 31.12.2019 KHR'000</b>
<b>Non-current</b>		
Agence Francaise De Development (“AfD”) – Credit No.1075 03 S	-	4,582,604
MoEF – Japanese International Cooperation Agency (“JICA”)	49,325,969	49,425,079
MoEF – Asian Development Bank (“ADB”)	37,060,717	38,242,500
AfD – Credit No. 1121 01 F	73,943,990	82,512,499
AfD - Credit No. 1174 01 P	139,330,384	129,185,462
AfD - Credit No. 1176 01 S	51,059,407	-
European Investment Bank (“EIB”)	63,692,216	-
	<u>414,412,683</u>	<u>303,948,144</u>
<b>Current</b>		
AfD – Credit No. 1075 03 S	9,246,903	9,175,626
MoEF – JICA	1,854,943	1,827,646
MoEF – ADB	2,475,402	2,485,038
AfD – Credit No. 1121 01F	18,554,678	18,411,047
AfD - Credit No. 1174 01 P	-	1,237,341
AfD - Credit No. 1176 01 S	57,442	-
EIB	23,228	-
	<u>32,212,596</u>	<u>33,136,698</u>
	<u>446,625,279</u>	<u>337,084,842</u>



## 7. BORROWINGS (continued)

The maturity dates of these borrowings are as follows:

	<b>Unaudited 30.6.2020 KHR'000</b>	<b>Audited 31.12.2019 KHR'000</b>
<b>Current</b>		
- Not later than one year	<u>32,212,596</u>	<u>33,136,698</u>
<b>Non-current</b>		
- Later than one year but not later than two years	22,563,934	26,970,655
- Later than two year but not later than five years	60,996,492	67,164,155
- Later than five years	<u>330,852,257</u>	<u>209,813,334</u>
	<u>414,412,683</u>	<u>303,948,144</u>
	<u>446,625,279</u>	<u>337,084,842</u>

## 8. DEFERRED GOVERNMENT AND OTHER GRANTS

	<b>Government grant KHR'000</b>	<b>JICA grant KHR'000</b>	<b>Other grants KHR'000</b>	<b>Total KHR'000</b>
<b>Balance at 1.1.2020</b>	4,373,148	15,878,382	708,308	20,959,838
Amortisation charges	<u>(66,253)</u>	<u>(1,054,340)</u>	<u>(12,197)</u>	<u>(1,132,790)</u>
<b>Balance at 30.6.2020 (Unaudited)</b>	<u>4,306,895</u>	<u>14,824,042</u>	<u>696,111</u>	<u>19,827,048</u>
<b>Balance at 1.1.2019</b>	4,411,265	17,987,061	732,703	23,131,029
Amortisation charges	<u>(38,117)</u>	<u>(2,108,679)</u>	<u>(24,395)</u>	<u>(2,171,191)</u>
<b>Balance at 31.12.2019 (Audited)</b>	<u>4,373,148</u>	<u>15,878,382</u>	<u>708,308</u>	<u>20,959,838</u>

## 9. TRADE AND OTHER PAYABLES

	<b>Unaudited 30.6.2020 KHR'000</b>	<b>Audited 31.12.2019 KHR'000</b>
<b>Other payables – non-current</b>		
Refundable water deposits	63,165,383	60,814,262
Performance guarantee	<u>-</u>	<u>4,584,617</u>
	<u>63,165,383</u>	<u>65,398,879</u>
<b>Trade payable - current</b>		
Third parties	<u>40,567,264</u>	<u>13,401,766</u>

**9. TRADE AND OTHER PAYABLES (continued)**

	<b>Unaudited 30.6.2020 KHR'000</b>	<b>Audited 31.12.2019 KHR'000</b>
<b>Other payables - current</b>		
Accrued staff incentive	6,333,567	8,261,680
Amount due to Phnom Penh Municipality	28,807,461	25,294,747
Amount due to employees	1,295,107	1,295,107
Performance guarantee	67,364	67,345
Dividend payable	36,090,384	22,971,343
Amount owing to contractor	-	113,066,885
Other tax payable	1,076,829	162,468
Other accrual	6,683,735	7,457,465
Other payables	12,171,229	4,682,527
	<u>92,525,674</u>	<u>183,259,567</u>
	<u>133,092,938</u>	<u>196,661,333</u>
	<u>196,258,321</u>	<u>262,060,212</u>

