

PHNOM PENH WATER SUPPLY AUTHORITY

**DIRECTORS' REPORT AND
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

PHNOM PENH WATER SUPPLY AUTHORITY

**AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

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PHNOM PENH WATER SUPPLY AUTHORITY

DIRECTORS' REPORT

The Board of Directors hereby submit their report together with the audited financial statements of Phnom Penh Water Supply Authority ("PPWSA") for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

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

- invest in, build, enlarge, operate, repair and maintain the means of water sanitation and distribution;
- manage devices to increase water production, and improve services and water quality to meet demand;
- operate the business, services and related duties for water supply in accordance with the Board of Directors' resolution and the laws of Cambodia;
- cooperate with local and external development partners on technology, trade and finance in order to improve and develop PPWSA in accordance with government policy; and
- ensure sustainable production processes, business and finance for the public interest.

There have been no significant changes in the nature of these activities during the year.

RESULTS

	KHR'000
Profit for the year	<u>126,609,582</u>

DIVIDENDS

The dividends declared and paid by PPWSA since the end of the previous year are as follows, details of which are disclosed in Note 23 to the financial statements:

	KHR'000
Dividends of KHR330 per ordinary share were declared on 15 March 2023 and paid during the year ended 31 December 2023	<u>4,305,158</u>

RESERVES OR PROVISIONS

There were no material transfers to reserves and no provisions during the year other than those disclosed in the financial statements.

BAD AND DOUBTFUL DEBTS

Before the financial statements of PPWSA were prepared, the directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off for bad debts and the making of loss allowance for doubtful debts and had satisfied themselves that there were no known bad debts and no loss allowance for doubtful debts was required.

At the date of this report, the directors are not aware of any circumstances which would render it necessary to write off any bad debts or to make any provision for doubtful debts in respect of the financial statements of PPWSA.

PHNOM PENH WATER SUPPLY AUTHORITY

DIRECTORS' REPORT

CURRENT ASSETS

Before the financial statements of PPWSA were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of PPWSA had been written down to an amount which they might be expected to realise.

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 PPWSA misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen that render adherence to the existing methods of valuation of assets or liabilities of 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 PPWSA which has arisen since the end of the year which secures the liabilities of any other person; and
- (ii) any contingent liabilities in respect of PPWSA which has arisen since the end of the year.

In the opinion of the directors, no contingent or other liability of PPWSA has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the year which will or may affect the ability of the PPWSA to meet its obligations as and 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 the financial statements of PPWSA which would render any amount stated in the financial statements misleading.

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

- (i) the results of the operations of PPWSA for the year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the year and the date of this report which is likely to affect substantially the results of the operations of PPWSA for the year in which this report is made.

ISSUANCE OF SHARES AND DEBENTURES

During the year, no new shares or debentures were issued by PPWSA.

PHNOM PENH WATER SUPPLY AUTHORITY

DIRECTORS' REPORT

DIRECTORS

The directors in office during the year and during the period from the end of the year to the date of the report are:

H.E. Oum Sotha	(end of mandate on 6 January 2023)
H.E. Sim Sitha	(appointed on 6 January 2023)
H.E. Mey Vann	
H.E. Long Naro	
H.E. Nuon Pharat	
Mr. Ma Noravin	(appointed on 27 February 2023)
Mr. Nam Chantry	
Mr. Sreng Samork	

SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE YEAR

Details of significant event subsequent to the end of the year are disclosed in Note 31 to the financial statements.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors of PPWSA are responsible for ascertaining that the financial statements of PPWSA give a true and fair view of the financial position of PPWSA as at 31 December 2023, and its financial performance and its cash flows for the year then ended. In preparing these financial statements, the directors of PPWSA are required to:

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

The directors confirm that PPWSA has complied with the above requirements in preparing its financial statements.

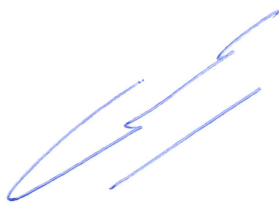
PHNOM PENH WATER SUPPLY AUTHORITY

DIRECTORS' REPORT

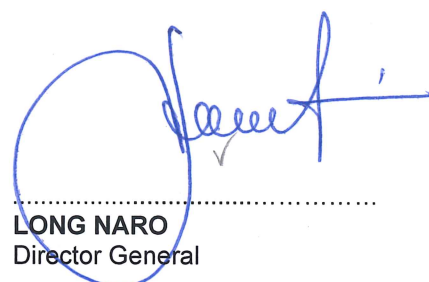
APPROVAL OF THE FINANCIAL STATEMENTS

We, **H.E. SIM SITHA**, **H.E. LONG NARO** and **DENG POLYDEN**, being the directors and officers of PPWSA, do hereby state that in the opinion of the Directors, the accompanying the statement of financial position of PPWSA as at 31 December 2023, and the related statement of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements are presented fairly, in all material respects, in accordance with Cambodian International Financial Reporting Standards ("CIFRSs").

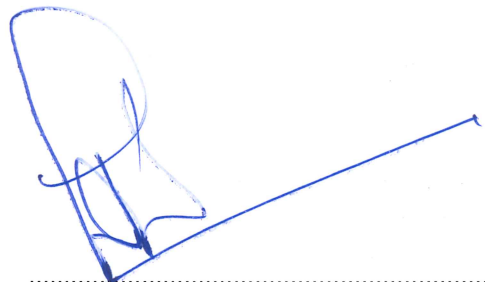
Signed on behalf of the Board of Directors and Management, 



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



.....
LONG NARO
Director General



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

Date: 13 MAR 2024

PHNOM PENH WATER SUPPLY AUTHORITY

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Notes	2023 KHR'000	2022 KHR'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	2,494,979,290	2,203,041,914
Intangible assets		10,463,074	12,089,587
Total non-current assets		2,505,442,364	2,215,131,501
Current assets			
Inventories	6	318,746,592	152,737,078
Trade and other receivables	7	27,980,236	32,707,416
Contract assets	8	155,501,255	92,768,374
Loan to employees	9	7,956,651	7,956,651
Short-term investments	10	127,316,003	126,118,416
Cash and cash equivalents	11	16,117,222	56,716,439
Total current assets		653,617,959	469,004,374
TOTAL ASSETS		3,159,060,323	2,684,135,875
EQUITY AND LIABILITIES			
Equity attributable to owners of PPWSA			
Share capital and share premium	12	620,759,107	620,759,107
Reserves	13	647,148,782	543,268,075
Retained earnings		126,609,582	108,185,865
TOTAL EQUITY		1,394,517,471	1,272,213,047
Non-current liabilities			
Borrowings	14	1,296,924,684	986,495,717
Deferred government and other grants	15	74,162,746	69,238,477
Deferred tax liabilities - net	20	81,946,858	77,016,716
Other payables	16	82,903,732	76,801,705
Total non-current liabilities		1,535,938,020	1,209,552,615
Current liabilities			
Trade and other payables	16	179,944,621	154,661,152
Borrowings	14	23,677,401	23,499,158
Contract liabilities	8	4,254,138	4,456,756
Current tax liabilities		20,728,672	19,753,147
Total current liabilities		228,604,832	202,370,213
TOTAL LIABILITIES		1,764,542,852	1,411,922,828
TOTAL EQUITY AND LIABILITIES		3,159,060,323	2,684,135,875

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

PHNOM PENH WATER SUPPLY AUTHORITY

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Notes	2023 KHR'000	2022 KHR'000
Income:			
Sales	17	349,640,073	299,723,507
Construction service fee		16,665,617	24,976,316
Foreign exchange gains - net		4,111,039	1,105,700
Other income		21,637,636	21,478,333
		<u>392,054,365</u>	<u>347,283,856</u>
Expenses:			
Employee benefits expense	18	(80,292,438)	(70,175,422)
Depreciation and amortisation charges		(61,978,135)	(59,455,074)
Electricity costs		(42,291,446)	(35,218,743)
Raw materials for water treatment		(15,875,313)	(12,140,740)
Repairs and maintenance		(11,651,058)	(8,009,358)
Construction service expenses		(9,731,518)	(16,618,024)
Raw materials for household water connections		(4,816,514)	(4,953,371)
Other operating expenses		(15,155,436)	(11,243,416)
		<u>(241,791,858)</u>	<u>(217,814,148)</u>
Operating profit		150,262,507	129,469,708
Finance income		6,737,766	4,656,618
Finance costs	19	(3,527,730)	(3,610,434)
Profit before tax		153,472,543	130,515,892
Income tax	20	(26,862,961)	(22,330,027)
Profit for the year, representing total comprehensive income for the year		<u>126,609,582</u>	<u>108,185,865</u>
Earnings per share attributable to owners:			
Basic earnings per share (KHR)	22	<u>1,455.73</u>	<u>1,243.90</u>
Diluted earnings per share (KHR)	22	<u>1,455.73</u>	<u>1,243.90</u>

