

Registration No:
Co.0839 Et/2012

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

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

Registration No:
Co.0839 Et/2012

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

CORPORATE INFORMATION

DIRECTORS:

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

REGISTERED OFFICE:

No. 45, St.106
Sangkat Srah Chork, Khan Daun Penh
Phnom Penh
Cambodia

PRINCIPAL BANKERS:

Canadia Bank Plc.
Vattanac Bank
Advance Bank of Asia Ltd.
Foreign Trade Bank of Cambodia
ACLEDA Bank Plc.
Cambodian Public Bank
Prasac Microfinance Institution
Hattha Kaksekar Limited
AMK Microfinance Institution Plc
Sathapana Bank Plc.
Chip Mong Commercial Bank Plc.
Phnom Penh Commercial Bank
National Treasury
Municipal Treasury
Takmao Treasury

AUDITORS:

BDO (Cambodia) Limited

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

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PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Phnom Penh Water Supply Authority ("PPWSA") for the financial year ended 31 December 2020.

Principal activities

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

Results of operations

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

Dividend

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

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

Reserves and provisions

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

Bad and doubtful debts

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

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

Current assets

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

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

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

DIRECTORS' REPORT (continued)

Valuation methods

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

Contingent and other liabilities

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

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

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

Change of circumstances

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

Items of an unusual nature

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

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

Share capital

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

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

Directors

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

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

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

DIRECTORS' REPORT (continued)

Directors' benefits

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

Since the end of the previous financial year, the Directors have not received or become entitled to receive any benefit by reason of a contract made by the PPWSA or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except for any benefit which may be deemed to have arisen by virtue of those transactions as disclosed in Note 30 to the financial statements.

Directors' responsibility in respect of the financial statements

The Directors are responsible to ascertain that the financial statements give a true and fair view of the financial position of the PPWSA as at 31 December 2020, and of its financial performance and cash flows for the financial year then ended. In preparing these financial statements, the Directors are required to:

- (a) adopt appropriate accounting policies which are supported by reasonable judgements and estimates and then apply them consistently;
- (b) comply with the disclosure requirements of the Cambodian International Financial Reporting Standards ("CIFRSs") or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;
- (c) maintain adequate accounting records and an effective system of internal controls;
- (d) prepare the financial statements on a going concern basis unless it is inappropriate to assume that the PPWSA will continue its operations in the foreseeable future; and
- (e) control and direct effectively the PPWSA in all material decisions affecting its operations and performance and ascertain that such decisions and/or instructions have been properly reflected in the financial statements.

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

Significant events during the financial year

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

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

DIRECTORS' REPORT (continued)

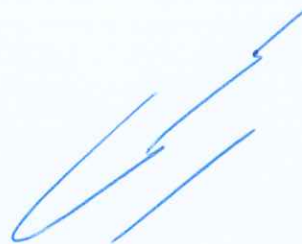
Statement by the Directors

In the opinion of the Directors, the financial statements set out on pages 10 to 45 have been drawn up in accordance with Cambodian International Financial Reporting Standards so as to give a true and fair view of the financial position of the PPWSA as at 31 December 2020, and of its financial performance and cash flows for the financial year then ended. ✓

Signed on behalf of the Board of Directors,



Oum Sotha
Chairman of the Board of Directors



Sim Sitha
Director General



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

Phnom Penh, Cambodia
Date: 24 March 2021

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Phnom Penh Water Supply Authority ("PPWSA"), which comprise statement of financial position as at 31 December 2020, and statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and a summary of significant accounting policies, as set out on pages 10 to 45.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the PPWSA as at 31 December 2020, and of its financial performance and cash flows for the financial year then ended in accordance with Cambodian International Financial Reporting Standards ("CIFRSs").

