

PHNOM PENH WATER SUPPLY AUTHORITY
(Co.0839 Et/2012)
(Incorporated in Cambodia)

CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER AND
TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2023

PHNOM PENH WATER SUPPLY AUTHORITY

**CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER AND TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2023**

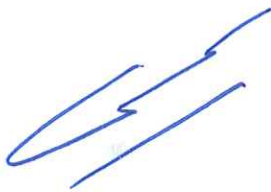
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PHNOM PENH WATER SUPPLY AUTHORITY

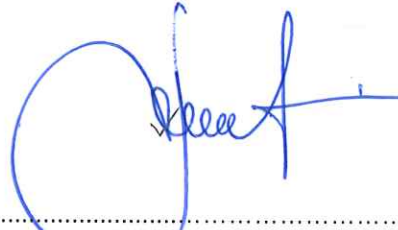
**STATEMENT BY THE DIRECTORS
FOR THE QUARTER AND TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2023**

We, H.E. **SIM SITHA**, H.E. **LONG NARO** and **DENG POLYDEN**, being the directors and officers of Phnom Penh Water Supply Authority ("PPWSA"), do hereby state that in the opinion of the directors, the accompanying condensed interim statement of financial position of PPWSA as at 31 December 2023, and the related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows for the quarter and twelve-month period then ended, and notes to the condensed interim financial information (collectively known as "Condensed Interim Financial Information") are presented fairly, in all material respects, in accordance with Cambodian International Accounting Standard 34 *Interim Financial Reporting*.

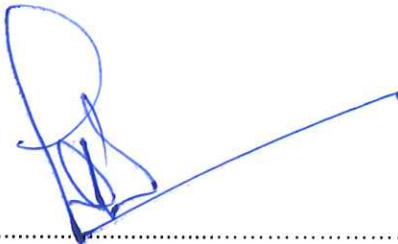
Signed on behalf of the Board of Directors and the management, ✓



.....
SIM SITHA
Chairman of the Board of Directors



.....
LONG NARO
Director General



.....
DENG POLYDEN
Deputy Director General in charge of Finance

Date: 14th February 2024

PHNOM PENH WATER SUPPLY AUTHORITY

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Notes	Unaudited 31.12.2023 KHR'000	Audited 31.12.2022 KHR'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	2,494,979,290	2,203,041,914
Intangible assets		10,463,074	12,089,587
Total non-current assets		<u>2,505,442,364</u>	<u>2,215,131,501</u>
Current assets			
Inventories		318,746,592	152,737,078
Trade and other receivables		27,980,236	32,707,416
Contract assets	5	155,501,255	92,768,374
Loan to employees		7,956,651	7,956,651
Short-term investments	6	127,316,003	126,118,416
Cash and cash equivalents		16,117,222	56,716,439
Total current assets		<u>653,617,959</u>	<u>469,004,374</u>
TOTAL ASSETS		<u>3,159,060,323</u>	<u>2,684,135,875</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of PPWSA			
Share capital and share premium		620,759,107	620,759,107
Reserves		647,148,782	543,268,075
Retained earnings		126,609,582	108,185,865
TOTAL EQUITY		<u>1,394,517,471</u>	<u>1,272,213,047</u>
Non-current liabilities			
Borrowings	7	1,296,924,684	986,495,717
Deferred government and other grants	8	74,162,746	69,238,477
Deferred tax liabilities - net		81,946,858	77,016,716
Other payables	9	82,903,732	76,801,705
Total non-current liabilities		<u>1,535,938,020</u>	<u>1,209,552,615</u>
Current liabilities			
Trade and other payables	9	179,944,621	154,661,152
Borrowings	7	23,677,401	23,499,158
Contract liabilities	5	4,254,138	4,456,756
Current tax liabilities		20,728,672	19,753,147
Total current liabilities		<u>228,604,832</u>	<u>202,370,213</u>
TOTAL LIABILITIES		<u>1,764,542,852</u>	<u>1,411,922,828</u>
TOTAL EQUITY AND LIABILITIES		<u>3,159,060,323</u>	<u>2,684,135,875</u>

The Condensed Interim Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to this condensed interim financial information.