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

PHNOM PENH WATER SUPPLY AUTHORITY

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Notes	Share capital and share premium KHR'000	Reserves KHR'000	Retained earnings KHR'000	Total KHR'000
At 1 January 2022		619,315,886	418,038,410	129,273,917	1,166,628,213
Profit for the year, representing total comprehensive income for the year		-	-	108,185,865	108,185,865
Transactions with owners					
Capital contribution	12	1,443,221	-	-	1,443,221
Transfer to reserves	13	-	125,229,665	(125,229,665)	-
Dividends	23	-	-	(4,044,252)	(4,044,252)
Total transactions with owners		1,443,221	125,229,665	(129,273,917)	(2,601,031)
At 31 December 2022 / 1 January 2023		620,759,107	543,268,075	108,185,865	1,272,213,047
Profit for the year, representing total comprehensive income for the year		-	-	126,609,582	126,609,582
Transactions with owners					
Transfer to reserves	13	-	103,880,707	(103,880,707)	-
Dividends	23	-	-	(4,305,158)	(4,305,158)
Total transactions with owners		-	103,880,707	(108,185,865)	(4,305,158)
At 31 December 2023		620,759,107	647,148,782	126,609,582	1,394,517,471

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

PHNOM PENH WATER SUPPLY AUTHORITY

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Notes	2023 KHR'000	2022 KHR'000
Cash flows from operating activities			
Profit before tax		153,472,543	130,515,892
Adjustments for:			
Depreciation of property, plant and equipment	5	60,115,369	57,460,927
Finance costs	19	3,527,730	3,610,434
Net unrealised foreign exchange loss on trade payables		2,142,944	6,140,606
Amortisation of intangible assets		1,856,450	1,994,147
Write-off of property, plant and equipment	5	1,628,455	136,839
Write-off of intangible asset		6,315	-
Net unrealised foreign exchange gain on borrowings		(9,967,958)	(4,586,866)
Finance income		(6,737,766)	(4,656,618)
Amortisation of deferred government and other grants	15	(2,009,908)	(2,009,908)
Operating profit before changes in working capital		204,034,174	188,605,453
Change in working capital:			
Inventories		(238,152,938)	(89,819,201)
Trade and other receivables		6,112,703	(6,110,525)
Trade and other payables		23,140,525	8,509,694
Contract assets		(62,732,881)	(26,743,794)
Contract liabilities		(202,618)	2,667,862
Refundable water deposits		6,102,027	7,355,632
Net cash (used in)/ from operations		(61,699,008)	84,465,121
Income tax paid		(20,957,294)	(22,233,157)
Net cash (used in)/ generated from operating activities		(82,656,302)	62,231,964
Cash flows from investing activities			
Interest received		5,352,243	2,934,894
Purchase of property, plant and equipment	5	(269,886,946)	(281,619,716)
Increase in short-term investments		(1,197,587)	(57,954,583)
Purchase of intangible assets		(236,252)	(390,075)
Net cash used in investing activities		(265,968,542)	(337,029,480)
Cash flows from financing activities			
Drawdown of borrowings		341,987,537	218,280,439
Receipt of government and other grants	15	6,934,177	54,436,199
Capital contribution from MoEF		-	1,443,221
Repayments of borrowings		(21,479,454)	(20,769,386)
Interest paid		(15,111,475)	(7,491,804)
Dividends paid	23	(4,305,158)	(4,044,252)
Net cash generated from financing activities		308,025,627	241,854,417
Net decrease in cash and cash equivalents		(40,599,217)	(32,943,099)
Cash and cash equivalents at the beginning of the year		56,716,439	89,659,538
Cash and cash equivalents at the end of the year	11	16,117,222	56,716,439

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

PHNOM PENH WATER SUPPLY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

1. CORPORATE INFORMATION

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

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

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

- invest in, build, enlarge, operate, repair and maintain the means of water sanitation and distribution;
- manage devices to increase water production, and improve services and water quality to meet demand;
- operate the business, services and related duties for water supply in accordance with the Board of Directors’ resolution and the laws of Cambodia;
- cooperate with local and external development partners on technology, trade and finance in order to improve and develop PPWSA in accordance with government policy; and
- ensure sustainable production processes, business and finance for the public interest.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of PPWSA have been prepared in accordance with the Cambodian International Financial Reporting Standards (“CIFRSs”).

2.2 Adoption of new CIFRSs and amendments/improvement to CIFRSs

(a) Amendments/Improvements to standards adopted during the year

- Disclosure of Accounting Policies – Amendments CIAS 1 and CIFRS Practice Statement 2

The amendments require an entity to disclose its material accounting policy information rather than significant accounting policies. The amendments, amongst others, also include examples of circumstances in which an entity is likely to consider an accounting policy information to be material to its financial statements. To support this amendments, CIFRS Practice Statement 2 was also amended to provide guidance on how to apply the concept of materiality to accounting policy information disclosures. The guidance and examples provided in the CIFRS Practice Statement 2 highlight the need to focus on entity-specific information and demonstrate how the four-step materiality process can address standardised (or boilerplate) information and duplication of requirements of CIFRSs in the accounting policy information disclosures.

Although the amendments did not result in any changes to the accounting policy themselves, they impacted the accounting policy information disclosed in the financial statements.

The following amendments/improvements were adopted by PPWSA but did not have significant impact on the current period or any prior period and it is not likely to affect the future periods.

PHNOM PENH WATER SUPPLY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

2. BASIS OF PREPARATION (CONTINUED)

2.2 Adoption of new CIFRSs and amendments/improvement to CIFRSs (Continued)

- Definition of Accounting Estimates – Amendments to CIAS 8
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to CIAS 12

(b) Standards and amendments/improvements that have been issued but not yet effective

		Effective for financial periods beginning on or after
<u>Amendments/Improvements</u>		
CIAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
CIAS 1	Non-current Liabilities with Covenants	1 January 2024
CIFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
CIAS 7 and CIFRS 7	Supplier finance arrangements	1 January 2024
CIAS 17	Initial Application of CIFRS 17 and CIFRS 9 - Comparative Information	1 January 2025
CIFRS 10 and CIAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The above standards/ amendments have been published but not yet effective for financial year beginning on or after 1 January 2023 and have not been early adopted by PPWSA. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.3 Functional and presentation currency

The financial statements are presented in Khmer Riel (“KHR”), which is also PPWSA’s functional currency, and has been rounded to the nearest thousand, unless otherwise stated.

2.4 Basis of measurement

The financial statements of PPWSA have been prepared on the historical cost basis, except as otherwise disclosed in Note 3 to the financial statements.

2.5 Use of estimates and judgement

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates that are significant to the financial statements are disclosed in Note 4 to the financial statements.

PHNOM PENH WATER SUPPLY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION

Unless otherwise stated, the following accounting policies have been applied consistently to all the years presented in the financial statements of PPWSA.

3.1 Translation of foreign currency transactions

Foreign currency transactions during the year are translated at the foreign exchange rate ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

3.2 Financial instruments

Financial instruments are recognised in the statement of financial position when, and only when, PPWSA becomes a party to the contractual provisions of the financial instrument.

Except for the trade receivables that do not contain a significant financing component or for which PPWSA has applied the practical expedient, the financial instruments are recognised initially at its fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset and financial liability. Trade receivables that do not contain a significant financing component or for which PPWSA have applied the practical expedient are measured at the transaction price determined under CIFRS 15.

PPWSA categorises the financial instruments as follows:

(i) Financial assets

Subsequent measurement of debt instruments depends on PPWSA's business model for managing the asset and the cash flow characteristics of the asset. PPWSA classifies its debts instruments as financial assets at amortised cost.

Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

(ii) Financial liabilities

PPWSA classifies its financial liabilities at amortised cost.

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

PHNOM PENH WATER SUPPLY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.3 Property, plant and equipment

All items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and any impairment in value. The cost of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Freehold land has an unlimited useful life and therefore is not depreciated. Assets under construction included in property, plant and equipment are not depreciated as those assets are not yet available for use.

All other property, plant and equipment are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives.

	Useful lives (years)
Building	30 - 50
Machinery	3 - 20
Fluid equipment	6 - 50
Laboratory equipment	6 - 7
Office furniture and equipment	2 - 7
Electricity equipment	2 - 20
Motor vehicles	2 - 7
Valves and tools	3 - 15
Water meters	5 - 20
House connection	12

3.4 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined using the weighted average basis. The cost comprises all costs of purchase plus other cost incurred in bringing the inventories to their present location and condition. Inventories include raw materials, consumable, spare parts and other water supply related inventories and are valued at the actual costs of bringing the inventory to its intended purposes less allowances for damages, obsolete and slow-moving items using the weighted average basis. Spare parts and water supply-related inventories with a useful life of more than one year are capitalised as property, plant and equipment upon being put into use.

3.5 Contract assets/ (liabilities)

Contract asset is the right to consideration in exchange for goods or services transferred to the customers when that right is conditioned on something other than the passage of time (for example, PPWSA's future performance). The contract asset is transferred to receivables when the rights become unconditional. This usually occurs when PPWSA issues an invoice to the customer.

Contract liability is the obligation to transfer goods or services to customers for which PPWSA has received the consideration or have billed the customers.

PHNOM PENH WATER SUPPLY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.6 Revenue and other income

PPWSA recognises revenue that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which PPWSA expects to be entitled in exchange for those goods or services.

PPWSA's revenue recognition is applied for each contract with a customer or a combination of contracts with the same customer (or related parties of a customer). For practical expedient, PPWSA applies revenue recognition to a portfolio of contracts (or performance obligations) with similar characteristics if PPWSA reasonably expects that the effects on the financial statements would not differ materially from recognising revenue on the individual contracts (or performance obligations) within that portfolio.

PPWSA measures revenue from sale of goods or services at its transaction price, being the amount of consideration to which PPWSA expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties such as service tax, adjusted for the effects of any variable considerations, constraining estimates of variable consideration, significant financing components, non-cash consideration and consideration payable to customer. If the transaction price includes variable consideration, PPWSA uses the expected value method by estimating the sum of probability-weighted amounts in a range or possible consideration amounts, or the most likely outcome method, depending on which method PPWSA expects to better predict the amount of consideration to which it is entitled.

For contract with separate performance obligations, the transaction price is allocated to the separate performance obligations on the relative stand-alone selling price basis. If the stand-alone selling price is not directly observable, PPWSA estimates it by using the expected cost plus margin approach.

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer, i.e. when or as a performance obligation in the contract with customer is satisfied. A performance obligation is satisfied when or as the customer obtains control of the good or services underlying the particular performance obligations, which the performance obligation may be satisfied at a point in time or over time.

A contract modification is a change in the scope or price (or both) of a contract that is approved by the parties to the contract. A modification exists when the change either creates new or changes existing enforceable rights and obligations of the parties to the contract. PPWSA has assessed the type of modification and accounted for as either creates a separate new contract, terminates the existing contract and creation of a new contract; or forms a part of the existing contracts.

Revenue from water sales

Revenue from water sales is recognised at a point in time when PPWSA satisfies its performance obligations based on customer's consumption of water and when the water has been supplied by PPWSA.

PHNOM PENH WATER SUPPLY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.7 Government grants

Grants from the governments and other development agencies are recognised at a nominal amount where there is reasonable assurance that the grant will be received and PPWSA will comply with all attached conditions. Grants are deferred and recognised in the statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Deferred grants are included in non-current liabilities and are credited to the statement of comprehensive income on a straight-line basis to match the expected lives of the related assets.

3.8 Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use.

PPWSA begins capitalising borrowing costs when PPWSA has incurred the expenditures for the asset, incurred related borrowing costs and undertaken activities that the necessary to prepare the asset for its intended use.

3.9 Earnings per share

PPWSA presents basic earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of PPWSA by the weighted average number of ordinary shares outstanding during the period. As at 31 December 2023 and 2022, there are no dilutive potential ordinary shares. Hence, diluted earnings per share is the same as basic EPS.

3.10 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Director General of PPWSA, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief operating decision-maker that makes strategic decisions.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity to CIFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reporting period. It also requires directors to exercise their judgement in the process of applying the PPWSA's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

PHNOM PENH WATER SUPPLY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amounts recognised in the financial statements include the following:

4.1 Determining the functional currency

PPWSA operates in Cambodia and conducts purchases and other transactions in multiple currencies. Judgment is applied in determining the functional currency wherever the indications are mixed. PPWSA uses, in hierarchy, sale indicators as the primary basis, followed by purchased and operating expenses indicators, and in the event that those indicators are not conclusive, the currency in which borrowings and other funds are raised for financing the operations.

4.2 Depreciation and useful lives of property, plant and equipment

PPWSA reviews the residual values, useful lives and depreciation methods at the end of each reporting period. Estimates are applied in the selection of the depreciation method, the useful lives and the residual values. The actual consumption of the economic benefits of the property, plant and equipment may differ from the estimates applied and therefore, future depreciation charges could be revised.

The carrying amounts of PPWSA's property, plant and equipment are disclosed in Note 5 to the financial statements.

4.3 Impairment of financial assets and contract assets

The impairment provisions for financial assets and contract assets are based on assumptions about risk of default and expected credit loss rate. PPWSA uses judgement in making these assumptions and selecting inputs to the impairment calculation, based on PPWSA's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The information about the impairment losses on PPWSA's financial assets and contract assets are disclosed in Note 25(a) to the financial statements.

4.4 Revenue recognition in relation to accrued water revenue

Accrued water revenue is recognised based on the water volume produced, the water volume billed, the average water loss and the average tariff by type of customers. The Board of Directors uses statistics on the water loss rate and the average tariff based on past experience, which may not properly reflect the actual rates and the current situation.

4.5 Measurement of income tax

Significant judgement is required in determining PPWSA's estimation for current and deferred taxes because the ultimate tax liability for PPWSA as a whole is uncertain. When the final outcome of the tax payables is determined with the tax authorities, the amounts might be different from the initial estimates of tax payables. Such differences may impact the current, deferred and indirect taxes in the period when such determination is made. PPWSA will make adjustments for current, deferred taxes in respect of prior years in the current period on those differences arise.

The income tax expense of PPWSA is disclosed in Note 20 to the financial statements.

PHNOM PENH WATER SUPPLY AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
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5. PROPERTY, PLANT AND EQUIPMENT

