



PHNOM PENH WATER SUPPLY  
AUTHORITY



# QUARTERLY REPORT Q4/2021

## 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.



លេខ៤៥ ផ្លូវ១០៦ សង្កាត់ស្រះចក ខណ្ឌដូនពេញ  
រាជធានីភ្នំពេញ ព្រះរាជាណាចក្រកម្ពុជា



លេខទូរស័ព្ទ: ៨៥៥(០)២៣៧២៤០៤៦  
លេខទូរសារ: ៨៥៥(០)២៣៧២៧៦៥៧



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## FINANCIAL HIGHLIGHTS

Financial Position	Fourth Quarter 2021	2020	2019
Total assets (KHR'000)	2,292,136,214	1,864,618,140	1,604,343,922
Total liabilities (KHR'000)	1,125,508,001	882,565,483	690,639,283
Total equity (KHR'000)	1,166,628,213	982,052,657	913,704,639

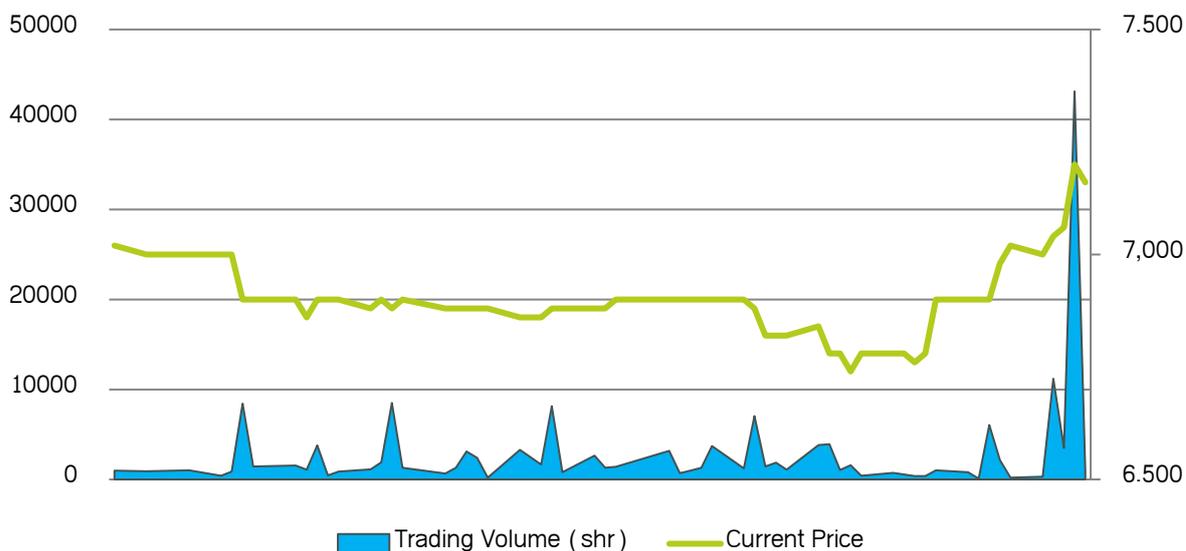
Profit/(Loss)	Fourth Quarter 2021	Fourth Quarter 2020	Fourth Quarter 2019
Total revenues (KHR'000)	92,676,362	86,884,128	40,449,662
Profit/ (Loss) before Tax (KHR'000)	33,065,356	33,937,467	(7,075,745)
Profit/ (Loss) after Tax (KHR'000)	21,952,861	18,785,810	(6,032,434)
Total Comprehensive income (KHR'000)	21,952,861	18,785,810	(6,032,434)

Financial Ratios	Fourth Quarter 2021	2020	2019	
Solvency ratio				
Liquidity ratios	Current ratio (times)	2.23	1.08	1.15
	Quick ratio (times)	1.53	0.68	0.62

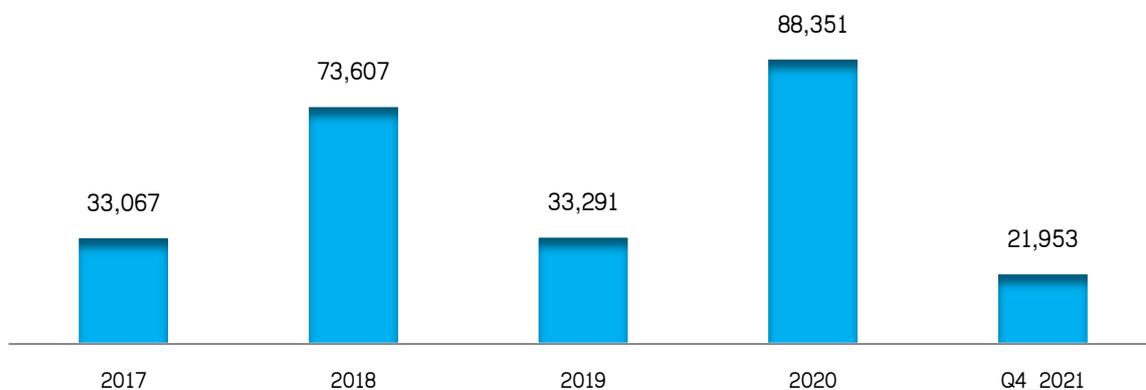
	Fourth Quarter 2021	Fourth Quarter 2020	Fourth Quarter 2019	
Profitability ratios	Return on assets (%)	0.97	1.03	0.45
	Return on equity (%)	1.90	1.93	0.66
	Gross profit margin (%)	31.31	38.41	14.01
	Profit margin (%)	23.69	21.62	14.91
	Earnings per share (KHR)	252.41	216.00	69.36
Interest Coverage ratio (times)	30.04	2.03	0.49	

# Financial Summary Charts

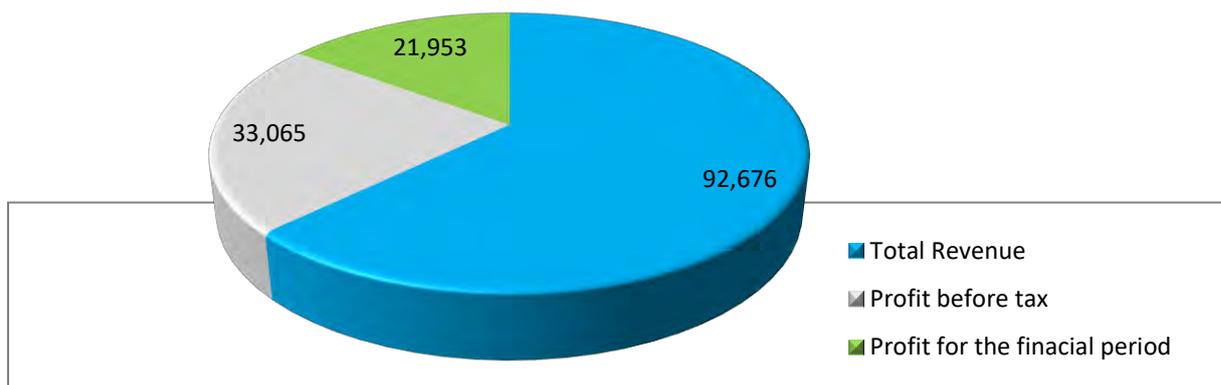
## CHANGES IN STOCK PRICE (in KHR) AND TRADING VOLUME



## PROFIT FOR EACH YEAR (in million KHR)



## PROFIT FOR THE FOURTH QUARTER OF 2021 (in million KHR)



# Board of Directors





**H.E. Oum Sotha**

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

**Chairman**



**H.E. Long Naro**

Director General  
of PPWSA

**Member**



**H.E. Mey Vann**

Secretary of state of  
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



## IN THE 4<sup>th</sup> QUATER OF 2021

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

In this quarter, PPWSA reported total revenues of KHR 92,676,362,000 and profit before tax of KHR 33,065,356,000.