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

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

Key Audit Matters (continued)

(a) Accrued water revenue

Accrued water revenue of KHR38.1 billion as disclosed in Note 9 to the financial statements represents the value of water supplied to customers between the date of the last meter reading and the reporting date where no bill has been issued by the PPWSA to the customer at the end of the reporting period. Accrued water revenue is computed based on estimates of the water consumption by PPWSA's customers and applicable water pricing. We determined this to be key audit matter as it involves significant management judgement to estimate customer consumption between the last invoice date and the end of the reporting period to determine the accrued water revenue at the reporting date.

Audit response

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

(b) Impairment of trade receivables

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

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

Audit response

Our audit procedures included the following:

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

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements of the PPWSA, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the PPWSA's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the PPWSA's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the PPWSA or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the PPWSA to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the PPWSA, including the disclosures, and whether the financial statements of the PPWSA represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

Other Matters

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

For and on behalf of
BDO (Cambodia) Limited



Lim Seng Siew
Certified Public Accountant



Phnom Penh, Cambodia
Date: 24 March 2021

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

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

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

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

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

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

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

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (continued)

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

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020**

1. CORPORATE INFORMATION

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

The registered office of the PPWSA is No. 45, Street 106, Sangkat Srah Chork, Khan Daun Penh, Phnom Penh, the Kingdom of Cambodia.

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

The financial statements were authorised for issue by the Board of Directors on 24 March 2021.

2. PRINCIPAL ACTIVITIES

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

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

3. BASIS OF PREPARATION

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

4. BASIS OF ACCOUNTING

The accounting policies adopted are consistent with those of the previous financial year except for the effects, if any, of the adoption of new amendments to CIFRSs during the financial year. The new CIFRSs adopted during the financial year are disclosed in Note 37 to the financial statements.

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

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

5. PROPERTY, PLANT AND EQUIPMENT

<i>Cost</i>	Freehold land KHR'000	Building KHR'000	Machinery KHR'000	Fluid Laboratory equipment KHR'000	Office furniture and equipment KHR'000	Electricity equipment KHR'000	Motor vehicles KHR'000	Valves and tools KHR'000	Water meters KHR'000	House connection KHR'000	Construction in progress KHR'000	Total KHR'000
Balance at 1.1.2019	174,238,381	324,855,193	96,918,409	625,962,615	21,257,401	148,437,209	41,595,083	24,863,457	7,643,236	5,345,311	149,909,959	1,621,720,340
Additions	-	3,354,126	-	83,643	1,315,188	1,281,628	2,848,511	1,033,628	4,023	-	197,744,887	207,665,634
Transfers	-	3,052,507	3,640,535	8,660,537	136,939	17,699	-	179,762	721,462	6,633,569	(23,043,010)	-
Transfers to intangible assets (Note 6)	-	-	-	-	-	-	-	-	-	-	(1,077,816)	(1,077,816)
Written-off	-	-	-	-	-	-	-	-	-	-	(728,660)	(728,660)
Balance at 31.12.2019	174,238,381	327,907,700	103,913,070	634,623,152	22,709,528	149,736,536	44,443,594	26,076,847	8,368,721	11,978,880	322,805,360	1,827,579,498
Additions	-	76,349	1,678,760	6,683	405,504	1,133,585	1,435,328	259,800	273,732	-	244,591,643	249,933,042
Transfers	-	5,469,053	161,913	11,190,175	-	385,950	-	1,300,947	884,326	5,495,750	(24,888,114)	-
Transfers to intangible assets (Note 6)	-	-	-	-	-	-	-	-	-	-	(1,551,154)	(1,551,154)
Written-off	-	-	-	-	-	-	-	-	-	-	(592,041)	(592,041)
Balance at 31.12.2020	174,238,381	333,453,102	105,753,743	645,820,010	849,387	23,115,032	45,878,922	27,637,594	9,526,779	17,474,630	540,365,694	2,075,369,345

5. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land KHR'000	Building Machinery KHR'000	Fluid Laboratory equipment KHR'000	Office furniture and equipment KHR'000	Electricity equipment KHR'000	Motor vehicles KHR'000	Valves and tools KHR'000	Water meters KHR'000	House connection KHR'000	Construct- ion in progress KHR'000	Total KHR'000		
<i>Accumulated depreciation</i>													
Balance at 1.1.2019	-	(67,859,722)	(48,743,419)	(156,754,888)	(620,180)	(9,838,115)	(80,945,786)	(26,521,805)	(10,847,702)	(3,710,817)	(198,082)	-	(406,040,516)
Depreciation for the year	-	(6,840,614)	(5,565,590)	(17,145,590)	(19,738)	(2,799,679)	(6,661,832)	(4,358,517)	(2,222,706)	(1,157,174)	(735,988)	-	(47,507,428)
Balance at 31.12.2019	-	(74,700,336)	(54,309,009)	(173,900,478)	(639,918)	(12,637,794)	(87,607,618)	(30,880,322)	(13,070,408)	(4,867,991)	(934,070)	-	(453,547,944)
Depreciation for the year	-	(6,895,300)	(5,884,570)	(17,277,660)	(30,948)	(2,623,964)	(6,778,617)	(3,956,808)	(2,289,240)	(1,230,188)	(1,252,007)	-	(48,219,302)
Balance at 31.12.2020	-	(81,595,636)	(60,193,579)	(191,178,138)	(670,866)	(15,261,758)	(94,386,235)	(34,837,130)	(15,359,648)	(6,098,179)	(2,186,077)	-	(501,767,246)
<i>Carrying amounts</i>													
Balance at 31.12.2019	174,238,381	251,857,466	45,560,164	454,641,872	178,521	7,853,274	56,869,836	11,041,792	12,277,946	3,428,600	15,288,553	540,365,694	1,573,602,099
Balance at 31.12.2020	174,238,381	253,207,364	49,604,061	460,722,674	137,811	10,071,734	62,128,918	13,563,272	13,006,439	3,500,730	11,044,810	322,805,360	1,374,031,554

5. PROPERTY, PLANT AND EQUIPMENT (continued)

- (a) All items of property, plant and equipment are initially measured at cost. After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.
- (b) Depreciation is calculated to write down the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal depreciation periods are as follows:

Building	50 years
Machinery	10, 15 and 20 years
Fluid equipment	15, 35, 40 and 50 years
Laboratory equipment	7 years
Office furniture and equipment	7 years
Electricity equipment	7 years
Motor vehicles	7 years
Valves and tools	7 years
Water meters	5 years
House connection	12 years

Freehold land has unlimited useful life and is not depreciated.

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

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

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

6. INTANGIBLE ASSETS

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

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

7. INVENTORIES

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

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

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

8. TRADE AND OTHER RECEIVABLES

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

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

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

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

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

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

8. TRADE AND OTHER RECEIVABLES (continued)

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

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

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

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

9. CONTRACT ASSETS/(LIABILITIES)

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

(a) Construction service receivable and unearned income

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

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

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

(b) Accrued water revenue

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

9. CONTRACT ASSETS/(LIABILITIES) (continued)

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

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

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

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

10. LOAN TO EMPLOYEES

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

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

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

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

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

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

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

10. LOAN TO EMPLOYEES (continued)

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

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

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

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

11. SHORT-TERM INVESTMENTS

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

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

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

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

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

12. CASH AND BANK BALANCES

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

- (a) Cash and bank balances are classified as financial assets measured at amortised cost.
- (b) The currency exposure profile of cash and bank balances is as follows:

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

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

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

13. SHARE CAPITAL

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

- (a) On 15 February 2012, the Board of Directors approved the split of the existing capital of KHR465,028,000 into 73,927,187 ordinary shares and 391,100,942 Class A shares with a par value of KHR1,000 per share. Class A shares are not eligible for interest or dividend and have rights and conditions as detailed in article 12.2 of the Articles of Incorporation dated 27 June 2012.
- (b) On 18 April 2012, the PPWSA was successfully listed on the Cambodia Securities Exchange ("CSX"). It is the first company on the CSX. The total number of ordinary shares is 86,973,162 shares with a par value of KHR1,000 per share. The costs of issuing 13,045,975 new shares amounting to KHR6,000 million have been offset with the share premium. All issued ordinary shares are fully paid. The details of ordinary shares are as follows:

Shareholders

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

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

14. RESERVES

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

- (a) In accordance with the PPWSA's status dated 22 February 1999, article 29 the PPWSA's profit, after offsetting with losses carried forward (if any), can be used as follows:
- for management and staff bonuses
 - for legal reserve – 5%
 - for general reserve – 5%
 - the remaining balance for development reserve
- (b) Effective from the year ended 31 December 2007, the MoEF accepted the proposed 10% annual profit distribution from the PPWSA in its letter No. 2254, dated 2 May 2008. However, from 2012 onward, after the listing of the PPWSA, the distribution of dividends will be in accordance with the new status of the PPWSA, date 27 June 2012. The distribution of dividends shall be as follows:

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

1. Compensation for losses incurred in previous years
2. After the compensation for losses, the remaining profit, if any, shall be distributed as follows:
 - i. Reward to management and employees as follows:
 - One month's salary for all employees if the net profit is between 5% and 10% of operating expenses
 - Two months' salary for all employees if the net profit is between 10% and 20% of operating expenses
 - Three months' salary for all employees if the net profit is more than 20% of operating expense
 - ii. 2% for retirement benefits and disability benefits
 - iii. 5% for legal reserve
 - iv. 5% for general reserve
 - v. 5% for social fund, which shall be recorded as an expense in the year of the transition
3. The remaining amount after the above allocations shall be allocated to:
 - i. Reserve for future investments (retained earnings) subject to the Board of Director's approval
 - ii. The remaining balance after investment reserve is allocated to the MoEF and public investors at the ratio of 85% and 15%, respectively.

14. RESERVES (continued)

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

15. BORROWINGS

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

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

- (b) AfD – Credit No. 1075 03 S

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

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

15. BORROWINGS (continued)

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

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

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

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

(c) MoEF – JICA

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

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

The annual interest is 0.66% (2019: 7.35%) per annum.

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

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

(d) MoEF – ADB

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

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

The annual interest is 1.65% (2019: 6.5%) per annum.

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

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

15. BORROWINGS (continued)

(e) AfD – Credit No. 1121 01F

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

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

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

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

(f) AfD – Credit No. 1174 01P

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

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

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

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

(g) AfD – Credit No. 1176 01S

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

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

The effective global rate (tax effective global) applicable to the facility may be valued at an annual rate of 1.24% on the basis of a 365 days and an interest period of 6 months, capped at 1.22% per annum plus 0.65%, which is charged by MoEF and with a minimum of 0.25% per annum.

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

15. BORROWINGS (continued)

(h) European Investment Bank (“EIB”)

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

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

The effective global rate (tax effective global) applicable to the facility may be valued at an annual rate of 1.16% on the basis of a 360 days and an interest period of 6 months, capped at 1.14% per annum plus 0.65%, which is charged by MoEF and with a minimum of 0.35% per annum.

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

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

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

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

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

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

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

15. BORROWINGS (continued)

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

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

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

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

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

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

16. DEFERRED GOVERNMENT AND OTHER GRANTS

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

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

(a) Government Grant

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

(b) JICA grants

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

(c) Other grants

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

17. DEFERRED TAX LIABILITIES

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

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

17. DEFERRED TAX LIABILITIES (continued)

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

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

18. TRADE AND OTHER PAYABLES

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

- (a) Trade and other payables are classified as financial liabilities measured at amortised cost.
- (b) Trade payables are non-interest bearing and the normal trade credit terms granted to the PPWSA range from one to three months (2019: one to three months).
- (c) Refundable water deposits are collected from customers based on the size of the water meter prior to connection and are recorded at the received amount as refundable water deposits under non-current liabilities.