	Freehold land KHR'000	Building KHR'000	Machinery KHR'000	Fluid equipment KHR'000	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
Cost													
At 1 January 2023	176,576,155	415,986,870	137,498,829	724,116,832	3,123,700	28,249,561	164,671,590	49,935,680	45,439,288	13,580,286	30,394,033	1,015,888,405	2,805,461,230
Additions	-	88,525	368,690	-	-	1,789,175	1,334,822	7,775,357	430,214	-	-	269,750,993	281,537,776
Transfer from inventory	-	-	3,281,533	4,385	144,633	56,849	1,261,430	11,088	2,487,058	54,974	-	64,841,475	72,143,425
Transfer	23,535,153	1,593,975	78,567	67,927,030	-	-	864,757	3,505,311	452,933	848,521	6,537,616	(105,343,863)	-
Write-off	-	(448,092)	(1,276,997)	-	(57,662)	(802,819)	(727,454)	(607,470)	(1,131,314)	(3,741)	-	(1,183,785)	(6,239,334)
At 31 December 2023	<u>200,111,308</u>	<u>417,221,278</u>	<u>139,950,622</u>	<u>792,048,247</u>	<u>3,210,671</u>	<u>29,292,766</u>	<u>167,405,145</u>	<u>60,619,966</u>	<u>47,678,179</u>	<u>14,480,040</u>	<u>36,931,649</u>	<u>1,243,953,226</u>	<u>3,152,903,097</u>
Accumulated depreciation													
At 1 January 2023	-	(93,795,771)	(72,662,657)	(228,636,245)	(1,194,499)	(19,221,555)	(107,385,595)	(41,699,808)	(22,190,935)	(9,517,293)	(6,114,959)	-	(602,419,317)
Depreciation charge for the year	-	(8,907,305)	(7,288,804)	(20,479,280)	(364,711)	(2,571,019)	(8,240,805)	(3,724,453)	(4,268,766)	(1,487,828)	(2,782,398)	-	(60,115,369)
Write-off	-	110,231	1,223,804	-	56,137	780,362	727,454	607,470	1,101,680	3,741	-	-	4,610,879
At 31 December 2023	<u>-</u>	<u>(102,592,845)</u>	<u>(78,727,657)</u>	<u>(249,115,525)</u>	<u>(1,503,073)</u>	<u>(21,012,212)</u>	<u>(114,898,946)</u>	<u>(44,816,791)</u>	<u>(25,358,021)</u>	<u>(11,001,380)</u>	<u>(8,897,357)</u>	<u>-</u>	<u>(657,923,807)</u>
Net carrying amount													
At 31 December 2023	<u>200,111,308</u>	<u>314,628,433</u>	<u>61,222,965</u>	<u>542,932,721</u>	<u>1,707,598</u>	<u>8,280,554</u>	<u>52,506,199</u>	<u>15,803,175</u>	<u>22,320,159</u>	<u>3,478,659</u>	<u>28,034,292</u>	<u>1,243,953,226</u>	<u>2,494,979,290</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land KHR'000	Building KHR'000	Machinery KHR'000	Fluid equipment KHR'000	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
Cost													
At 1 January 2022	176,576,155	414,752,230	134,787,221	701,096,785	2,938,504	25,292,218	163,593,680	49,750,390	39,773,268	12,804,002	24,115,031	693,343,524	2,438,823,008
Additions	-	43,048	89,375	-	-	2,957,343	82,483	152,169	250,515	3,451	-	283,546,428	287,124,812
Transfer	-	1,191,592	1,386,160	23,020,047	-	-	279,784	-	762,855	732,340	6,279,002	(33,651,780)	-
Transfer to intangible assets	-	-	-	-	-	-	-	-	-	-	-	(1,125,000)	(1,125,000)
Transfer from inventory	-	-	1,236,073	-	185,196	-	715,643	33,121	4,652,650	40,493	-	73,912,072	80,775,249
Write-off	-	-	-	-	-	-	-	-	-	-	-	(136,839)	(136,839)
At 31 December 2022	<u>176,576,155</u>	<u>415,986,870</u>	<u>137,498,829</u>	<u>724,116,832</u>	<u>3,123,700</u>	<u>28,249,561</u>	<u>164,671,590</u>	<u>49,935,680</u>	<u>45,439,288</u>	<u>13,580,286</u>	<u>30,394,033</u>	<u>1,015,888,405</u>	<u>2,805,461,230</u>
Accumulated depreciation													
At 1 January 2022	-	84,915,242	65,222,044	209,396,038	843,398	16,837,723	99,403,559	38,285,590	18,458,101	7,734,053	3,862,641	-	544,958,389
Depreciation charge for the year	-	8,880,529	7,440,613	19,240,207	351,101	2,383,832	7,982,036	3,414,218	3,732,834	1,783,240	2,252,318	-	57,460,927
At 31 December 2022	<u>-</u>	<u>93,795,771</u>	<u>72,662,657</u>	<u>228,636,245</u>	<u>1,194,499</u>	<u>19,221,555</u>	<u>107,385,595</u>	<u>41,699,808</u>	<u>22,190,935</u>	<u>9,517,293</u>	<u>6,114,959</u>	<u>-</u>	<u>602,419,316</u>
Net carrying amount													
At 31 December 2022	<u>176,576,155</u>	<u>322,191,098</u>	<u>64,836,172</u>	<u>495,480,588</u>	<u>1,929,201</u>	<u>9,028,006</u>	<u>57,285,995</u>	<u>8,235,872</u>	<u>23,248,353</u>	<u>4,062,994</u>	<u>24,279,074</u>	<u>1,015,888,405</u>	<u>2,203,041,914</u>

PHNOM PENH WATER SUPPLY AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During the year, PPWSA made the following cash payments for its additions of property, plant and equipment:

	2023 KHR'000	2022 KHR'000
Additions	281,537,776	287,124,812
Interest capitalised on qualifying assets	<u>(11,650,830)</u>	<u>(5,505,096)</u>
Cash payment for purchase of property, plant and equipment	<u>269,886,946</u>	<u>281,619,716</u>

6. INVENTORIES

	2023 KHR'000	2022 KHR'000
At cost:		
Distribution pipes and fittings	236,369,780	117,905,502
Inventories in transit	48,933,853	5,805,052
Spare parts and tools	8,804,282	7,474,340
Water meters	7,421,159	9,218,894
Chemicals	2,542,060	2,057,004
Other materials	<u>14,675,458</u>	<u>10,276,286</u>
	<u>318,746,592</u>	<u>152,737,078</u>

The cost of inventories recognised as an expense during the year amounted to KHR20,692 million (2022: KHR17,094 million).

Inventories in transit primarily consist of pipes that have arrived at the supplier's port of origin and are currently in transit to a port in Cambodia.

7. TRADE AND OTHER RECEIVABLES

	2023 KHR'000	2022 KHR'000
Trade:		
Public administration receivables	6,662,819	11,673,281
Household receivables	2,429,381	1,119,927
Commercial receivables	1,673,696	1,300,959
Water wholesalers	221,508	103,647
Less: Impairment loss (household receivables)	<u>(5,553)</u>	<u>(5,553)</u>
	<u>10,981,851</u>	<u>14,192,261</u>
Non-trade:		
National treasury	5,242,286	4,442,476
Performance guarantee	2,887,769	2,887,769
Interest receivables	2,736,146	2,308,870
Advances to suppliers	640,277	636,173
VAT receivables - net	-	146,746
Other receivables	<u>5,491,907</u>	<u>8,093,121</u>
	<u>16,998,385</u>	<u>18,515,155</u>
	<u>27,980,236</u>	<u>32,707,416</u>

Trade receivables are non-interest bearing and normal credit terms offered by PPWSA is one month. However, public administration receivables, representing receivables from government-related entities, have a one-year credit term from the invoice date. Other credit terms are assessed and approved on a case-by-case basis.

PHNOM PENH WATER SUPPLY AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
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8. CONTRACT ASSETS/LIABILITIES

	2023 KHR'000	2022 KHR'000
Contract assets		
Contract assets relating to construction service contracts	6,551,201	3,533,898
Contract assets relating to water revenue	<u>148,950,054</u>	<u>89,234,476</u>
	<u>155,501,255</u>	<u>92,768,374</u>
Contract liabilities		
Contract liabilities relating to construction service contracts	<u>4,254,138</u>	<u>4,456,756</u>

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

Contract assets relating to water revenue represent 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 PPWSA issues the bill.

Contract liabilities relating to construction service contracts represent the cash received in advance for the construction services provided in relation to the expansion of the water distribution system to water supply distributor in the provinces. It is recognised as revenue when performance obligations are satisfied.

Significant changes in contract balances

	Contract assets relating to construction service contracts KHR'000	Contract assets relating to water revenue KHR'000	Contract liabilities relating to construction service contracts KHR'000
2022			
At 1 January	536,051	65,488,529	1,788,894
Increase due to revenue recognised for unbilled construction service fee/ water sales to customers	12,807,718	320,510,729	2,667,862
Decrease due to invoice billed to customers	<u>(9,809,871)</u>	<u>(296,764,782)</u>	-
At 31 December	<u>3,533,898</u>	<u>89,234,476</u>	<u>4,456,756</u>
2023			
At 1 January	3,533,898	89,234,476	4,456,756
Increase due to revenue recognised for unbilled construction service fee/ water sales to customers	5,674,558	367,323,511	-
Decrease due to invoice billed to customers	<u>(2,657,255)</u>	<u>(307,607,933)</u>	<u>(202,618)</u>
At 31 December	<u>6,551,201</u>	<u>148,950,054</u>	<u>4,254,138</u>

PHNOM PENH WATER SUPPLY AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

9. LOAN TO EMPLOYEES

On 15 February 2012, the Board of Directors approved the motion to reserve 10% of the floating shares for PPWSA's staff. The number of shares allotted to each employee was finalised on 3 April 2012, which was considered as the grant date for the employee share option plan with aggregate value amounting to KHR8,218 million. PPWSA provided interest-free loans with a term of three years to employees and senior officers to purchase these shares. 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. As of the completion of the financial statements, these loans are still outstanding, with allowance for impairment loss amounting to KHR261 million.