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

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

## Effective Service

PPWSA keeps supplying clean water that is straight drinkable from the tap on 24x7 basis. In this quarter, we produced 59,559,854m<sup>3</sup> of clean water. We have also replaced alum by polychloride aluminium (PAC) to improve water quality and reduce raw materials cost.

As a result, in this quarter, we laid the mains and distribution pipes of 66,895.09m and installed 5,912 new house connections, of which 376 connections were for the low-income whom we always care for. Furthermore, the water loss accounted for 9.71% due to spread of Kovid-19 disease, it is difficult for us to issue bills to the customer and pipe leakage caused by the development and repair of many road infrastructures.

## Performance of the Board of Directors

In the 4<sup>th</sup> quarter of 2021, the Board of Directors for Mandate 7 held the 10<sup>th</sup> meeting online via Zoom on December 24, 2021 at 9:30 AM with the following agendas:

1. Request for approval on the requirements and qualifications for recruiting of Independent Director and Non-Executive Director Representing Private Shareholder
2. Request for in-principle approval on the disposal of obsolete or damaged inventory received from the waterworks of Preah Sihanouk Department of Industry, Science, Technology and Innovation
3. Request for approval on the revision of the organizational chart of PPWSA
4. Request for approval on the Board meeting calendar in 2022
5. Request for approval to resume the implementation of Boeng Thom water supply project under Japanese Government Grant Aid
6. Business Report 2021 (10 months actual and 2 months estimate), and Plan for the 1<sup>st</sup> quarter of 2022
7. Procurement Report for the 4<sup>th</sup> quarter of 2021
8. Report on Social Fund for the 4<sup>th</sup> quarter of 2021
9. Report on Internal Audit for the 4<sup>th</sup> quarter of 2021
10. Report on the result of the updating of 3<sup>rd</sup> Mater Plan (2021-2030) under the Japanese Grant Aid
11. Preliminary report of the request for water supply to the new Phnom Penh International Airport and surrounding area for subsity development
12. Other
  - a) Request for recommendations on how to propose the land lot at Boeng Thom for the construction of Water Treatment Plant (WTP)
  - b) Backfilling at Boeng Ta Mok
  - c) Report on the survey of house owners reselling water to tenant workers and students
  - d) Request for recommendations on the Exchange of land portion at Niroth WTP

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 a strong commitment to social and environmental responsibility.

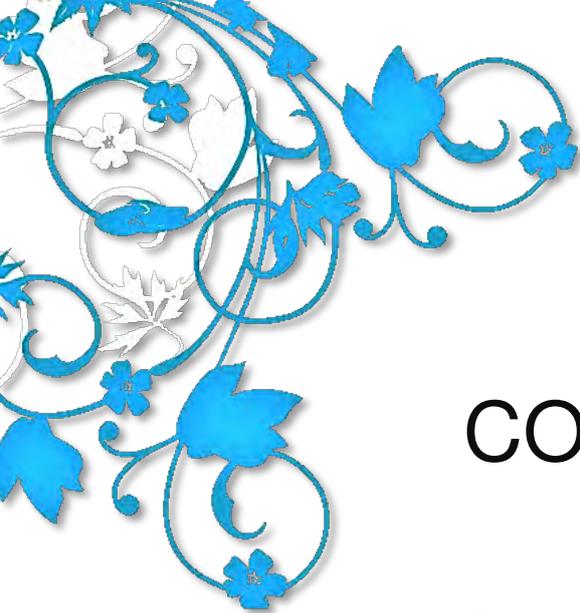
## Acknowledgement

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, 11 February 2022

**Chairman**



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## 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.០៨៣៩៤៧/២០១២  
Date: 27 March 2012
- License number: Sub-decree No. 52អនក្រឹត្យ  
Issued by: Royal Government of Cambodia  
Date: 19 December 1996
- Disclosure Document approved and registered by  
SECC's Resolution No.: ០១២/១២គ.ម.ក/ស.ស.វ.  
Date: 23 March 2012
- Representative of the listed entity: **H.E. Long Naro**

### 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.
- Expand water supply in the area, around Phnom Penh by maintaining the same rates and standards in Phnom Penh
- Improve staff efficiency and continue to build the capacity of the enterprise
- Analyze cost factors and reform processes and procedures to reduce water costs
- Strategically compare with the most efficient water network networks in the world
- Strong commitment to social and environmental responsibility

## PART 2.- Information on Business Operation Performance

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

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

##### A.1.1- Water Treatment

The water treatment in this fourth quarter of 2021 are as follows:

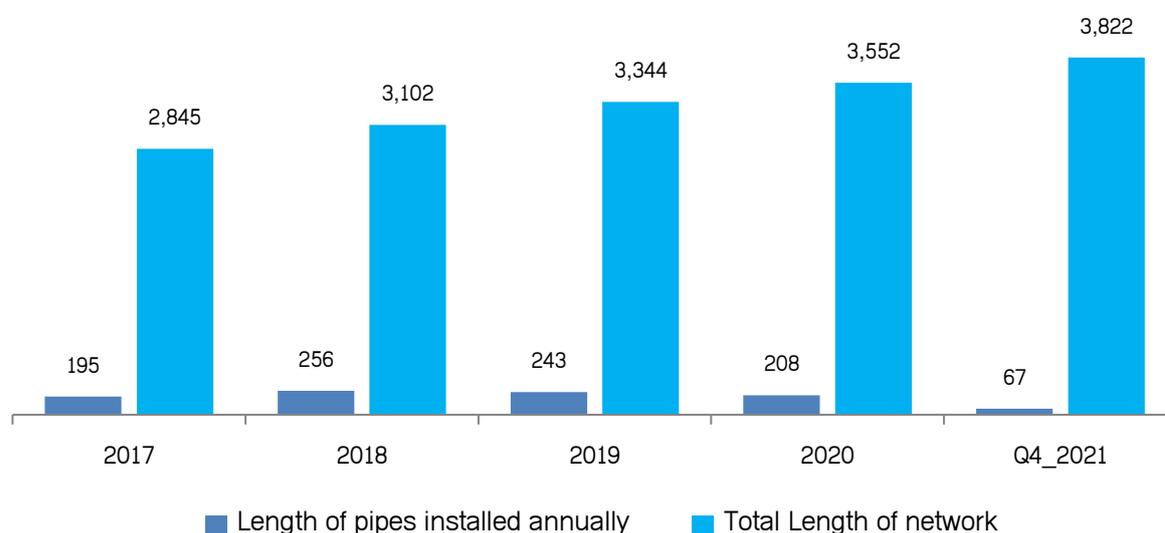
Description (water treatment plant)	PLAN (m <sup>3</sup> )	ACTUAL (m <sup>3</sup> )	RATE (%)
Phum Prek	14,535,000	15,646,659	108
Chruoy Chang War	14,906,000	13,962,150	94
Chamkar Morn	4,805,080	5,037,518	105
Niroth	24,486,895	24,754,980	105
Mlech	177,800	87,604	49
Thbong Khmom	230,000	70,943	31
<b>TOTAL</b>	<b>58,139,775</b>	<b>59,559,854</b>	<b>102</b>