PHNOM PENH WATER SUPPLY AUTHORITY

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER AND TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2023

		Three-month period ended		Twelve-month period ended	
		Unaudited	Unaudited	Unaudited	Audited
	Notes	31.12.2023	31.12.2022	31.12.2023	31.12.2022
		KHR'000	KHR'000	KHR'000	KHR'000
Income:					
Sales	10	87,623,462	79,607,062	349,640,073	299,723,507
Construction service fee		2,707,178	11,476,698	16,665,617	24,976,316
Foreign exchange gains - net		3,969,828	-	4,111,039	1,105,700
Other income		10,592,063	1,182,705	21,637,636	21,478,333
		104,892,531	92,266,465	392,054,365	347,283,856
Expenses:					
Employee benefits expense		(21,609,866)	(19,016,132)	(80,292,438)	(70,175,422)
Depreciation and amortisation charges		(15,528,373)	(14,846,062)	(61,978,135)	(59,455,074)
Electricity costs		(10,451,709)	(8,579,316)	(42,291,446)	(35,218,743)
Raw materials for water treatment		(4,016,488)	(3,463,717)	(15,875,313)	(12,140,740)
Repairs and maintenance		(3,624,960)	(3,487,621)	(11,651,058)	(8,009,358)
Construction service expenses		(2,355,906)	(8,027,104)	(9,731,518)	(16,618,024)
Raw materials for household water connections		(1,225,304)	(1,036,638)	(4,816,514)	(4,953,371)
Foreign exchange losses - net		-	(6,289,678)	-	-
Other operating expenses		(6,862,189)	(3,640,443)	(15,155,436)	(11,243,416)
		(65,674,795)	(68,386,711)	(241,791,858)	(217,814,148)
Operating profit		39,217,736	23,879,754	150,262,507	129,469,708
Finance income		1,765,685	1,571,839	6,737,766	4,656,618
Finance costs	11	(871,859)	(910,885)	(3,527,730)	(3,610,434)
Profit before tax		40,111,562	24,540,708	153,472,543	130,515,892
Income tax	12	(4,917,478)	(2,450,103)	(26,862,961)	(22,330,027)
Profit for the period, representing total comprehensive income for the period		35,194,084	22,090,605	126,609,582	108,185,865
Earnings per share attributable to owners:					
Basic earnings per share (KHR)		404.65	253.99	1,455.73	1,243.90
Diluted earnings per share (KHR)		404.65	253.99	1,455.73	1,243.90

The Condensed Interim Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to this condensed interim financial information.

PHNOM PENH WATER SUPPLY AUTHORITY

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER AND TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2023

	Notes	Share capital and share premium KHR'000	Reserves KHR'000	Retained earnings KHR'000	Total KHR'000
Unaudited					
Balance at 1 January 2023		620,759,107	543,268,075	108,185,865	1,272,213,047
Profit for the period, representing total comprehensive income for the period		-	-	126,609,582	126,609,582
Transactions with owners					
Transfer to reserves		-	103,880,707	(103,880,707)	-
Dividends	13	-	-	(4,305,158)	(4,305,158)
Total transactions with owners		-	103,880,707	(108,185,865)	(4,305,158)
Balance at 31 December 2023		620,759,107	647,148,782	126,609,582	1,394,517,471
Audited					
Balance at 1 January 2022		619,315,886	418,038,410	129,273,917	1,166,628,213
Profit for the period, representing total comprehensive income for the period		-	-	108,185,865	108,185,865
Transactions with owners					
Capital contribution		1,443,221	-	-	1,443,221
Transfer to reserves		-	125,229,665	(125,229,665)	-
Dividends	13	-	-	(4,044,252)	(4,044,252)
Total transactions with owners		1,443,221	125,229,665	(129,273,917)	(2,601,031)
Balance at 31 December 2022		620,759,107	543,268,075	108,185,865	1,272,213,047

The Condensed Interim Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and the accompanying notes attached to the condensed interim financial information.