18. TRADE AND OTHER PAYABLES (continued)

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

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

19. REVENUE

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

(a) Sale of water

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

(b) Household water connection revenue

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

(c) Water meter replacement charge

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

20. CONSTRUCTION SERVICE FEES

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

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

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

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

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

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

21. OTHER INCOME

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

22. SALARY, WAGES AND RELATED EXPENSES

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

23. RAW MATERIALS FOR WATER TREATMENT

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

24. RAW MATERIALS FOR HOUSEHOLD WATER CONNECTIONS

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

25. FOREIGN EXCHANGE (LOSS)/GAIN – NET

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

26. FINANCE INCOME/(COSTS)

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

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

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

27. TAX EXPENSE

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

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

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

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

28. EARNINGS PER SHARE

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

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

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

29. DIVIDEND

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

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

30. RELATED PARTY DISCLOSURES

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

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

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

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

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

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

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

	2020 KHR'000	2019 KHR'000
Salaries and other expenses	2,397,823	2,148,791

31. CAPITAL COMMITMENTS

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

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

32. CAPITAL AND FINANCIAL RISK MANAGEMENT

(a) Capital management

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

The PPWSA manages its capital structure and makes adjustments to it, in response to changes in economic conditions. In order to maintain or adjust the capital structure, the PPWSA may adjust the dividend payment to shareholders, return capital to its shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2020 and 31 December 2019.

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

(b) Financial risk management

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

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

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

(i) Foreign currency risk

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

The PPWSA hold cash and cash equivalents and short-term investments denominated in foreign currencies. At the end of each reporting period, such foreign currency balances in US\$ amounted to KHR3,217 million (2019: KHR10,347 million) and KHR62,939 million (2019: KHR17,909million) respectively for the PPWSA.

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

32. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

(b) Financial risk management (continued)

(i) Foreign currency risk (continued)

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

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

(ii) Interest rate risk

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

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

Sensitivity analysis for interest rate risk

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

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

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

32. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

(b) Financial risk management (continued)

(iii) Credit risk

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

The PPWSA's primary exposure to credit risk arises through its trade receivables from its customers. The PPWSA controls the credit risk on sales by ensuring that its customers have sound financial position and credit history.

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

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

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

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

Exposure to credit risk and credit risk concentration profile

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

At the end of the reporting period, approximately:

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

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

32. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

(b) Financial risk management (continued)

(iv) Liquidity and cash flow risk

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

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

33. SEGMENT INFORMATION

The PPWSA treats water for supply to residents in Phnom Penh and surrounding areas. To support its water distribution business, it needs to provide water meter connection as a supporting service. Revenue from water meter connection (a supporting service for water sales) accounts for less than 3% (2019: 5%) of the total revenue, while water sales account for 96% (2019: 93%) of the total revenue of the PPWSA.

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

34. TAXATION CONTINGENCIES

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

35. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

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

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

- (b) On 15 July 2020, the Ministry of Economy and Finance ("MoEF") agreed to transfer the water treatment plant at Tbong Khmum province to PPWSA, with the following conditions:

- (1) To prepare the statement of financial position of Tbong Khmum water supply organisation.
- (2) All the expenditures incurred for the construction of water treatment plant together with the distributed network are to be recorded as the share capital of PPWSA.

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

36. COMPARATIVE FIGURES

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

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

37. ADOPTION OF NEW CIFRSs

37.1 New CIFRSs adopted during the current financial year

PPWSA adopted the following amendments during the financial year.

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

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

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

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

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

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

37. ADOPTION OF NEW CIFRSs (continued)

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

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

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

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

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

Annual Improvements to CIFRS Standards 2018 – 2020

The annual improvements amend the following standards:

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

Amendments to CIFRS 3 Reference to the Conceptual Framework

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

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

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

37. ADOPTION OF NEW CIFRSs (continued)

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

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

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

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

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

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

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

CIFRS 17 *Insurance Contracts*

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

Contracts are measured using the building blocks of:

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

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

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

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

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

37. ADOPTION OF NEW CIFRSs (continued)

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

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

Amendments to CIFRS 17 Insurance Contracts

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

The IASB has amended CIFRS 17 to:

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

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

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

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

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