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

Parameters	Unit	WHO	Phum Prek WTP	Chroy Chang War WTP	Chamcar Morn WTP	Niroth WTP	Mlech WTP	Thbong Khmom WTP	Along Distribution Pipes
Turbidity	NTU	≤5	0.66	0.53	0.30	0.62	0.75	1.15	0.90
pH Value	pH	6.50-8.50	7.14	7.57	7.16	6.95	7.14	7.45	7.13
Free Available Chlorine	mg/l	0.10-1.0	1.37	0.96	1.02	1.06	0.94	0.56	0.25
Total Available Chlorine	mg/l	<2	1.58	1.09	1.19	1.26	1.17	0.71	0.37
Total coliforms	cfu/100ml	0	0	0	0	0	0	0	0
E. Coli	cfu/100ml	0	0	0	0	0	0	0	0

##### A.1.2- Pipes Laying

Length of pipes installed annually (Km)



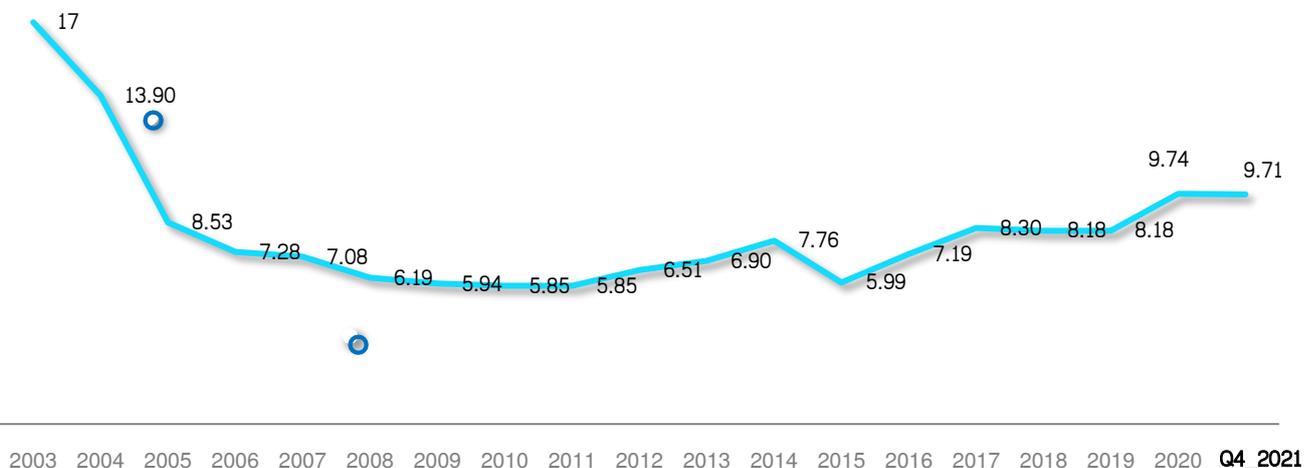
## A. Business Operation Performance including business segments information (con't)

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

#### A.1.3- Water Loss Reduction

PPWSA's water loss rate was kept in 9.71%, as shown in the graph below.

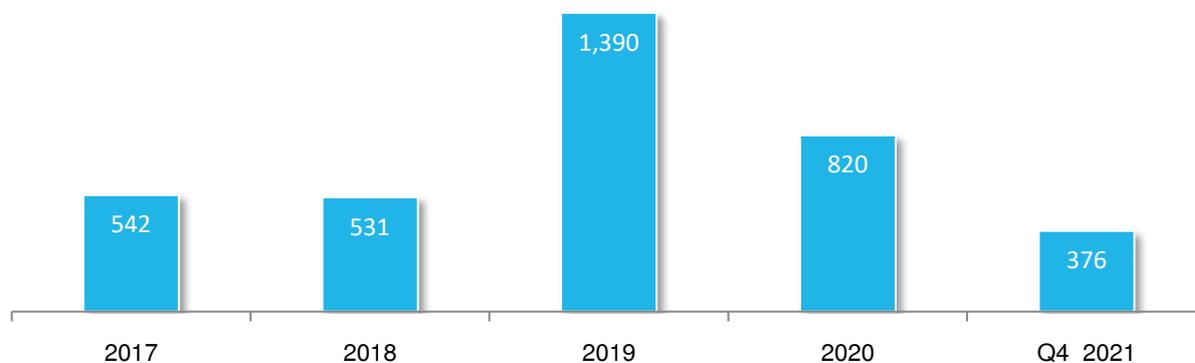
NRW trend from 2003 to Q4\_2021 (in percent)