PHNOM PENH WATER SUPPLY AUTHORITY

CONDENSED INTERIM STATEMENT OF CASH FLOWS

FOR THE QUARTER AND TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2023

		Twelve-month period ended	
		Unaudited	Audited
		31.12.2023	31.12.2022
	Notes	KHR'000	KHR'000
Cash flows from operating activities			
Profit before tax		153,472,543	130,515,892
Adjustments for:			
Amortisation of intangible assets		1,856,450	1,994,147
Depreciation of property, plant and equipment	4	60,115,370	57,460,927
Amortisation of deferred government and other grants	8	(2,009,908)	(2,009,908)
Loss on write-off of property, plant and equipment	4	1,628,455	136,839
Loss on write-off of intangible assets		6,315	-
Finance income		(6,737,766)	(4,656,618)
Finance costs	11	3,527,730	3,610,434
Net unrealised foreign exchange gain on borrowings	7	(9,967,958)	(4,586,866)
Net unrealised foreign exchange loss on trade payables		2,142,944	6,140,607
Operating profit before changes in working capital		204,034,175	188,605,454
Changes in working capital:			
Inventories		(238,152,939)	(89,819,201)
Trade and other receivables		6,112,703	(6,110,525)
Trade and other payables		23,140,525	8,509,694
Contract assets		(62,732,881)	(26,743,794)
Contract liabilities		(202,618)	2,667,862
Refundable water deposits		6,102,027	7,355,632
Net cash from operations		(61,699,008)	84,465,122
Income tax paid		(20,957,294)	(22,233,157)
Net cash (used in)/ generated from operating activities		(82,656,302)	62,231,965
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(269,886,946)	(281,619,716)
Purchase of intangible assets		(236,252)	(390,075)
Increase in short-term investments		(1,197,587)	(57,954,583)
Interest received		5,352,243	2,934,894
Net cash used in investing activities		(265,968,542)	(337,029,480)
Cash flows from financing activities			
Capital contribution from MoEF		-	1,443,221
Dividends paid	13	(4,305,158)	(4,044,252)
Drawdown of borrowings	7	341,987,537	218,280,439
Interest paid	7	(15,111,475)	(7,491,804)
Repayments of borrowings	7	(21,479,454)	(20,769,386)
Receipt of Japanese government/ EU grants	8	6,934,177	54,436,199
Net cash generated from financing activities		308,025,627	241,854,417
Net decrease in cash and cash equivalents		(40,599,217)	(32,943,099)
Cash and cash equivalents at the beginning of the period		56,716,439	89,659,538
Cash and cash equivalents at the end of the period		16,117,222	56,716,439

The Condensed Interim Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to the condensed interim financial information.

PHNOM PENH WATER SUPPLY AUTHORITY

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE QUARTER AND TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2023

1. CORPORATE INFORMATION

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. PPWSA is acknowledged as having the economic characteristic 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, Kingdom of Cambodia.

The principal activities of PPWSA are to engage in the processing and distribution of water for general use by the public in the city of Phnom Penh and surrounding areas, including Takmao, Tbong Khmom, and Mlech, and the provision of other related services. The objectives of PPWSA are to:

- invest in, build, enlarge, operate, repair and maintain the means of water sanitation and distribution;
- manage devices to increase water production, 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.

2. BASIS FOR PREPARATION

The condensed interim financial information of PPWSA is unaudited and have been prepared in accordance with the provision of the Cambodian International Accounting Standard 34 *Interim Financial Reporting*.

The condensed interim financial information does not include all notes of type normally included in an annual financial statements, however, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in PPWSA’s financial position and performance since the last annual financial statements. Accordingly, this condensed interim financial information is to be read in conjunction with the annual audited financial statements for the financial year ended 31 December 2022 and any public announcements made by PPWSA during the interim reporting period.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

3. SEASONAL OR CYCLICAL FACTOR

Except for those disclosed in the notes to the condensed interim financial information, PPWSA’s operations are not materially affected by seasonal or cyclical factors.