**10. CONTRACT ASSETS AND LIABILITIES**

	<b>Unaudited 30.6.2020 KHR'000</b>	<b>Audited 31.12.2019 KHR'000</b>
<b>Contract assets</b>		
Construction service receivable	2,970,980	2,916,716
Accrued water revenue	29,848,829	10,404,367
	<u>32,819,809</u>	<u>13,321,083</u>
<b>Contract liabilities</b>		
Deferred income	(5,278)	(5,278)
Unearned income	(2,449,906)	(2,870,982)
	<u>(2,455,184)</u>	<u>(2,876,260)</u>
	<u>30,364,625</u>	<u>10,444,823</u>

**11. DIVIDEND**

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.



## 12. FINANCE INCOME

	<b>Unaudited</b>			
	<b>Three-month period ended</b>		<b>Six-month period ended</b>	
	<b>30.6.2020</b>	<b>30.6.2019</b>	<b>30.6.2020</b>	<b>30.6.2019</b>
	<b>KHR'000</b>	<b>KHR'000</b>	<b>KHR'000</b>	<b>KHR'000</b>
Finance income:				
- Interest income on bank deposits (a)	279,363	83,140	511,471	307,634
- Net foreign exchange gains on borrowings	132,933	-	2,412,273	2,628,053
- Interest income on loans to Pursat Water Supply	-	630	-	1,721
	<u>412,296</u>	<u>83,770</u>	<u>2,923,744</u>	<u>2,937,408</u>
Finance costs:				
- Interest expense on borrowings (b)	(1,207,401)	(2,514,435)	(2,320,301)	(5,036,690)
- Net foreign exchange losses on borrowings	(4,367,330)	(5,373,431)	(4,834,535)	(5,373,431)
- Interest expense capitalised on qualifying assets	880,517	671,662	1,645,317	1,317,311
	<u>(4,694,214)</u>	<u>(7,216,204)</u>	<u>(5,509,519)</u>	<u>(9,092,810)</u>
Finance income - net	<u>(4,281,918)</u>	<u>(7,132,434)</u>	<u>(2,585,775)</u>	<u>(6,155,402)</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, JICA and EIB.

## 13. TAX EXPENSE

Under the Cambodian Law on Taxation, the Company 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. It represents the minimum amount of tax that the Company will pay to tax authorities. The Company has a tax on profit liability that exceeds the minimum tax liability, thus, no minimum tax will be payable. Tax is payable even if the Company is in a tax loss position.

## 14. EARNINGS PER SHARE

(a) Basic earnings per share

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

	<b>Unaudited</b>			
	<b>Three-month period ended</b>		<b>Six-month period ended</b>	
	<b>30.6.2020</b>	<b>30.6.2019</b>	<b>30.6.2020</b>	<b>30.6.2019</b>
Profit attributable to equity holders (KHR'000)	15,821,249	9,228,405	42,425,193	17,656,467
Weighted average number of shares	<u>86,973,162</u>	<u>86,973,162</u>	<u>86,973,162</u>	<u>86,973,162</u>
Basic earnings per share (KHR)	<u>181.91</u>	<u>106.11</u>	<u>487.80</u>	<u>203.01</u>

#### 14. EARNINGS PER SHARE (continued)

(b) Diluted earnings per share

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

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

#### 15. RELATED PARTY TRANSACTIONS

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

	<b>Unaudited</b>	
	<b>Six-month period ended</b>	
	<b>30.6.2020</b>	<b>30.6.2019</b>
	<b>KHR'000</b>	<b>KHR'000</b>
<u>Common control</u>		
MoEF		
Interest on borrowings paid	3,405,857	4,918,346
Pursat Water Supply		
Interest on loans received	-	1,721
	-	1,721

(b) Compensation of key management personnel

Key management compensation during the financial period is as follows:

	<b>Unaudited</b>	
	<b>Six-month period ended</b>	
	<b>30.6.2020</b>	<b>30.6.2019</b>
	<b>KHR'000</b>	<b>KHR'000</b>
Salaries and other	1,175,218	1,073,393