## A.2- Business Activities and Results

### A.2.1 - Water for All Program

Increase in low-income household connections

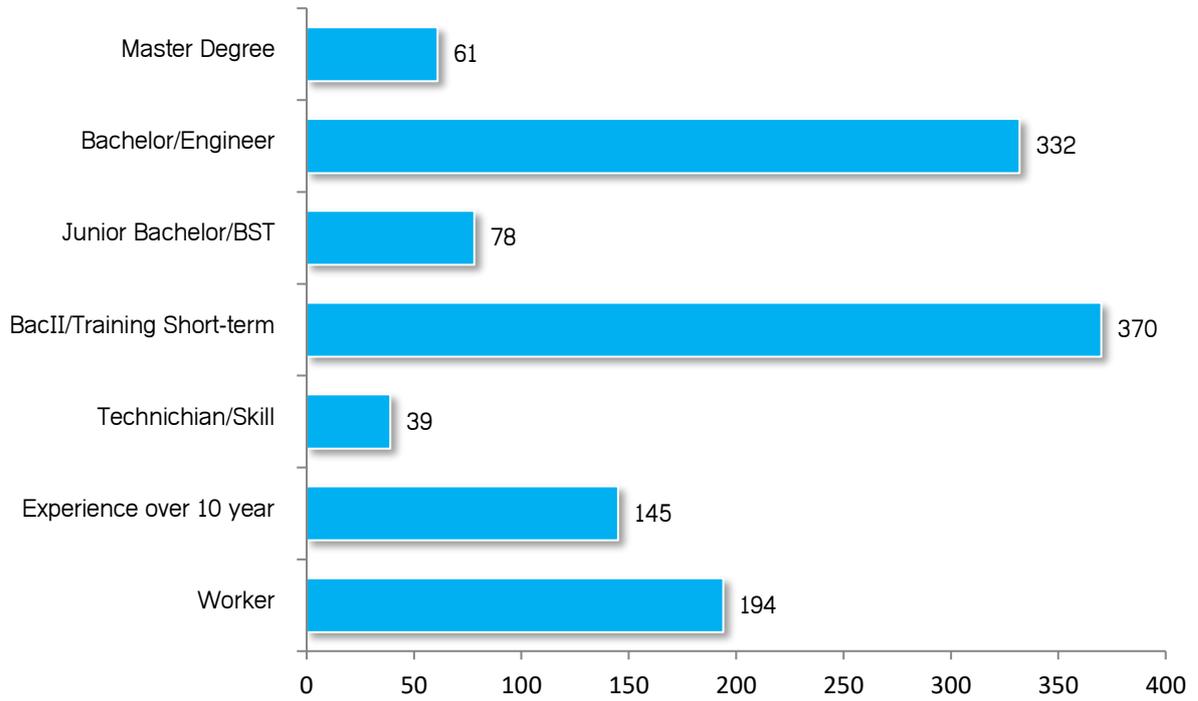


### A.2.2- House Connection and Customer Management

Type of Customers	2017	2018	2019	2020	Q4_2021	
	(connections)	(connections)	(connections)	(connections)	(connections)	(%)
Domestic	271,317	301,834	321,212	333,099	350,463	81.2383%
Commercial	55,891	58,789	62,366	68,136	74,344	17.2332%
Administrative	655	664	696	744	823	0.1908%
Wholesalers	08	07	07	10	11	0.0025%
RDE Representative	20	21	17	14	16	0.0037%
Standpipe	-	14	17	17	16	0.0037%
Room rental	5,397	5,703	5,752	5,759	5,728	1.3278%
<b>Total</b>	<b>333,288</b>	<b>367,032</b>	<b>390,067</b>	<b>407,779</b>	<b>431,401</b>	

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

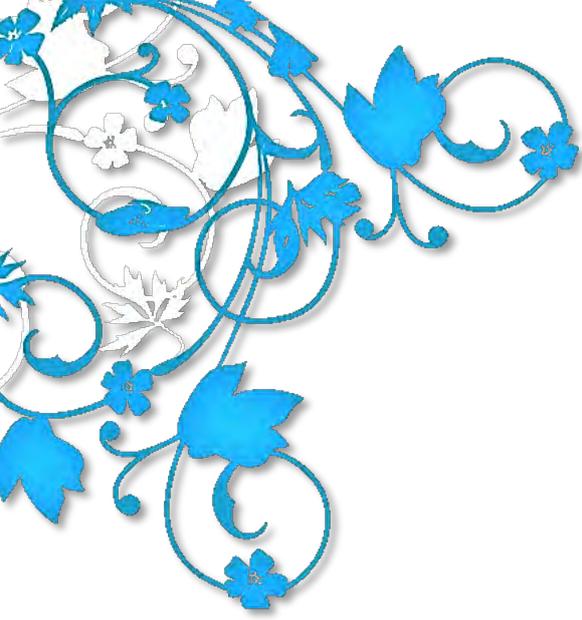
A.3- Human Resource Management



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

### B- Revenue Structure

N°	Source of Revenue	Q4_2021		Q4_2020		Q4_2019	
		Amount (KHR'000)	Percent	Amount (KHR'000)	Percent	Amount (KHR'000)	Percent
1	Sales	76,670,760	82.73%	76,590,280	88.15%	34,461,377	85.20%
2	Construction service fees	6,709,409	7.24%	8,333,304	9.59%	141,785	0.35%
3	Foreign exchange gain – net	1,652,286	1.70%	-	-	-	-
4	Other income	7,643,907	8.25%	1,960,544	2.26%	5,846,500	14.45%
<b>Total revenues</b>		<b><u>92,676,362</u></b>		<b><u>86,884,128</u></b>			



PART3.-  
**FINANCIAL STATEMENT**  
**REVIEWED BY**  
THE EXTERNAL AUDITOR

**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 2021**

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

**CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE QUARTER AND TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2021**

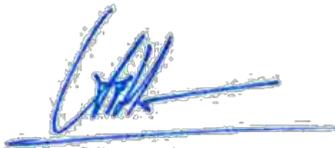
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**PHNOM PENH WATER SUPPLY AUTHORITY**  
(Incorporated in Cambodia)

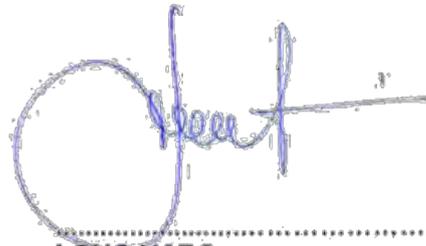
**STATEMENT BY THE DIRECTORS**

In the opinion of the directors, the accompanying condensed interim statement of financial position of the Phnom Penh Water Supply Authority ("PPWSA") as at 31 December 2021, 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*.

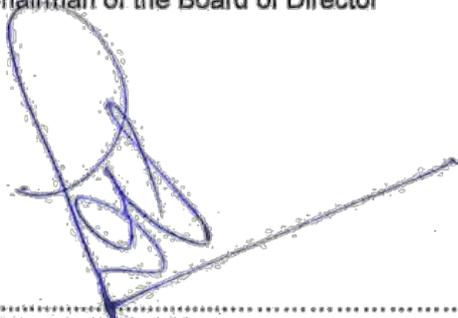
Signed on behalf of the Board of Directors,



**OUM SOTHA**  
Chairman of the Board of Director



**LONG NARO**  
Director General



**DENG POLYDEN**  
Deputy Director General  
In charge of Finance

Date: 10 February 2022

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

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2021**

	Note	Unaudited 31.12.2021 KHR'000	Audited 31.12.2020 KHR'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	1,879,194,659	1,573,602,099
Intangible assets		12,530,278	13,083,204
<b>Total non-current assets</b>		<u>1,891,724,937</u>	<u>1,586,685,303</u>
<b>Current assets</b>			
Inventories		143,731,508	78,612,888
Trade and other receivables		24,875,167	25,642,206
Contract assets	5	66,024,580	42,922,547
Loan to employees		7,956,651	7,956,651
Short-term investments	6	68,163,833	46,759,714
Current tax receivables		-	4,643,326
Cash and cash equivalents	7	89,659,538	71,395,505
<b>Total current assets</b>		<u>400,411,277</u>	<u>277,932,837</u>
<b>TOTAL ASSETS</b>		<u>2,292,136,214</u>	<u>1,864,618,140</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of PPWSA</b>			
Share capital		619,315,886	541,227,282
Reserves		418,038,410	352,473,530
Retained earnings		129,273,917	88,351,845
<b>TOTAL EQUITY</b>		<u>1,166,628,213</u>	<u>982,052,657</u>
<b>Non-current liabilities</b>			
Borrowings	8	790,359,750	517,288,403
Deferred government and other grants		16,812,186	18,822,093
Deferred tax liabilities		72,307,299	62,506,657
Other payables	9	69,446,073	65,195,836
<b>Total non-current liabilities</b>		<u>948,925,308</u>	<u>663,812,989</u>

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

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2021 (CONTINUED)**

		<b>Unaudited</b>	<b>Audited</b>
		<b>31.12.2021</b>	<b>31.12.2020</b>
	<b>Note</b>	<b>KHR'000</b>	<b>KHR'000</b>
<b>Current liabilities</b>			
Trade and other payables	9	127,299,585	156,599,805
Borrowings	8	23,128,518	30,847,173
Contract liabilities	5	1,788,894	3,616,566
Current tax liabilities		24,365,696	27,688,950
<b>Total current liabilities</b>		<u>176,582,693</u>	<u>218,752,494</u>
<b>TOTAL LIABILITIES</b>		<u>1,125,508,001</u>	<u>882,565,483</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>2,292,136,214</u>	<u>1,864,618,140</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 2020 and the accompanying explanatory notes attached to this condensed interim financial information.