The Board of Directors is still in the process of awaiting advice from the Securities and Exchange Regulator of Cambodia regarding its employee share option scheme as at the date of these financial statements.

10. SHORT-TERM INVESTMENTS

These represent fixed deposit placed with financial institutions with maturity of one year or less and earn interest at rates ranging from 3.50% to 6.75% (2022: 3.50% to 4.75%) per annum.

11. CASH AND CASH EQUIVALENTS

	2023	2022
	KHR'000	KHR'000
Bank balances	15,782,151	39,965,817
Short-term deposits (within 3 months)	-	16,468,000
Cash on hand	335,071	282,622
	<u>16,117,222</u>	<u>56,716,439</u>

Bank balances earns interest at rates ranging from 0.25% to 1.5% (2022: 0.5% to 2%) per annum, while short-term deposits earn interest at rates ranging from 2.25% to 2.75% (2022: 2.25% to 2.75%) per annum.

12. SHARE CAPITAL AND SHARE PREMIUM

	No. of shares	2023	2022
		KHR'000	KHR'000
Class A shares	391,100,942	391,100,942	391,100,942
Ordinary shares	86,973,162	86,973,162	86,973,162
Share premium	-	63,153,178	63,153,178
Capital reserve	-	79,531,825	79,531,825
	<u>478,074,104</u>	<u>620,759,107</u>	<u>620,759,107</u>

- (a) On 15 February 2012, the Board of Directors approved the split of the existing capital of KHR465,028,000 into 73,927,187 ordinary shares and 391,100,942 Class A shares with a par value of KHR1,000 per share. Class A shares are held by MoEF, not eligible for interest or dividend and have rights and conditions as detailed in Article 12.2 of the Memorandum of Articles and Association of PPWSA dated 27 June 2012.

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**NOTES TO THE FINANCIAL STATEMENTS
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12. SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

- (b) On 18 April 2012, PPWSA was successfully listed as the first entity listed on the Cambodia Securities Exchange with 86,973,162 total ordinary shares with a par value of KHR1,000 per share. The costs of issuance of 13,045,975 new shares amounted to KHR6,000 million have been offset with the share premium. All issued ordinary shares are fully paid. The ordinary shareholders are as follows:

	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 held on 20 December 2012, the employees are allowed to trade their shares if the corresponding loans have been fully repaid.

All ordinary shares rank equally with regard to PPWSA's residual assets.

- (c) The capital reserve mainly comprises of the assets contributed and liabilities assumed at the date of capital contribution.

	2023 KHR'000	2022 KHR'000
At 1 January	79,531,825	78,088,604
Additions	-	1,443,221
At 31 December	<u>79,531,825</u>	<u>79,531,825</u>

On 23 March 2021, the MoEF increased its capital in PPWSA by injecting the assets, liabilities and equity of Tbong Khmum Province Water Treatment Plant Operation ("the Tbong Khmum Project") into PPWSA, totaling to KHR78,088,604,000, without the issuance of any additional shares of PPWSA.

13. RESERVES

	Capital reserve KHR'000	Legal reserve KHR'000	General reserve KHR'000	Development reserve KHR'000	Total KHR'000
At 1 January 2022	1,648,435	32,117,977	32,117,977	352,154,021	418,038,410
Transfer from retained earnings	-	6,463,694	6,463,694	112,302,277	125,229,665
At 31 December 2022/ 1 January 2023	1,648,435	38,581,671	38,581,671	464,456,298	543,268,075
Transfer from retained earnings	-	5,409,294	5,409,294	93,062,119	103,880,707
At 31 December 2023	<u>1,648,435</u>	<u>43,990,965</u>	<u>43,990,965</u>	<u>557,518,417</u>	<u>647,148,782</u>

PHNOM PENH WATER SUPPLY AUTHORITY

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13. RESERVES (CONTINUED)

- (a) In accordance with PPWSA's Memorandum of Articles and Association dated 27 June 2012, Article 44 specifies the distribution of dividends and reserves shall be as follows:

Retained earnings shall be distributed as follows:

- (i) reward to management and employees as follows:
- one-month salary for all employees if the net profit is between 5% and 10% of operating expenses
 - two-month salary for all employees if the net profit is between 10% and 20% of operating expenses
 - three-month 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
- (iii) 5% for social fund, which shall be recorded as an expense in the year of the transaction.

The remaining amount after the above allocations shall be allocated to:

- (i) reserve for future investments, subject to the Board of Directors' approval
- (ii) the remaining balance after investment reserve is allocated to the MoEF and public investors at the ratio of 85% and 15%, respectively.
- (b) The use of reserve 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 from Deputy Prime Minister Keat Chhon No. 2210 MEF, dated 22 April 2011.

14. BORROWINGS

	2023	2022
	KHR'000	KHR'000
Non-current liabilities		
Unsecured borrowings	1,296,924,684	986,495,717
Current liabilities		
Unsecured borrowings	23,677,401	23,499,158
Total borrowings	<u>1,320,602,085</u>	<u>1,009,994,875</u>

The terms of outstanding borrowings are as follows:

	Nominal Interest	Year of	2023	2022	
	rate + MoEF rate	maturity	KHR'000	KHR'000	
	Currency				
European Investment Bank	USD	0.610% - 0.965%	2048	396,842,492	342,100,254
AfD - Credit No. 1244 01 M	USD	0.900%	2039	348,968,265	118,478,956
AfD - Credit No. 1176 01 S	USD	0.900%	2038	334,400,594	285,434,485
AfD - Credit No. 1174 01 P	USD	1.800%	2037	148,140,234	149,299,838
MoEF - Japan International Cooperation Agency	JPY	0.660%	2049	34,311,458	37,869,839
MoEF - Asian Development Bank	SDR	1.650%	2037	30,558,435	32,810,095
AfD - Credit No. 1121 01 F	EUR	0.250%	2025	27,380,607	44,001,408
Total interest-bearing liabilities				<u>1,320,602,085</u>	<u>1,009,994,875</u>

PHNOM PENH WATER SUPPLY AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
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14. BORROWINGS (CONTINUED)

Breach of loan covenants

PPWSA's borrowings bear interest from 0.250% to 1.800% and are repayable ranges from 1 to 25 years. Borrowings from AfD contained certain covenants which PPWSA has to comply, otherwise MoEF and/or AfD may suspend or cancel the rights of PPWSA to request additional disbursement of the unwithdrawn amount and repayable on demand of its existing outstanding balance, if such covenant breached is material.

PPWSA exceeded its maximum leverage threshold as at 31 December 2023. PPWSA has obtained a waiver from the relevant party, extended until 31 December 2023. Accordingly, the borrowings were not classified as payable on demand at 31 December 2023.

15. DEFERRED GOVERNMENT AND OTHER GRANTS

	EU grant KHR'000	JICA grant KHR'000	Government grant KHR'000	Other grants KHR'000	Total KHR'000
At 1 January 2022	-	12,044,533	4,106,571	661,082	16,812,186
Received during the year	54,436,199	-	-	-	54,436,199
Amortisation charge for the year	-	(1,853,006)	(134,069)	(22,833)	(2,009,908)
At 31 December 2022/ 1 January 2023	54,436,199	10,191,527	3,972,502	638,249	69,238,477
Received during the year	-	6,157,800	-	776,377	6,934,177
Amortisation charge for the year	-	(1,853,006)	(134,069)	(22,833)	(2,009,908)
At 31 December 2023	54,436,199	14,496,321	3,838,433	1,391,793	74,162,746

EU grant

EU grants represent grant for purchase of materials for Bakheng Water Supply Project C amounted to EUR12,700,000 in the form of an investment grant made available through the general budget of the European Union ("EU").