#### 16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

(a) Credit risk

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

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



## 16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### (b) Liquidity and cash flow risk

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

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

### (c) Interest rate risk

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

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

## 17. CAPITAL COMMITMENTS

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

	<b>Unaudited</b> <b>30.6.2020</b> <b>KHR'000</b>	<b>Audited</b> <b>31.12.2019</b> <b>KHR'000</b>
Construction of water treatment plant	487,052,382	715,650,181
Consultation services	13,804,500	699,014
Purchase of iron pipes, fitting and accessories	<u>1,061</u>	<u>1,056</u>
	<u>500,857,943</u>	<u>716,350,251</u>

## 18. SIGNIFICANT EVENT DURING THE PERIOD

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

Based on the assessment and information available at the date of authorisation of the financial statements, PPWSA has sufficient cash flows and undrawn facilities to meet its liquidity needs in the next 12 months after the end of the reporting period. PPWSA does not anticipate significant supply disruptions and would continuing monitor its fund and operational needs.

## PART 4.-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 maters, 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.

	Second Quarter 2020	Second Quarter 2019	Changes	
	(KHR’000)	(KHR’000)	(KHR’000)	Percent
Total revenues	75,245,090	57,254,329	17,990,761	31.42%

PPWSA generated total revenues of KHR75,245,090,000 for the period ended June 30, 2020 and KHR57,254,329,000 for the period ended June 30, 2019, reflecting an increase by KHR17,990,761,000 or 31.42%.

It is indicated that the main reason for this increase is that, in the second quarter of 2020, PPWSA generated water sales revenue of KHR14,325,872,000 or 27.14%, an increase in construction fees by 351.31% or KHR4,261,384,000 , Although other income has been decreased by KHR760,244,000 or 23.39%.



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

### 2- Revenue analysis by segment

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

	Second Quarter of 2020 (KHR'000)		Second Quarter of 2019 (KHR'000)	
Water sales	67,117,431	89.20%	52,791,559	92.21%
Construction service fee	5,474,382	7.28%	1,212,998	2.12%
Foreign exchange gains - net	163,749	0.22%	-	-
Other incomes	2,489,528	3.31%	3,249,772	5.68%

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

	Second Quarter of 2020		Second Quarter of 2019		Change		
	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	24,332,252	26,224,046	25,453,613	21,484,872	2,847,380	4,739,174	22.06%
Water Sales – Commercial	18,678,384	30,045,541	19,240,403	23,881,761	(5,203,377)	6,163,780	25.81%
Water Sale – Administrative Institution	2,355,079	5,767,926	1,691,504	2,661,094	(306,015)	3,106,832	116.75%
Other incomes	-	2,489,528	-	3,249,772	-	(760,244)	(23.39%)

#### - Revenue from domestic water sales

PPWSA generated this revenue of KHR26,224,046,000 for the period ended 30 June 2020 and KHR21,484,872,000 for the period ended 30 June 2019, reflecting an increase by KHR4,739,174,000 or 22.06%. It is shown that this increase is due to an increase in customer base by 14,198 connections from 313,977 to 328,175 connections; and an increase in average tariff by KHR226.38/m<sup>3</sup> from KHR844.08/m<sup>3</sup> to KHR1,070.46/m<sup>3</sup>.

#### - Revenue from commercial and industrial water sales

PPWSA generated this revenue of KHR30,045,541,000 for the period ended 30 June 2020 and KHR23,881,761,000 for the period ended 30 June 2019, reflecting an increase by KHR6,163,780,000 or 25.81%. It is shown that this increase is due to an increase in customer base by 5,994 connections from 59,804 to 65,798 connections; and an increase in average tariff by KHR396.37/m<sup>3</sup> from KHR1,212.20/m<sup>3</sup> to KHR1,608.57/m<sup>3</sup>.

#### - Revenue from administrative institution

PPWSA generated this revenue of KHR5,767,926,000 for the period ended 30 June 2020 and KHR2,661,094,000 for the period ended 30 June 2019, reflecting a increase of KHR3,106,832,000 or 116.75%. It is shown that this increase is due to an increase in customer base by 52 connections from 681 to 733 connections; and an increase in average tariff by KHR56.04/m<sup>3</sup> from KHR954.72/m<sup>3</sup> to KHR1,010.76/m<sup>3</sup>.