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

**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME  
FOR THE QUARTER AND TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2021**

	Note	Unaudited		Unaudited	Audited
		Three-month period ended		Twelve-month period ended	
		31.12.2021	31.12.2020	31.12.2021	31.12.2020
		KHR'000	KHR'000	KHR'000	KHR'000
<b>Income:</b>					
Sale	10	76,670,760	76,590,280	282,369,797	281,649,338
Construction service fee		6,709,409	8,333,304	26,241,989	23,324,228
Foreign exchange gains - net		1,652,286	-	2,273,984	-
Other income		7,643,907	1,960,544	58,259,487	19,394,290
		<u>92,676,362</u>	<u>86,884,128</u>	<u>369,145,257</u>	<u>324,367,856</u>
<b>Expenses:</b>					
Depreciation and amortisation charges		(14,738,961)	(12,467,515)	(55,194,412)	(50,402,360)
Electricity costs		(8,495,816)	(9,502,763)	(35,791,983)	(37,062,063)
Employee benefits expense		(17,414,704)	(14,457,160)	(63,631,237)	(56,041,219)
Raw materials for water treatment		(2,707,674)	(3,349,475)	(9,541,982)	(10,523,255)
Raw materials for household water connections		(966,606)	(703,699)	(3,163,768)	(2,520,109)
Repairs and maintenance		(1,918,207)	(1,174,468)	(7,050,855)	(8,578,366)
Construction service expense		(9,153,504)	(6,650,404)	(22,448,213)	(18,220,555)
Reversal of impairment on loan to employees, net		-	-	-	130,437
Other operating expenses		(8,267,449)	(2,540,563)	(15,226,506)	(8,259,697)
Foreign exchange losses - net		-	(2,667,135)	-	(3,303,997)
		<u>(63,662,921)</u>	<u>(53,513,182)</u>	<u>(212,048,956)</u>	<u>(194,781,184)</u>
<b>Operating profit</b>		<b>29,013,441</b>	<b>33,370,946</b>	<b>157,096,301</b>	<b>129,586,672</b>
Finance income	11	5,017,710	4,452,646	16,964,309	7,622,934
Finance costs	12	(965,795)	(3,886,125)	(8,204,024)	(16,463,129)
<b>Profit before tax</b>		<b>33,065,356</b>	<b>33,937,467</b>	<b>165,856,586</b>	<b>120,746,477</b>
Income tax	13	(11,112,495)	(15,151,657)	(36,582,669)	(32,394,632)
<b>Profit for the period, representing total comprehensive income for the period</b>		<b>21,952,861</b>	<b>18,785,810</b>	<b>129,273,917</b>	<b>88,351,845</b>
<b>Earnings per share attributable to owners:</b>					
Basic earnings per share (KHR)		252.41	216.00	1,486.37	1,015.85
Diluted earnings per share (KHR)		252.41	216.00	1,486.37	1,015.85

The Condensed Interim 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 2020 and the accompanying explanatory notes attached to this condensed interim financial information.

**PHNOM PENH WATER SUPPLY AUTHORITY**  
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**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE QUARTER AND TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2021**

	Note	Share capital KHR'000	Reserves KHR'000	Retained earnings KHR'000	Total KHR'000
<b>Unaudited</b>					
Balance at 1 January 2021		541,227,282	352,473,530	88,351,845	982,052,657
Profit for the financial period, representing total comprehensive income for the period		-	-	129,273,917	129,273,917
<b>Transactions with owners</b>					
Capital contribution		78,088,604	-	-	78,088,604
Transfer to reserves		-	65,564,880	(65,564,880)	-
Dividends	14	-	-	(22,786,965)	(22,786,965)
<b>Total transactions with owners</b>		<b>78,088,604</b>	<b>65,564,880</b>	<b>(88,351,845)</b>	<b>55,301,639</b>
<b>Balance at 31 December 2021</b>		<b>619,315,886</b>	<b>418,038,410</b>	<b>129,273,917</b>	<b>1,166,628,213</b>
<b>Audited</b>					
Balance at 1 January 2020		541,227,282	339,185,444	33,291,913	913,704,639
Profit for the financial period, representing total comprehensive income for the period		-	-	88,351,845	88,351,845
<b>Transactions with owners</b>					
Transfer to reserves		-	13,288,086	(13,288,086)	-
Dividends	14	-	-	(20,003,827)	(20,003,827)
<b>Total transactions with owners</b>		<b>-</b>	<b>13,288,086</b>	<b>(33,291,913)</b>	<b>(20,003,827)</b>
<b>Balance at 31 December 2020</b>		<b>541,227,282</b>	<b>352,473,530</b>	<b>88,351,845</b>	<b>982,052,657</b>

The Condensed Interim Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 and the accompanying notes attached to the condensed interim financial information.

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**CONDENSED INTERIM STATEMENT OF CASH FLOWS**  
**FOR THE QUARTER AND TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2021**

	Unaudited Twelve-month period ended 31.12.2021 KHR'000	Audited 31.12.2020 KHR'000
<b>Cash flows from operating activities</b>		
<b>Profit before tax</b>	<b>165,856,586</b>	<b>120,746,477</b>
Adjustments for:		
Amortisation of intangible assets	1,702,419	2,183,058
Depreciation of property, plant and equipment	53,491,993	48,219,302
Amortisation of deferred government and other grants	(2,009,907)	(2,137,745)
Waiver of dividends payable	(36,372,177)	-
Reversal of impairment on loan to employees, net	-	(130,437)
Written off of property, plant and equipment	5,749,176	592,041
Finance income	(2,706,044)	(1,164,471)
Finance costs	6,436,677	5,059,682
Net unrealised foreign exchange (gain)/loss	(8,092,449)	8,659,499
<b>Operating profit before changes in working capital</b>	<b>184,056,274</b>	<b>182,027,406</b>
(Increase)/Decrease in inventories	(65,118,620)	25,142,980
Decrease/(Increase) in trade and other receivables	1,376,002	(11,324,167)
Decrease in trade and other payables	(12,321,104)	(87,692,065)
Increase in contract assets	(23,102,033)	(29,601,464)
(Decrease)/Increase in contract liabilities	(1,827,672)	740,306
Increase in refundable water deposits	4,250,237	4,381,574
<b>Net cash from operations</b>	<b>87,313,084</b>	<b>83,674,570</b>
Income tax paid	(25,473,919)	(9,857,156)
<b>Net cash from operating activities</b>	<b>61,839,165</b>	<b>73,817,414</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(282,259,431)	(200,919,032)
Purchase of intangible assets	(1,133,062)	(304,095)
Assets transfer from Tbong Khmum Water Supply	(78,192,260)	-
Increase in short-term investments	(21,404,119)	(28,850,447)
Interest capitalised on qualifying assets	(4,398,469)	(3,714,515)
Interest received	2,109,045	1,079,958
<b>Net cash used in investing activities</b>	<b>(385,278,296)</b>	<b>(232,708,131)</b>