JICA grant

JICA grant represents the project for introduction of clean energy by solar electricity generation system.

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

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 PPWSA on 5 May 1997 at the sum of SDR9,695,000 from the ADB. PPWSA has decided to keep the gain on its 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.

PHNOM PENH WATER SUPPLY AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

15. DEFERRED GOVERNMENT AND OTHER GRANTS (CONTINUED)

Other grants

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

Deferred government and other grants are amortised on a straight-line basis and charged out to other income in the Statement of Comprehensive income.

16. TRADE AND OTHER PAYABLES

	2023	2022
	KHR'000	KHR'000
Non-current:		
Other payables		
Refundable water deposits	82,903,732	76,801,705
Current:		
Trade payables		
Third parties	66,159,022	48,078,710
Accruals construction services	18,632,254	23,208,075
	<u>84,791,276</u>	<u>71,286,785</u>
Other payables		
Amount due to Phnom Penh Municipality	65,492,330	57,830,594
Accrued staff incentive	11,505,191	9,993,226
Seniority payment	4,510,286	6,071,437
Performance guarantee	67,356	67,390
Other tax payable	972,848	385,903
Other payables	12,605,334	9,025,817
	<u>95,153,345</u>	<u>83,374,367</u>
Total trade and other payables (current)	<u>179,944,621</u>	<u>154,661,152</u>
Total trade and other payables	<u>262,848,353</u>	<u>231,462,857</u>

Refundable water deposits are collected from customers based on the size of the water meter prior to connection and are recorded at the amount received as refundable water deposits under non-current liabilities.

Trade payables are non-interest bearing and the normal credit terms granted to PPWSA range from one to three months.

17. SALES

	2023	2022
	KHR'000	KHR'000
Water sales:		
- Commercial	169,743,939	151,870,153
- Households	129,038,204	110,873,519
- Public administration	23,785,957	19,671,036
- Wholesalers	11,940,060	10,317,389
Rounding difference on water sales revenue	82,119	70,442
Less: Invoice cancellations	(833,399)	(6,513,321)
	<u>333,756,880</u>	<u>286,289,218</u>
Water connection revenue	11,314,526	8,819,483
Water meter replacement charges	4,343,275	4,222,754
Spare parts and meter sales	225,392	392,052
	<u>15,883,193</u>	<u>13,434,289</u>
	<u>349,640,073</u>	<u>299,723,507</u>

PHNOM PENH WATER SUPPLY AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

18. EMPLOYEE BENEFITS EXPENSE

	2023	2022
	KHR'000	KHR'000
Employee salaries	40,835,357	35,130,863
Incentives	11,941,755	11,452,529
Bonuses	10,716,017	9,510,552
Allowances	6,917,849	6,466,057
Seniority payment	1,117,889	1,153,862
Wages for contractors	1,465,621	886,563
Other employee-related expenses	7,297,950	5,574,996
	<u>80,292,438</u>	<u>70,175,422</u>

19. FINANCE COSTS

	2023	2022
	KHR'000	KHR'000
Interest expense on borrowings	15,178,560	9,115,530
Interest capitalised on qualifying assets	<u>(11,650,830)</u>	<u>(5,505,096)</u>
	<u>3,527,730</u>	<u>3,610,434</u>

20. INCOME TAX

(a) Income tax expense

	2023	2022
	KHR'000	KHR'000
Current tax	21,932,819	17,620,610
Deferred tax	<u>4,930,142</u>	<u>4,709,417</u>
	<u>26,862,961</u>	<u>22,330,027</u>

The reconciliation of income tax computed at the statutory tax rate to the income tax expense is as follows:

	2023	2022
	KHR'000	KHR'000
Profit before tax	<u>153,472,543</u>	<u>130,515,892</u>
Calculated at tax rates of 20%	30,694,509	26,103,178
Adjustments:		
- non-deductible items	1,098,594	936,266
- temporary differences	<u>(4,930,142)</u>	<u>(4,709,417)</u>
	<u>26,862,961</u>	<u>22,330,027</u>

(b) Deferred tax liabilities – net

	2023	2022
	KHR'000	KHR'000
Deferred tax assets	5,023,669	3,449,802
Deferred tax liabilities	<u>(86,970,527)</u>	<u>(80,466,518)</u>
	<u>(81,946,858)</u>	<u>(77,016,716)</u>

PHNOM PENH WATER SUPPLY AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

20. INCOME TAX (CONTINUED)

(b) Deferred tax liabilities – net

The movements in net deferred tax liabilities during the year were as follows:

	Property, plant and equipment and intangible assets KHR'000	Unrealised foreign exchange KHR'000	Staff benefits KHR'000	Others KHR'000	Total KHR'000
At 1 January 2022	(74,215,452)	(1,618,489)	2,953,139	573,503	(72,307,299)
(Charged)/Credited to profit or loss	(6,251,066)	1,925,415	126,371	(510,137)	(4,709,417)
At 31 December 2022/ 1 January 2023	(80,466,518)	306,926	3,079,510	63,366	(77,016,716)
(Charged)/Credited to profit or loss	(6,504,009)	1,582,045	(8,178)	-	(4,930,142)
At 31 December 2023	(86,970,527)	1,888,971	3,071,332	63,366	(81,946,858)

PHNOM PENH WATER SUPPLY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

21. CASH FLOWS INFORMATION

Reconciliation of liabilities arising from financing activities:

	Borrowings KHR'000	Dividends payable KHR'000	Government and other grants KHR'000	Share capital and share premium KHR'000	Total KHR'000
At 1 January 2022	813,488,268	-	16,812,186	619,315,886	1,449,616,340
Financing activities					
Capital contribution from MoEF	-	-	-	1,443,221	1,443,221
Dividends paid	-	(4,044,252)	-	-	(4,044,252)
Receipt of government and other grants	-	-	54,436,199	-	54,436,199
Drawdown of borrowings	218,280,439	-	-	-	218,280,439
Interest paid	(7,491,804)	-	-	-	(7,491,804)
Repayments of borrowings	(20,769,386)	-	-	-	(20,769,386)
Net cash generated from financing activities	190,019,249	(4,044,252)	54,436,199	1,443,221	241,854,417
Liabilities-related other changes					
Dividends	-	4,044,252	-	-	4,044,252
Amortisation of deferred government and other grants	-	-	(2,009,908)	-	(2,009,908)
Accrued interest on borrowings	9,115,530	-	-	-	9,115,530
Net foreign exchange gain on borrowings	(2,628,172)	-	-	-	(2,628,172)
Total liabilities-related other changes	6,487,358	4,044,252	(2,009,908)	-	8,521,702
At 31 December 2022/ At 1 January 2023	1,009,994,875	-	69,238,477	620,759,107	1,699,992,459
Financing activities					
Dividends paid	-	(4,305,158)	-	-	(4,305,158)
Receipt of government and other grants	-	-	6,934,177	-	6,934,177
Drawdown of borrowings	341,987,537	-	-	-	341,987,537
Interest paid	(15,111,475)	-	-	-	(15,111,475)
Repayments of borrowings	(21,479,454)	-	-	-	(21,479,454)
Net cash generated from financing activities	305,396,608	(4,305,158)	6,934,177	-	308,025,627
Liabilities-related other changes					
Dividends	-	4,305,158	-	-	4,305,158
Amortisation of deferred government and other grants	-	-	(2,009,908)	-	(2,009,908)
Accrued interest on borrowings	15,178,560	-	-	-	15,178,560
Net foreign exchange gain on borrowings	(9,967,958)	-	-	-	(9,967,958)
Total liabilities-related other changes	5,210,602	4,305,158	(2,009,908)	-	7,505,852
At 31 December 2023	1,320,602,085	-	74,162,746	620,759,107	2,015,523,938

PHNOM PENH WATER SUPPLY AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

22. EARNINGS PER SHARE

Basic earnings per ordinary share

Detailed calculation of basic earnings per share is disclosed in Note 3.9 to the financial statements. Earnings per share for the year is calculated as follows:

	2023	2022
Profit attributable to owners of PPWSA (KHR'000)	126,609,582	108,185,865
Weighted average number of shares	<u>86,973,162</u>	<u>86,973,162</u>
Basic earnings per share (KHR) (full amount)	<u>1,455.73</u>	<u>1,243.90</u>
Diluted earnings per share (KHR) (full amount)	<u>1,455.73</u>	<u>1,243.90</u>

As at 31 December 2023 and 2022, there are no dilutive potential ordinary shares. Hence, diluted earnings per share is the same as basic earnings per share.