#### - Other incomes

PPWSA generated this revenue of KHR2,489,528,000 for the period ended 30 June 2020 and KHR3,249,772,000 for the period ended 30 June 2019, reflecting a decrease of KHR760,244,000 or 23.39%. It is shown that this decrease is due to an decrease in special revenue by KHR835,215,000 or 44.34%.

## 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.

	Second Quarter 2020 (KHR'000)	Second Quarter 2019 (KHR'000)	Changes (KHR'000 / %)	
Total Revenues	86,884,128	40,449,662	46,434,466	114.80%
Total Expenses	(53,513,182)	(46,115,500)	(7,397,682)	16.04%
Finance income	4,452,646	1,452,899	2,999,747	206.47%
Finance costs	(3,886,125)	(2,862,806)	(1,023,319)	35.75%
Profit/(Loss) before tax	33,937,467	(7,075,745)	41,013,212	579.63%

PPWSA generated pre-tax profit of KHR33,937,467,000 for the period ended 31 December 2020 and KHR7,075,745,000 for the period ended 31 December 2019, reflecting an increase by KHR41,013,212,000 or 579.63%. It is indicated that the main reason for this increase is that, we have revise tariff from January 1, 2020 to the present, which in the fourth quarter of 2020, PPWSA generated total revenue increase by KHR46,434,466,000 or 114.80%, although the total expenses increased by about 16.04% or KHR7,397,682,000.

### 5- Profit-after-tax analysis

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.

	Fourth Quarter 2020 (KHR'000)	Fourth Quarter 2019 (KHR'000)	Changes	
			(KHR'000)	%
Profit before tax (a)	33,937,946	(7,075,745)	41,013,212	579.63%
Tax expense (b)	(15,151,657)	1,043,311	16,194,968	1,552.27%
Profit for the financial period	18,785,810	(6,032,434)	24,818,244	411.41%
Effective tax reate (b)/(a)	44.65%	14.74%		



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

### 5- Profit-after-tax analysis (con't)

PPWSA earned profit after tax of KHR18,785,810,000 in fourth quarter of 2020 and KHR6,032,434,000 in fourth quarter of 2019, reflecting an increase of KHR24,818,244,000 or 411.41%. This increase was due to the increase in profit before tax of KHR41,013,212,000 or 579.63%, although the tax expense increased by about 1,552.27% or KHR16,194,968,000.

### 6- Comprehensive income analysis

As the Convention on Retirement has been dissolved since the end of 31 December 2018, there was no impacts on the detailed results in the second quarter of 2020.

### 7- 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 14.47% in this quarter. 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.
- **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 be 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 30 June 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 the second quarter of 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 - Impact of foreign exchange, interest rates and commodity prices (con't)

### D.2- Impact of interest rate (con't)

#### 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 and 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.ជ្រក, 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.អជជ, dated 18 May 2011.

Despite the restrictions by the above-mentioned policy, the management has been taking all the actions to increase PPWSA's revenues in order to maintain the sustainability of PPWSA as well as to create new business portfolios for PPWSA.

## **PART 5.- Other Necessary Information for Investor Protection**

PPWSA has been striving to produce quality and safe water for the people who use PPWSA water. In order to gain more confidence from the people who are its customers in the second quarter of 2020, PPWSA Sent samples from Chroy Changvar Water Treatment Plant for analysis at TUV SUD PSB Pte Ltd. Of Singapore with a total of 116 analyzes as follows:

- 1/- 1 type of microbiology
- 2/- Physical characteristics of 6 kinds of water
- 3/- 3 types of radiation
- 4/- 106 chemical properties

As a result, clean water produced from PPWSA's Chroy Changvar plant Complies with World Health Organization Standards for Drinking Water Quality (4<sup>th</sup> Edition 2011) as fully displayed in Appendix TEST REPORT 7191236287-CHM20-PN.



# SIGNATURE OF DIRECTORES OF PHNOM PENH WATER SUPPLY AUTHORITY

Phnom Penh, 13 August 2020  
Read and Approved

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Signature

**Oum Sotha**

Chairman of the Board

Phnom Penh, 13 August 2020  
Read and Approved

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Signature

**Sim Sitha**

Director



**PHNOM PENH WATER SUPPLY AUTHORITY (PPWSA)**



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