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**CONDENSED INTERIM STATEMENT OF CASH FLOWS**  
**FOR THE QUARTER AND TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2021 (CONTINUED)**

	<b>Unaudited</b>	<b>Audited</b>
	<b>Twelve-month period ended</b>	<b>Twelve-month period ended</b>
	<b>31.12.2021</b>	<b>31.12.2020</b>
	<b>KHR'000</b>	<b>KHR'000</b>
<b>Cash flows from financing activities</b>		
Proceed from capital contribution	78,088,604	-
Dividend paid	(3,418,042)	(25,971,916)
Drawdown of borrowings	303,185,292	234,052,743
Interest paid	(7,556,383)	(1,200,329)
Repayments of borrowings	(28,596,307)	(31,806,346)
<b>Net cash generated from financing activities</b>	<b>341,703,164</b>	<b>175,074,152</b>
<b>Net increase in cash and cash equivalents</b>	<b>18,264,033</b>	<b>16,183,435</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>71,395,505</b>	<b>55,212,070</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>89,659,538</b>	<b>71,395,505</b>

The Condensed Interim Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 and the accompanying explanatory notes attached to the condensed interim financial information.

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE QUARTER AND TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2021**

**1. CORPORATE INFORMATION**

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. 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 process and distribution of water for general used 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 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 2020 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.

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE QUARTER AND TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2021 (CONTINUED)**

**4. PROPERTY, PLANT AND EQUIPMENT**

	<b>Unaudited</b> <b>31.12.2021</b> <b>KHR'000</b>	<b>Audited</b> <b>31.12.2020</b> <b>KHR'000</b>
<b>Cost</b>		
Balance at the beginning of financial year	2,075,369,345	1,827,579,498
Additions	364,850,160	249,933,042
Transfer to intangible assets	(16,431)	(1,551,154)
Written-off	(16,050,026)	(592,041)
Balance at the end of the financial year	<u>2,424,153,048</u>	<u>2,075,369,345</u>
<b>Accumulated depreciation</b>		
Balance at the beginning of financial year	501,767,246	453,547,944
Depreciation for the financial year	53,491,993	48,219,302
Written-off	(10,300,850)	-
Balance at the end of the financial year	<u>544,958,389</u>	<u>501,767,246</u>
<b>Carrying amount</b>		
Balance at the end of the financial year	<u>1,879,194,659</u>	<u>1,573,602,099</u>

During the quarter and twelve-month period ended 31 December 2021, PPWSA made the following cash payment for its additions of property, plant and equipment:

	<b>Unaudited</b> <b>Twelve-month period ended</b> <b>31.12.2021</b> <b>KHR'000</b>	<b>Audited</b> <b>31.12.2020</b> <b>KHR'000</b>
Additions	364,850,160	249,933,042
Assets transfer from Tbong Khmum Water Supply	(78,192,260)	-
Increase in payables and performance guarantee	-	(45,299,495)
Interest capitalised on qualifying assets	(4,398,469)	(3,714,515)
Cash payment for purchase of property, plant and equipment	<u>282,259,431</u>	<u>200,919,032</u>

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE QUARTER AND TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2021 (CONTINUED)**

**5. CONTRACT ASSETS / (LIABILITIES)**

	<b>Unaudited 31.12.2021 KHR'000</b>	<b>Audited 31.12.2020 KHR'000</b>
<b>Contract assets</b>		
Contract assets relating to construction service contracts	536,051	4,861,270
Contract assets relating to water revenue	65,488,529	38,061,277
	<u>66,024,580</u>	<u>42,922,547</u>
<b>Contract liabilities</b>		
Contract liabilities relating to construction service contracts	<u>1,788,894</u>	<u>3,616,566</u>

**6. SHORT-TERM INVESTMENTS**

These represent fixed deposit placed with financial institutions for a period of between four to twelve months (2020: four to twelve months), and earn interest at rates ranging from 1.50% to 4.25% (2020: 1.50% to 4.00%) per annum.

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

**7. CASH AND CASH EQUIVALENTS**

	<b>Unaudited 31.12.2021 KHR'000</b>	<b>Audited 31.12.2020 KHR'000</b>
Cash and bank balances	68,363,538	50,215,505
Short-term deposits	21,296,000	21,180,000
	<u>89,659,538</u>	<u>71,395,505</u>

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

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE QUARTER AND TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2021 (CONTINUED)**

**8. BORROWINGS**

	Currency	Nominal interest rate	Year of maturity	Carrying amount KHR'000
<b>Balance at 1 January 2021</b>				548,135,576
<b>Drawdown</b>				
AfD - Credit No. 1176.01 S	USD	0.900%	2038	123,434,316
European Investment Bank	USD	0.610% - 0.965%	2048	145,536,001
AfD - Credit No. 1244.01M	USD	0.35% - 0.55%	2039	34,214,975
<b>Repayments</b>				
<u>Principle</u>				
MoEF - JICA	JPY	0.660%	2049	(1,728,566)
MoEF - ADB	SDR	1.650%	2037	(2,379,119)
AfD - Credit No. 1075.03 S	EUR	0.880%	2021	(4,978,400)
AfD - Credit No. 1121.01 F	EUR	0.250%	2025	(19,510,222)
<u>Interest</u>				
MoEF - JICA	JPY	0.660%	2049	(322,302)
MoEF - ADB	SDR	1.650%	2037	(637,888)
AfD - Credit No. 1075.03 S	EUR	0.880%	2021	(22,223)
AfD - Credit No. 1121.01 F	EUR	0.250%	2025	(210,313)
AfD - Credit No. 1174.01 P	USD	1.800%	2037	(4,006,639)
AfD - Credit No. 1176.01 S	USD	0.900%	2038	(885,092)
European Investment Bank	USD	0.610% - 0.965%	2048	(1,471,926)
<b>Accrued interest</b>				6,436,677
<b>Realised exchange gain</b>				(24,138)
<b>Unrealised exchange gain</b>				(8,092,449)
<b>Balance at 31 December 2021</b>				813,488,268

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE QUARTER AND TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2021 (CONTINUED)**

**9. TRADE AND OTHER PAYABLES**

	<b>Note</b>	<b>Unaudited 31.12.2021 KHR'000</b>	<b>Audited 31.12.2020 KHR'000</b>
<b>Non-current:</b>			
<b>Other payables</b>			
Refundable water deposits		69,446,073	65,195,836
<b>Current:</b>			
<b>Trade payables</b>			
Third parties		33,251,064	78,123,933
Amounts owing to a director	(a)	23,613,139	-
		<u>56,864,203</u>	<u>78,123,933</u>
<b>Other payables</b>			
Accrued staff incentive		9,241,237	8,743,427
Amount due to Phnom Penh Municipality		47,455,958	38,524,322
Performance guarantee		67,344	67,313
Dividends payable		-	17,003,254
Other tax payable		293,258	584,751
Accruals		6,146,076	7,191,258
Other payables		7,231,509	6,361,547
		<u>70,435,382</u>	<u>78,475,872</u>
Total trade and other payables (current)		<u>127,299,585</u>	<u>156,599,805</u>
Total trade and other payables (non-current and current)		<u>196,745,658</u>	<u>221,795,641</u>

- (a) Amount owing to a director represents trade balances with Long Naro, a director general of the Company who were appointed on 12 August 2021. This is unsecured, non-interest bearing, repayable upon demand and is expected to be settled in cash.