PHNOM PENH WATER SUPPLY AUTHORITY

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER AND TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2023**

4. PROPERTY, PLANT AND EQUIPMENT

	Unaudited 31.12.2023 KHR'000	Audited 31.12.2022 KHR'000
Cost		
Balance at the beginning of the period/year	2,805,461,230	2,438,823,008
Additions	281,537,776	287,124,812
Transfer from inventory	72,143,425	80,775,249
Transfer to intangible assets	-	(1,125,000)
Written-off	<u>(6,239,334)</u>	<u>(136,839)</u>
Balance at the end of the period/year	<u>3,152,903,097</u>	<u>2,805,461,230</u>
Accumulated depreciation		
Balance at the beginning of period/year	602,419,316	544,958,389
Depreciation for the period/year	60,115,370	57,460,927
Written-off	<u>(4,610,879)</u>	<u>-</u>
Balance at the end of the period/year	<u>657,923,807</u>	<u>602,419,316</u>
Carrying amount		
Balance at the end of the period/year	<u>2,494,979,290</u>	<u>2,203,041,914</u>

During the quarter and twelve-month period ended 31 December 2023, PPWSA made the following cash payment for its additions of property, plant and equipment:

	Unaudited 31.12.2023 KHR'000	Audited 31.12.2022 KHR'000
Additions	281,537,776	287,124,812
Interest capitalised on qualifying assets (Note 11)	<u>(11,650,830)</u>	<u>(5,505,096)</u>
Cash payment for purchase of property, plant and equipment	<u>269,886,946</u>	<u>281,619,716</u>

5. CONTRACT ASSETS / (LIABILITIES)

	Unaudited 31.12.2023 KHR'000	Audited 31.12.2022 KHR'000
Contract assets		
Contract assets relating to construction service contracts	6,551,201	3,533,898
Contract assets relating to water revenue	<u>148,950,054</u>	<u>89,234,476</u>
	<u>155,501,255</u>	<u>92,768,374</u>
Contract liabilities		
Contract liabilities relating to construction service contracts	<u>4,254,138</u>	<u>4,456,756</u>

PHNOM PENH WATER SUPPLY AUTHORITY

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER AND TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2023**

6. SHORT-TERM INVESTMENTS

These represent fixed deposit placed with financial institutions with maturity of one year or less and earn interest at rates ranging from 3.50% to 5.75% (2022: 3.50% to 4.75%) per annum.

7. BORROWINGS

	Currency	Nominal interest rate	Year of maturity	Carrying amount KHR'000
Balance at 1 January 2023				1,009,994,875
Drawdowns				
AfD - Credit No. 1244 01 M	USD	0.900%	2039	232,891,147
European Investment Bank	USD	0.610% - 0.965%	2048	57,725,301
AfD - Credit No. 1176 01 S	USD	0.900%	2038	51,371,089
Interest charged (Note 11)				
European Investment Bank	USD	0.610% - 0.965%	2048	7,132,719
AfD - Credit No. 1176 01 S	USD	0.900%	2038	2,882,342
AfD - Credit No. 1174 01 P	USD	1.800%	2037	2,694,751
AfD - Credit No. 1244 01 M	USD	0.900%	2039	1,635,772
AfD - Credit No. 1121 01 F	EUR	0.250%	2025	88,091
MoEF - Asian Development Bank	SDR	1.650%	2037	517,346
MoEF - JICA	JPY	0.660%	2049	227,539
Repayments				
<u>Principal</u>				
AfD - Credit No. 1121 01 F	EUR	0.250%	2025	(17,847,480)
MoEF - Asian Development Bank	SDR	1.650%	2037	(2,255,712)
MoEF - JICA	JPY	0.660%	2049	(1,376,262)
<u>Interest</u>				
European Investment Bank	USD	0.610% - 0.965%	2048	(7,160,473)
AfD - Credit No. 1176 01 S	USD	0.900%	2038	(2,870,815)
AfD - Credit No. 1174 01 P	USD	1.800%	2037	(2,704,468)
AfD - Credit No. 1244 01 M	USD	0.900%	2039	(1,515,108)
MoEF - Asian Development Bank	SDR	1.650%	2037	(526,391)
MoEF - JICA	JPY	0.660%	2049	(234,095)
AfD - Credit No. 1121 01 F	EUR	0.250%	2025	(100,125)
Unrealised exchange gain				(9,967,958)
Balance at 31 December 2023				1,320,602,085
Less: Current portion				(23,677,401)
Non-current portion				1,296,924,684