23. DIVIDENDS

	2023	2022
	KHR'000	KHR'000
Recognised during the year		
Dividend of KHR330 per ordinary share were declared and paid during the year	<u>4,305,158</u>	<u>-</u>
Dividend of KHR310 per ordinary share were declared and paid during the year	<u>-</u>	<u>4,044,252</u>

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

Pursuant to the approval letter from the MoEF on 9 August 2021, PPWSA is exempted for payment of dividends to MoEF until the year ending 2024. MoEF entitlement to the dividends will resume beginning financial year 1 January 2025.

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

24. RELATED PARTIES TRANSACTIONS

PPWSA has the following significant transactions with related parties:

(a) Government-related entities

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

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

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

PHNOM PENH WATER SUPPLY AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

24. RELATED PARTIES TRANSACTIONS (CONTINUED)

(a) Government-related entities (Continued)

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

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

(b) Key management personnel compensation

Total key management personnel compensation is analysed as below:

	2023 KHR'000	2022 KHR'000
Salaries and other expenses	<u>2,398,299</u>	<u>2,380,572</u>

25. FINANCIAL INSTRUMENTS

Categories of financial instruments

The following table analyses the financial instruments in the statement of financial position by the classes of financial instruments to which they are assigned:

	Amortised cost KHR'000	Carrying amount KHR'000
2023		
Financial assets		
Short-term investments	127,316,003	127,316,003
Trade and other receivables, excluding advances to suppliers	27,339,959	27,339,959
Cash and cash equivalents	16,117,222	16,117,222
Loan to employees	7,956,651	7,956,651
	<u>178,729,835</u>	<u>178,729,835</u>
Financial liabilities		
Trade and other payables, excluding other tax payable	261,875,505	261,875,505
Borrowings	1,320,602,085	1,320,602,085
	<u>1,582,477,590</u>	<u>1,582,477,590</u>
2022		
Financial assets		
Short-term investments	126,118,416	126,118,416
Trade and other receivables, excluding advances to suppliers and VAT receivables	31,924,497	31,924,497
Cash and cash equivalents	56,716,439	56,716,439
Loan to employees	7,956,651	7,956,651
	<u>222,716,003</u>	<u>222,716,003</u>
Financial liabilities		
Trade and other payables, excluding other tax payable	231,076,954	231,076,954
Borrowings	1,009,994,875	1,009,994,875
	<u>1,241,071,829</u>	<u>1,241,071,829</u>

PHNOM PENH WATER SUPPLY AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

25. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management

PPWSA's activities are exposed to a variety of financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, foreign currency risk and interest rate risk. The Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Credit risk

Credit risk is the risk of financial loss to PPWSA that may arise on outstanding financial instruments should a counterparty default on its obligations. PPWSA is exposed to credit risk from its operating activities (trade and other receivables, including national treasury, retention of construction customers, performance guarantee, and interest receivables) and from its financing activities, including cash and cash equivalents and short-term investments. PPWSA has a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

Trade receivables and contract assets

PPWSA's primary exposure to credit risk arises through its trade receivables and contract assets from its customers. The credit period for households and business customers is one month while for government departments is one year. PPWSA maintains strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by the Board of Directors.

Credit risk concentration profile

PPWSA determines the credit risk concentration of its trade receivables on an ongoing basis. The credit risk concentration profile of PPWSA's trade receivables at the reporting date are as follows:

	2023		2022	
	KHR'000	%	KHR'000	%
Public administration receivables	6,662,819	61%	11,673,281	82%
Household receivables	2,423,828	22%	1,114,374	8%
Commercial receivables	1,673,696	15%	1,300,959	9%
Water wholesalers receivables	221,508	2%	103,647	1%
	<u>10,981,851</u>		<u>14,192,261</u>	

PPWSA does 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.

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

A deposit deduction policy is applied to customers who fail to settle their debts in accordance with credit terms and conditions.

PHNOM PENH WATER SUPPLY AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

25. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (Continued)

Cash and cash equivalents and short-term investment

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

As at the end of the reporting date, the Company did not recognise any loss allowance for impairment for trade receivables, contract assets, cash and cash equivalents and short-term investment.

(b) Liquidity risk

Liquidity risk is the risk that PPWSA will encounter difficulty in meeting financial obligations when they fall due. PPWSA's exposure to liquidity risk arises primarily from mismatches of the maturities between financial assets and liabilities. PPWSA's exposure to liquidity risk arises principally from trade and other payables (excluding other tax payable) and borrowings.

PPWSA's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by facilities. PPWSA maintains sufficient liquidity and available funds to meet daily cash needs, while maintaining controls and security over cash movements. PPWSA uses a series of processes to obtain maximum benefits from its flow of funds, such that they are efficiently managed to maximise income from investment and minimise cost of borrowed funds. PPWSA's treasury department also ensure that there are sufficient unutilised stand-by facilities, funding and liquid assets available to meet both short-term and long-term funding requirements.

Maturity analysis

The maturity analysis of PPWSA's financial liabilities by their relevant maturity at the reporting date are based on contractual discounted repayment obligations as follows:

	Discounted contractual cash flow				
	Carrying amount KHR'000	On demand within 1 year KHR'000	Between 1 and 5 years KHR'000	More than 5 years KHR'000	Total KHR'000
2023					
Financial liabilities					
Trade and other payables	261,875,505	178,971,773	-	82,903,732	261,875,505
Borrowings	1,320,602,085	23,677,401	346,168,567	950,756,117	1,320,602,085
	<u>1,582,477,590</u>	<u>202,649,174</u>	<u>346,168,567</u>	<u>1,033,659,849</u>	<u>1,582,477,590</u>
2022					
Financial liabilities					
Trade and other payables	231,076,954	154,275,249	-	76,801,705	231,076,954
Borrowings	1,009,994,875	23,499,158	200,765,174	785,730,543	1,009,994,875
	<u>1,241,071,829</u>	<u>177,774,407</u>	<u>200,765,174</u>	<u>862,532,248</u>	<u>1,241,071,829</u>

(c) Foreign currency risk

Foreign currency risk is the risk of fluctuation in fair value or future cash flows of a financial instrument as a result of changes in foreign exchange rates. PPWSA's exposure to the risk of changes in foreign exchange rates relates primarily to PPWSA's operating activities (when cash and cash equivalents, short-term investments, purchases and borrowings that are denominated in a foreign currency).

PHNOM PENH WATER SUPPLY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

25. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (Continued)

PPWSA's unhedged financial assets and liabilities that are not denominated in its functional currency are as follows:

	2023	2022
	KHR'000	KHR'000
<u>Cash and cash equivalents</u>		
United States Dollar	4,168,580	34,894,385
<u>Short-term investments</u>		
United States Dollar	90,759,369	91,118,416
<u>Trade and other payables</u>		
United States Dollar	61,828,235	81,993,250
European Euro	39,800,848	23,991,854
	<u>101,629,083</u>	<u>105,985,104</u>
<u>Borrowings</u>		
United States Dollar	1,228,351,585	895,313,533
Japanese Yen	34,311,458	37,869,839
Special Drawing Rights	30,558,435	32,810,095
European Euro	27,380,607	44,001,408
	<u>1,320,602,085</u>	<u>1,009,994,875</u>

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the USD, EUR, SDR and JPY, with all other variables held constant on PPWSA's total equity and profit for the year:

	Change in rate	2023	2022
	%	KHR'000	KHR'000
USD/KHR	+ 3%	(35,857,556)	(25,388,579)
	- 3%	35,857,556	25,388,579
EUR/KHR	+ 3%	(2,015,444)	(2,039,727)
	- 3%	2,015,444	2,039,727
SDR/KHR	+ 3%	(916,753)	(984,303)
	- 3%	916,753	984,303
JPY/KHR	+ 3%	(1,029,344)	(1,136,166)
	- 3%	<u>1,029,344</u>	<u>1,136,166</u>

PHNOM PENH WATER SUPPLY AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

25. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (Continued)

(d) Interest rate risk

Interest rate risk is the risk of fluctuation in the fair value or future cash flows of PPWSA's financial instruments as a result of changes in market interest rates.