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION  
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**10. SALE**

	Unaudited		Unaudited	Audited
	Three-month period ended		Twelve-month period ended	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	KHR'000	KHR'000	KHR'000	KHR'000
Water sales:				
- households	28,626,918	28,792,658	112,290,774	111,165,503
- commercial	35,247,522	35,985,822	128,582,099	131,475,633
- public administration institution	7,074,798	6,941,415	20,990,921	19,365,133
- autonomous state authorities	149,378	109,927	509,264	528,632
- wholesalers	2,627,259	2,360,256	9,333,345	8,603,177
Rounding difference on water sales revenue	18,042	18,160	66,249	66,287
Less: Invoice cancellations	(508,656)	(253,754)	(3,188,402)	(1,969,455)
	<u>73,235,261</u>	<u>73,954,484</u>	<u>268,584,250</u>	<u>269,234,910</u>
Water connection revenue	2,582,048	1,640,137	9,735,973	8,745,995
Water meter replacement charges	759,608	970,834	3,871,144	3,512,035
Spare parts and meter sales	93,843	24,825	178,430	156,398
	<u>76,670,760</u>	<u>76,590,280</u>	<u>282,369,797</u>	<u>281,649,338</u>

**11. FINANCE INCOME**

	Unaudited		Unaudited	Audited
	Three-month period ended		Twelve-month period ended	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	KHR'000	KHR'000	KHR'000	KHR'000
Interest income on bank deposits	907,534	406,457	2,706,044	1,164,471
Unrealised foreign exchange gain on borrowings	4,110,176	4,046,189	14,258,265	6,458,463
	<u>5,017,710</u>	<u>4,452,646</u>	<u>16,964,309</u>	<u>7,622,934</u>

**12. FINANCE COSTS**

	Unaudited		Unaudited	Audited
	Three-month period ended		Twelve-month period ended	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	KHR'000	KHR'000	KHR'000	KHR'000
Interest expense on borrowings	1,621,584	1,387,844	6,436,677	5,059,682
Unrealised foreign exchange loss on borrowings	28,613	3,563,150	6,165,816	15,117,962
Interest capitalised on qualifying assets	(684,402)	(1,064,869)	(4,398,469)	(3,714,515)
	<u>965,795</u>	<u>3,886,125</u>	<u>8,204,024</u>	<u>16,463,129</u>

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION  
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**13. 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 2021 was 22% (quarter and twelve-month period ended 31 December 2020: 27%). The change in effective tax rate was mainly contributed by the recognition of under provision of 2019's income tax expense in 2020.

**14. DIVIDENDS**

	<b>Unaudited</b>	<b>Audited</b>
	<b>Twelve-month period ended</b>	
	<b>31.12.2021</b>	<b>31.12.2020</b>
	<b>KHR'000</b>	<b>KHR'000</b>
<b>Recognised during the financial period</b>		
Dividend for the financial period ended 31 March of KHR262 per ordinary share	22,786,965	-
Dividend for the financial period ended 30 June of KHR230 per ordinary share	-	20,003,827
	<hr/>	<hr/>

**15. 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 enter 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.

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE QUARTER AND TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2021 (CONTINUED)**

**15. RELATED PARTY TRANSACTIONS (CONTINUED)**

(a) Government-related entities (continued)

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.

(b) Key management personnel compensation

Total key management personnel compensation is analysed as below:

	<b>Unaudited</b>	<b>Audited</b>
	<b>Twelve-month period ended</b>	<b>Twelve-month period ended</b>
	<b>31.12.2021</b>	<b>31.12.2020</b>
	<b>KHR'000</b>	<b>KHR'000</b>
Salaries and other expenses	2,435,463	2,397,823

**16. 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 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 months and PPWSA seeks to maintain strict control over its outstanding receivables to minimise the credit risk. Overdue balances are reviewed regularly by management.

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION  
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**16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

(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.

(d) Fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Trade and other receivables, contract assets, loan to employees, short-term investments, cash and cash equivalents, trade and other payables, contract liabilities are not included in the table below. Their carrying amount is a reasonable approximation of fair value.

	Carrying amount KHR'000	Fair value of financial instruments not carried at fair value KHR'000
<b>Borrowings</b>		
31.12.2021	813,488,268	821,446,238
31.12.2020	548,135,576	554,052,862

**Level 3 fair value**

Fair value on financial instruments not carried at fair value

The fair value of borrowings is determined using the discounted cash flows method based on discount rates that reflects the issuer's borrowing rate as at the end of the reporting date.

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

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE QUARTER AND TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2021 (CONTINUED)**

**17. CAPITAL COMMITMENTS**

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

	<b>Unaudited Twelve-month period ended 31.12.2021 KHR'000</b>	<b>Audited Twelve-month period ended 31.12.2020 KHR'000</b>
Construction of water treatment plant	393,733,852	560,603,615
Consultation services	7,771,956	10,762,234
Purchase of iron pipes, fitting and accessories	3,405,060	83,993,610
	<u>404,910,868</u>	<u>655,359,459</u>

During the quarter and twelve-month period ended 31 December 2021, PPWSA discovered that the commitments disclosed in the condensed interim financial information for the quarter and nine-month period ended 30 September 2021 had been erroneously reported. The following summarises the impacts on the condensed interim financial information for the quarter and nine-month period ended 30 September 2021:

	<b>Unaudited Nine-month period ended 30.9.2021 As previously reported</b>		
	<b>KHR'000</b>	<b>KHR'000</b>	<b>KHR'000</b>
Construction of water treatment plant	445,367,776	(16,578,752)	428,789,024
Consultation services	8,957	9,255,641	9,264,598
Purchase of iron pipes, fitting and accessories	1,057	7,323,111	7,324,168
	<u>445,377,790</u>	<u>-</u>	<u>445,377,790</u>

**18. SEGMENTAL REPORTING**

Segmental reporting is not presented as PPWSA is principally engaged in the processing and distribution 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 in Cambodia.

**19. COMPARATIVE FIGURES**

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

**20. AUTHORISATION OF CONDENSED INTERIM FINANCIAL INFORMATION**

The condensed interim financial information of PPWSA for the quarter and twelve-month period ended 31 December 2021 were authorised for issue by the Board of Directors on ..

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Registration No. Co.0839 Et/2012

**REPORT ON THE REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION  
TO THE MEMBERS OF PHNOM PENH WATER SUPPLY AUTHORITY  
(Incorporated in Cambodia)**

### **Introduction**

We have reviewed the accompanying condensed interim statement of financial position of Phnom Penh Water Supply Authority ("PPWSA") as at 31 December 2021 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 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* ("ISRE 2410"). 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*.