Breach of loan covenants

PPWSA has unsecured borrowings with a carrying amount of KHR1,320,602,085,000 as at 31 December 2023. These borrowings bear interest from 0.250% to 1.800% with repayment schedules ranging from 2 to 26 years.

PHNOM PENH WATER SUPPLY AUTHORITY

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER AND TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2023**

7. BORROWINGS (CONTINUED)

However, these borrowings contained certain covenants which PPWSA has to comply, otherwise MoEF and/or AfD may suspend or cancel the rights of PPWSA to request additional disbursement of the unwithdrawn amount and repayable on demand of its existing outstanding balance, if such covenant breached is material.

PPWSA exceeded its maximum leverage threshold during the quarter and twelve-month period ended 31 December 2023. PPWSA has obtained a waiver from the relevant party, extended until 31 December 2023. Accordingly, the borrowings were not classified as payable on demand at 31 December 2023.

8. DEFERRED GOVERNMENT AND OTHER GRANTS

	Unaudited 31.12.2023 KHR'000	Audited 31.12.2022 KHR'000
Balance at 1 January	69,238,477	16,812,186
Additions (*)	6,934,177	54,436,199
Amortisation charged for the period/year	<u>(2,009,908)</u>	<u>(2,009,908)</u>
Balance at 31 December	<u>74,162,746</u>	<u>69,238,477</u>

(*) The additional grants include amount received from the general budget of the Japanese Government amounting to USD1,494,624 or equivalent to KHR6,157,800,000. The purpose of the grant is to fund the Boeng Thum Water Production Project to improve the water supply service in the South-Western part of Phnom Penh City.

9. TRADE AND OTHER PAYABLES

	Unaudited 31.12.2023 KHR'000	Audited 31.12.2022 KHR'000
Non-current:		
Other payable		
Refundable water deposits	<u>82,903,732</u>	<u>76,801,705</u>
Current:		
Trade payables		
Third parties	66,159,022	48,078,710
Accruals construction services	<u>18,632,254</u>	<u>23,208,075</u>
	<u>84,791,276</u>	<u>71,286,785</u>
Other payables		
Amount due to Phnom Penh Municipality	65,492,330	57,830,594
Other payables	12,605,334	9,025,817
Accrued staff incentive	11,505,191	9,993,226
Seniority payables	4,510,286	6,071,437
Other tax payable	972,848	385,903
Performance guarantee	67,356	67,390
	<u>95,153,345</u>	<u>83,374,367</u>
Total trade and other payables (current)	<u>179,944,621</u>	<u>154,661,152</u>
Total trade and other payables (non-current and current)	<u>262,848,353</u>	<u>231,462,857</u>

PHNOM PENH WATER SUPPLY AUTHORITY

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER AND TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2023**