Whilst PPWSA's operating results are subject to the effect of changes in interest rates, PPWSA constantly monitors the net effect of its transactions in the same interest to minimise the exposure to interest rate risk. The Directors believe that interest rate risk is not significant. Hence, no sensitivity analysis is presented.

(e) Fair values

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

26. CAPITAL COMMITMENT

At the end of the year, PPWSA has commitment for capital expenditure in respect of:

	2023	2022
	KHR'000	KHR'000
Construction of water treatment plant	36,343,800	101,740,068
Purchase of iron pipes, fitting and accessories	26,950,547	23,120,399
Consultation services	9,762,877	9,891,722
	<u>73,057,224</u>	<u>134,752,189</u>

27. SEGMENTAL REPORTING

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

28. TAXATION CONTINGENCIES

The taxation system in Cambodia is characterised by numerous taxes and frequently changing legislation, which is often unclear and subject to interpretation. Often different interpretation exists 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.

Management believes that the tax liabilities of PPWSA have been adequately provided based on its interpretation of tax legislations. However, the relevant authorities may have differing interpretations and effects could be significant.

PHNOM PENH WATER SUPPLY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

29. CAPITAL MANAGEMENT

PPWSA's policy is to ensure that it maintains sufficient capital to carry out its statutory functions. To achieve this, PPWSA reviews its sufficiency of capital as appropriate, taking into consideration its capital expenditure needs, government policies, regulatory requirements and its ability to access capital markets. PPWSA defines capital as its total equity.

There were no changes in PPWSA's approach to capital management during the years ended 31 December 2023 and 2022.

30. COMPARATIVE FIGURES

Certain amounts in the comparative financial statements and note disclosures have been reclassified to conform with the current year's presentation of accounts. Management believes that these reclassifications would better reflect the nature of the transactions.

Summary of the changes arising from the reclassifications are shown below:

Statement of financial position

	As at 31 December 2022 (As previously stated) KHR'000	Effects of reclassification KHR'000	As at 31 December 2023 (As reclassified) KHR'000
Current assets			
Trade and other receivables	28,264,940	4,442,476	32,707,416
Cash and cash equivalents	61,158,915	(4,442,476)	56,716,439
	<u>89,423,855</u>	<u>-</u>	<u>89,423,855</u>

Statement of comprehensive income

	As at 31 December 2022 (As previously stated) KHR'000	Effects of reclassification KHR'000	As at 31 December 2023 (As reclassified) KHR'000
Finance income	17,737,746	(13,081,128)	4,656,618
Finance costs	(12,104,696)	8,494,262	(3,610,434)
Foreign exchange gains - net	-	1,105,700	1,105,700
Foreign exchange losses - net	(3,481,166)	3,481,166	-
	<u>2,151,884</u>	<u>-</u>	<u>2,151,884</u>

31. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE YEAR

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

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

32. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements of PPWSA for the year ended 31 December 2023 were authorised for issue by the Board of Directors on 13 March 2024.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PHNOM PENH WATER SUPPLY AUTHORITY

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Phnom Penh Water Supply Authority ("PPWSA"), which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of PPWSA for the year then ended, and notes to the financial statements, including a summary of material accounting policy information, as set out on pages 5 to 34.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of PPWSA as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with the 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 are independent of PPWSA in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code") and the requirements that are relevant to our audit of the financial statements in Cambodia, we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

(a) Carrying values of property, plant and equipment ("PPE") and assessment of useful lives of PPE

Refer to Note 3.3, Note 4.2 and Note 5 to the financial statements

As at 31 December 2023, the carrying values of PPE of PPWSA amounted to KHR2,495 billion.

We focused our audit on the carrying values of PPE because PPE accounts for the majority of PPWSA's total assets and significant management judgement is involved in determining the useful lives of PPE. Given the significance of PPE to PPWSA's financial statements, errors in estimating the useful lives of PPE could result in a material misstatement to the financial statements.

Accordingly, we have identified this as a key audit matter.

Our response:

- We reviewed the appropriateness of the management's estimates of the useful lives of PPE as follows:
 - (i) discussed with the management on the operational plans of the PPE;
 - (ii) assessed the management's estimates for the useful lives of new PPE acquired by tracing to underlying documentary support such as project documentation, technical assessment and vendor's specifications;
 - (iii) reviewed the management's analysis of estimated useful lives of the PPE including the identification of conditions that may indicate significant changes to estimated useful lives such as expected usage of the asset, expected physical wear and tear, technical or commercial obsolescence and legal or similar limits on the use of the asset;
 - (iv) compared the useful lives of the PPE against entities in the utilities industry based on public information of these entities; and
 - (v) assessed the adequacy of disclosure in the financial statements.
- We physically sighted the PPE selected based on our sampling methodology.

Based on the above procedures performed, we did not identify any material exceptions.

(b) Classification and fair values of refundable water deposits

Refer to Note 16 to the financial statements

As at 31 December 2023, the carrying values of refundable water deposits of PPWSA amounted to KHR82.9 billion.

We focused on this area because of the judgement exercised by the management in determining the classification and fair values of the refundable water deposits as non-current liabilities of PPWSA.

Accordingly, we have identified this as a key audit matter.

Our response:

- We discussed with the management on the judgement and assumptions made in determining the classification of the refundable water deposits.
- We discussed with the management on the possible fair value impact of the refundable water deposits considering time value of money.
- We reviewed the accuracy of the carrying values of the refundable water deposits by performing substantive test over movement during the year in the refundable water deposits control accounts.

Based on the above procedures performed, we did not identify any material exceptions apart from the control weaknesses on the identification of legacy refundable water deposits brought forward.

(c) Recognition of accrued water revenue

Refer to Note 3.6, Note 4.3 and Note 8 to the financial statements

As at 31 December 2023, the carrying values of accrued water revenue included in contract assets and revenue of PPWSA amounted to KHR149 billion.

We focused on this area because the amount of accrued water revenue recognised during the year are affected by a variety of estimates which includes judgement exercised by the management, in particular with regards to the determination of water volume produced, water revenue billed, water loss rate and the related tariff rates.

Accordingly, we have identified this as a key audit matter.

Our response:

- We reviewed the appropriateness of the management's judgement in determining the accrued water revenue of PPWSA as follows:
 - (i) discussed with the management on the methodology used in deriving the accrued water revenue;
 - (ii) challenged the key assumptions used by the management, in particular, water volume produced, water loss rate and the related tariff rates; and
 - (iii) performed re-computation on the calculation of accrued water revenue to ascertain the mathematical accuracy.
- We tested controls, assisted by our IT specialists, including, among others, comparing details of revenue amount in the accounting system with the source documents; recording of receipts in the receivables subsystem; reconciling cash register totals with cash receipts; and recording receipts to the general ledger.
- We checked the subsequent billings of the accrued water revenue.

Based on the above procedures performed, we did not identify any material exceptions.

Information Other than the Financial Statements and Auditors' Report Thereon

The management of PPWSA is responsible for the other information. The other information comprises Annual Report and Directors' Report (but does not include the financial statements of PPWSA and our auditors' report thereon), which we obtained prior to the date of this auditors' report, and other sections included in the annual report, which are expected to be made available to us after that date.

Our opinion on the financial statements of 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 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 PPWSA or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The management of PPWSA is responsible for the preparation of financial statements of PPWSA so as to give a true and fair view in accordance with the CIFRSs. The management is also responsible for such internal controls as the management determines is necessary to enable the preparation of financial statements of PPWSA that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of PPWSA, the management is responsible for assessing 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 management either intends to liquidate PPWSA or to cease operations, or have no realistic alternative but to do so.

Those charged with governance of PPWSA is responsible for overseeing PPWSA's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of 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's 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 these financial statements.

As part of an audit in accordance with CISA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements of 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 PPWSA's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the managements.
- conclude on the appropriateness of the management's use of 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 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 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 PPWSA to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements of PPWSA, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of PPWSA for the current financial 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 determined that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh public interest benefits of such communication.



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

Phnom Penh, Kingdom of Cambodia

Date: 13 MAR 2024



Oknha Tan Khee Meng
Certified Public Accountant