Registration No. Co.0839 Et/2012

**REPORT ON THE REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION  
TO THE MEMBERS OF PHNOM PENH WATER SUPPLY AUTHORITY (CONTINUED)**  
(Incorporated in Cambodia)

**Other Matter**

The financial statements of PPWSA for the financial year ended 31 December 2020 and the condensed interim financial information of PPWSA for the quarter and twelve-month period ended 31 December 2020 were audited and reviewed by another firm of certified public accountants whose report dated 24 March 2021 and 1 March 2021 expressed an unmodified opinion and unmodified conclusion, on those financial statements and condensed interim financial information respectively.



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

Phnom Penh, Kingdom of Cambodia

Date: 10 FEB 2022



**Tan Khee Meng**  
Certified Public Accountant

## PART4.- Management's Discussion and Analysis

### A. Overview of operations

#### 1- Revenue analysis

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

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

➤ The period ended 31 December 2021 compared to the period ended 31 December 2020

	Fourth Quarter 2021 (KHR'000)	Fourth Quarter 2020 (KHR'000)	Changes (KHR'000/Percent)	
Total revenues	92,676,362	86,884,128	5,792,234	6.67%

Total revenue increased by KHR 92,676,362,000 or 6.67%, from KHR 86,884,128,000 for the period ended 31 December 2020 to KHR 5,792,234,000 for the period ended 31 December 2021 . This increase was primarily due to the special income, which increase in the other income by 5,941,905,000 Riels or 2,387.09%.

#### 2- Revenue analysis by segment

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

	Fourth Quarter 2021 (KHR'000)		Fourth Quarter 2020 (KHR'000)	
Sale	76,670,760	82.73%	76,590,280	88.15%
Construction service fee	6,709,409	8.24%	8,333,304	9.59%
Foreign exchange gains - net	1,652,286	1.78%	-	-
Other income	7,643,907	8.25%	1,960,544	2.26%

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

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

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

➤ The period ended 31 December 2021 compared to the period ended 31 December 2020

	Fourth Quarter 2021		Fourth Quarter 2020		Changes		
	Volume	Amount	Volume	Amount	Volume	Amount	Amount
	(M <sup>3</sup> )	(KHR'000)	(M <sup>3</sup> )	(KHR'000)	(M <sup>3</sup> )	(KHR'000)	(%)
Water Sales-Household	28,348,033	28,626,918	27,361,297	28,792,658	986,736	(165,740)	(0.48%)
Water Sales-Commercial	19,883,591	35,247,522	20,985,822	35,985,822	(880,542)	(738,300)	(2.05%)

#### - Revenue from household sales

Revenue decreased by KHR 165,740,000 or 0.48%, from KHR 28,626,918,000 for the period ended Q4\_2020 to KHR 28,792,658,000 for the period ended Q4\_2021 due to average tariff decreased by 42.87 Riels/m<sup>3</sup> of 1,053.79 Riels/m<sup>3</sup> to 1,010.92 Riels/m<sup>3</sup>.

#### - Revenue from commercial and industrial sales

Revenue decreased by KHR 738,300,000 or 2.05%, from KHR 35,247,522,000 for the period ended Q4\_2020 to KHR 35,985,822,000 for the period ended Q4\_2021 due to monthly consumption per connection decreased by 3.53 Riels/m<sup>3</sup> of 96.84 Riels/m<sup>3</sup> to 93.31 Riels/m<sup>3</sup>.

## 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.

➤ The period ended 31 December 2021 compared to the period ended 31 December 2020

	Fourth Quarter 2021 (KHR'000)	Fourth Quarter 2020 (KHR'000)	Changes (KHR'000/Percent)	
Total revenues	92,676,362	86,884,128	5,792,234	6.67%
Depreciation and amortisation charges	(14,738,961)	(12,467,515)	(2,271,446)	(18.22%)
Electricity costs	(8,495,816)	(9,502,763)	1,006,947	10.60%
Employee benefits expense	(17,414,704)	(14,457,160)	(2,957,544)	(20.46%)
Raw materials for water treatment	(2,707,674)	(3,349,475)	641,801	19.16%
Construction service expenses	(9,153,504)	(6,650,404)	(2,503,100)	(37.64%)
Finance income	5,017,710	4,452,646	565,064	12.69%
Finance costs	(965,795)	(3,886,125)	2,920,330	75.15%
Profit before tax	33,065,356	33,937,467	(82,111)	(2.57%)

PPWSA earned profit before tax of KHR 33,065,356,000 for the period ended Q4\_2021 and KHR 33,937,467,000 for the period ended Q4\_2020, representing an decrease of KHR 872,111,000 or 2.57%. The decrease in profit before tax was primary due to the increase in total revenues by KHR 5,792,234,000 or 6.67%, but the increase in depreciation and amortisation charges by KHR 2,271,446,000 or 18.22% and increase in employee benefits expense by KHR 2,957,544,000 or 20.16% compared with the period ended Q3\_2020.

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

### 5- Profit for the financial year

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

➤ The period ended 31 December 2021 compared to the period ended 31 December 2020

	Fourth Quarter 2021 (KHR'000)	Fourth Quarter 2020 (KHR'000)	Changes (KHR'000/Percent)	
Profit before tax (a)	33,065,356	33,937,467	(82,111)	(2.57%)
Tax expense (b)	(11,112,495)	(15,151,657)	4,039,162	(26.66%)
Profit for the financial year	21,952,861	18,785,810	3,167,051	16.86%
Total comprehensive income for the financial year	21,952,861	18,785,810	3,167,051	16.86%
Effective tax reate (b)/(a)	33.61%	44.65%		

PPWSA earned profit for the financial period of KHR 21,952,861,000 in Q4\_2021 and KHR 18,785,810,000 in Q4\_2020, representing an increase of KHR 3,167,051,000 or 16.86%. The increase in profit for the financial year was due to the increase in finance income-Net by KHR 3,485,394,000 or 615.23%.

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

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

- **NRW rate:** PPWSA utilized an effective mechanism to reduce NRW to 9.71% 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 constructed soon after 2021, with additional production capacity of 195,000m<sup>3</sup>/day to meet the clean water demand from 2025 onwards.

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

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

### 3- Tax analysis

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

#### 4- Exceptional and extraordinary items analysis

At the end of the period ended 31 December 2021, 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 Q4\_2021. PPWSA is also the monopoly water supplier in Phnom Penh and its outskirts. Revenues may grow, subject to the demography including the enlargement of Phnom Penh capital and the migration of provincial residents to Phnom Penh.

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

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

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

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

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

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

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

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

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

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

## E- Impact of inflation

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

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

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

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

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

In the fourth quarter of 2021, PPWSA did not have any other necessary information to be disclosed.

# SIGNATURE OF DIRECTORES OF PHNOM PENH WATER SUPPLY AUTHORITY

Phnom Penh, 11 February 2022

Read and Approved

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Signature

**Oum Sotha**

Chairman of the Board

Phnom Penh, 10 February 2022

Read and Approved

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Signature

**Long Naro**

Director



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

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