10. SALES

	Three-month period ended		Twelve-month period ended	
	Unaudited 31.12.2023 KHR'000	Unaudited 31.12.2022 KHR'000	Unaudited 31.12.2023 KHR'000	Audited 31.12.2022 KHR'000
Water sales:				
- commercial	42,407,808	44,963,289	169,743,939	151,870,153
- households	30,548,176	28,492,401	129,038,204	110,873,519
- public administration	5,529,299	4,998,643	23,785,957	19,671,036
- wholesalers	2,994,868	2,901,520	11,940,060	10,317,389
Rounding difference on water sales revenue	20,117	18,773	82,119	70,442
Less: Invoice cancellations	(92,731)	(5,010,208)	(833,399)	(6,513,321)
	<u>81,407,537</u>	<u>76,364,418</u>	<u>333,756,880</u>	<u>286,289,218</u>
Water connection revenue	5,210,460	2,153,208	11,314,526	8,819,483
Water meter replacement charges	959,520	879,021	4,343,275	4,222,754
Spare parts and meter sales	45,945	210,415	225,392	392,052
	<u>6,215,925</u>	<u>3,242,644</u>	<u>15,883,193</u>	<u>13,434,289</u>
	<u>87,623,462</u>	<u>79,607,062</u>	<u>349,640,073</u>	<u>299,723,507</u>

11. FINANCE COSTS

	Three-month period ended		Twelve-month period ended	
	Unaudited 31.12.2023 KHR'000	Unaudited 31.12.2022 KHR'000	Unaudited 31.12.2023 KHR'000	Audited 31.12.2022 KHR'000
Interest expense on borrowings	4,179,006	2,273,033	15,178,560	9,115,530
Interest capitalised on qualifying assets	(3,307,147)	(1,362,148)	(11,650,830)	(5,505,096)
	<u>871,859</u>	<u>910,885</u>	<u>3,527,730</u>	<u>3,610,434</u>

12. INCOME TAX

Income tax expense is recognised at an amount determined by multiplying the profit before tax for the interim reporting period by management's best estimate of the weighted-average annual income tax rate expected for the full financial year, adjusted for the tax effect of certain items recognised in full in the interim period. As such, the effective tax rate for the annual financial statements may differ from management's estimate of the effective tax rate for the annual financial statements.

PPWSA's effective tax rate for the quarter and twelve-month period ended 31 December 2023 of 17% (quarter and twelve-month period ended 31 December 2022: 17%).

PHNOM PENH WATER SUPPLY AUTHORITY

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE QUARTER AND TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2023

13. DIVIDENDS

	Twelve-month period ended	
	Unaudited	Audited
	31.12.2023	31.12.2022
	KHR'000	KHR'000
Recognised during the period		
Dividend of KHR330 per ordinary share were declared and paid during the year (*)	4,305,158	-
Dividend of KHR310 per ordinary share were declared and paid during the year	-	4,044,252

(*) On 15 March 2023, the Board of Directors declared and approved the dividend of KHR330 per ordinary share of PPWSA. The dividend was paid on 20 June 2023.

Pursuant to the approval letter from the MoEF on 9 August 2021, PPWSA is exempted for payment of dividends to MoEF until the year ending 2024, with dividends of year ending 2025 to be resumed as PPWSA's usual practice.

Accordingly, the dividends recognised during the period were for the remaining shareholders of PPWSA.

14. RELATED PARTY TRANSACTIONS

PPWSA has the following significant transactions with related parties:

(a) Government-related entities

Government-linked corporations are related to PPWSA by virtue of the substantial shareholdings of Ministry of Economy and Finance ("MoEF"). Entities directly controlled by the Government are collectively referred to as government-related entities to PPWSA.

The Government and bodies controlled or jointly controlled by the Government of Cambodia are related parties to PPWSA. PPWSA enters into transactions with many of these bodies, which include but are not limited to purchasing of goods, including use of public utilities and amenities, and the placing of bank deposits.

All the transactions entered into by PPWSA with the government-related entities are conducted in the ordinary course of PPWSA's businesses on negotiated terms or terms comparable to those with other entities that are not government-related, except otherwise disclosed elsewhere in the condensed interim financial information.

PPWSA is principally involved in the process and distribution of water as part of its ordinary operations. These services are carried out generally on commercial terms that are consistently applied to all customers. These transactions have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

Apart from the individually significant transactions and balances as disclosed elsewhere in the condensed interim financial information, PPWSA have collectively, but not individually significant transactions with related parties.

PHNOM PENH WATER SUPPLY AUTHORITY

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE QUARTER AND TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2023

14. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management personnel compensation

Total key management personnel compensation is analysed as below:

	Twelve-month period ended	
	Unaudited	Audited
	31.12.2023	31.12.2022
	KHR'000	KHR'000
Salaries and other expenses	<u>2,398,299</u>	<u>2,380,572</u>

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Board of Directors are responsible for setting the objectives and underlying principles of financial risk management of 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 Board of Directors.

(a) Credit risk

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

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

(b) Liquidity and cash flow risk

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

PPWSA actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all operating, investing and financing needs are met. In liquidity risk management strategy, PPWSA maintains a level of cash and cash equivalents deemed adequate to finance 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 PPWSA would fluctuate because of changes in market interest rates.

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

PHNOM PENH WATER SUPPLY AUTHORITY

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE QUARTER AND TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2023

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Fair values

The fair values of the financial assets and liabilities are not materially different from their carrying amounts due to relatively short-term in nature or the interest is close to current market rates.

16. CAPITAL COMMITMENTS

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

	Unaudited Twelve-month period ended	
	31.12.2023	31.12.2022
	KHR'000	KHR'000
Construction of water treatment plant	36,343,800	101,740,068
Purchase of iron pipes, fitting and accessories	26,950,547	23,120,399
Consultation services	9,762,877	9,891,722
	<u>73,057,224</u>	<u>134,752,189</u>

17. SEGMENTAL REPORTING

Segmental reporting is not presented as PPWSA is principally engaged in the processing and distribution of water for general used by the public in the city of Phnom Penh and the provision of other related services, which are substantially within a single business segment and this is consistent with the current practice of its internal reporting. PPWSA operates only in Cambodia.

18. COMPARATIVE FIGURES

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

19. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE PERIOD

On 17 January 2024, PPWSA received a tax reassessment letter from the General Department of Taxation ("GDT") for a limited tax audit for the period from 1 January 2022 to 31 March 2023. The letter imposed a total penalty for underpaid value-added taxes amounting to KHR 8,743,629,148. On 14 February 2024, PPWSA submitted a protest letter. As of the date of these condensed interim financial information, PPWSA has not yet received a response from the GDT.

PPWSA's management is confident that they can effectively communicate their position to the GDT, supported by substantial evidence, in order to address this matter. Hence, as at 31 December 2023, no provision was recorded in relation to the accrued tax penalty expense.

20. AUTHORISATION OF CONDENSED INTERIM FINANCIAL INFORMATION

The condensed interim financial information of PPWSA for the quarter and twelve-month period ended 31 December 2023 were authorised for issue by the Board of Directors on 14 February 2024.

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Ref: REV/0004/0224/P014-0004/KMT

REPORT ON THE REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION TO THE SHAREHOLDERS OF PHNOM PENH WATER SUPPLY AUTHORITY

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Phnom Penh Water Supply Authority ("PPWSA") as of 31 December 2023 and the related condensed interim statement of comprehensive income for the three-month and twelve-month periods then ended, condensed interim statement of changes in equity and condensed interim statement of cash flows for the twelve-month period then ended, and notes to the condensed interim financial information (collectively referred to as "condensed interim financial information of PPWSA"). The directors of PPWSA are responsible for the preparation and fair presentation of the condensed interim financial information of PPWSA in accordance with the Cambodian International Accounting Standard ("CIAS") 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on the condensed interim financial information of PPWSA 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 condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical procedures and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the 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 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 PPWSA are not presented fairly, in all material respects, in accordance with Cambodian International Accounting Standard 34 *Interim Financial Reporting*.



Baker Tilly (Cambodia) Co., Ltd.
Certified Public Accountants

Phnom Penh, Kingdom of Cambodia

Date: **14 FEB 2024**



Oknha Tan Khee Meng
Certified Public Accountant