

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

CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER AND
THREE MONTH PERIOD ENDED 31 MARCH 2022

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

**CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER AND THREE-MONTH PERIOD ENDED 31 MARCH 2022**


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PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

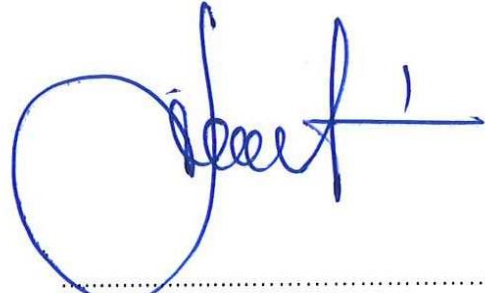
STATEMENT BY THE DIRECTORS

In the opinion of the directors, the accompanying condensed interim statement of financial position of Phnom Penh Water Supply Authority as at 31 March 2022, and the related condensed interim statement of profit or loss and other comprehensive income for the quarter and three-month period then ended, condensed interim statement of changes in equity and condensed interim statement of cash flows for the three-month period then ended, and condensed notes to the interim financial information (collectively known as "Condensed Interim Financial Information") are presented fairly, in all material respects, in accordance with Cambodian International Accounting Standard 34 *Interim Financial Reporting*.

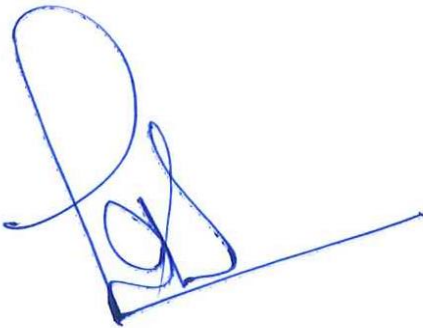
Signed on behalf of the Board of Directors,



.....
OUM SOTHA
Chairman of the Board of Director



.....
LONG NARO
Director General



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

Date: Thursday, June 9, 2022

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022**

	Note	Unaudited 31.3.2022 KHR'000	Audited 31.12.2021 KHR'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	1,884,536,615	1,893,864,619
Intangible assets		12,443,918	12,530,278
Total non-current assets		<u>1,896,980,533</u>	<u>1,906,394,897</u>
Current assets			
Inventories		164,368,436	143,731,508
Trade and other receivables		131,700,740	24,875,167
Contract assets	5	63,391,082	66,024,580
Loan to employees		7,956,651	7,956,651
Short-term investments	6	68,417,783	68,163,833
Cash and cash equivalents		95,066,095	89,659,538
Total current assets		<u>530,900,787</u>	<u>400,411,277</u>
TOTAL ASSETS		<u>2,427,881,320</u>	<u>2,306,806,174</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of PPWSA			
Share capital and share premium		619,315,886	619,315,886
Reserves		543,268,075	418,038,410
Retained earnings		30,291,749	129,273,917
TOTAL EQUITY		<u>1,192,875,710</u>	<u>1,166,628,213</u>
Non-current liabilities			
Borrowings	7	795,658,076	790,359,750
Deferred government and other grants		16,309,709	16,812,186
Deferred tax liabilities		75,015,684	72,307,299
Other payables	8	70,895,806	69,446,073
Total non-current liabilities		<u>957,879,275</u>	<u>948,925,308</u>

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**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022 (CONTINUED)**

		Unaudited 31.3.2022 KHR'000	Audited 31.12.2021 KHR'000
	Note		
Current liabilities			
Trade and other payables	8	239,415,012	141,969,545
Borrowings	7	23,987,300	23,128,518
Contract liabilities	5	1,788,894	1,788,894
Current tax liabilities		11,935,129	24,365,696
Total current liabilities		<u>277,126,335</u>	<u>191,252,653</u>
TOTAL LIABILITIES		<u>1,235,005,610</u>	<u>1,140,177,961</u>
TOTAL EQUITY AND LIABILITIES		<u>2,427,881,320</u>	<u>2,306,806,174</u>

The Condensed Interim Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to this condensed interim financial information.

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE QUARTER AND THREE-MONTH PERIOD ENDED 31 MARCH 2022**

	Note	Unaudited	
		Quarter and three-months period ended	
		31.3.2022	31.3.2021
		KHR'000	KHR'000
Income:			
Sales	9	69,132,127	68,729,063
Construction service fee		3,816,557	6,968,342
Foreign exchange gains - net		-	543,626
Other income		9,071,326	8,063,695
		<u>82,020,010</u>	<u>84,304,726</u>
Expenses:			
Depreciation and amortisation charges		(14,878,838)	(12,620,985)
Electricity costs		(8,523,659)	(8,946,794)
Salaries, wages and related expenses		(16,054,468)	(14,685,992)
Raw materials for water treatment		(2,579,993)	(2,912,588)
Raw materials for household water connections		(1,154,089)	(753,305)
Repairs and maintenance		(1,359,450)	(1,373,701)
Construction service expense		(1,991,028)	(6,507,350)
Other operating expenses		(2,316,046)	(1,921,857)
Foreign exchange losses - net		(1,126,904)	-
		<u>(49,984,475)</u>	<u>(49,722,572)</u>
Operating profit		32,035,535	34,582,154
Finance income	10	9,468,907	8,132,742
Finance costs	11	(818,173)	(298,857)
Profit before tax		40,686,269	42,416,039
Income tax	12	(10,394,520)	(11,644,430)
Profit for the period, representing total comprehensive income for the period		30,291,749	30,771,609
Earnings per share attributable to owners			
Basic earnings per share (KHR)		348.29	353.81
Diluted earnings per share (KHR)		348.29	353.81

The Condensed Interim Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to this condensed interim financial information.

PHNOM PENH WATER SUPPLY AUTHORITY
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**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER AND THREE-MONTH PERIOD ENDED 31 MARCH 2022**

	Note	Share capital and share premium KHR'000	Reserves KHR'000	Retained earnings KHR'000	Total KHR'000
Unaudited					
Balance at 1 January 2022		619,315,886	418,038,410	129,273,917	1,166,628,213
Profit for the financial period, representing total comprehensive income for the period		-	-	30,291,749	30,291,749
Transactions with owners					
Transfer to reserves		-	125,229,665	(125,229,665)	-
Dividends	13	-	-	(4,044,252)	(4,044,252)
Total transactions with owners		-	125,229,665	(129,273,917)	(4,044,252)
Balance at 31 March 2022		619,315,886	543,268,075	30,291,749	1,192,875,710
Unaudited					
Balance at 1 January 2021		541,227,282	352,473,530	88,351,845	982,052,657
Profit for the financial period, representing total comprehensive income for the period		-	-	30,771,609	30,771,609
Transactions with owners					
Capital contribution		78,088,604	-	-	78,088,604
Transfer to reserves		-	65,564,880	(65,564,880)	-
Dividends	13	-	-	(22,786,965)	(22,786,965)
Total transactions with owners		78,088,604	65,564,880	(88,351,845)	55,301,639
Balance at 31 March 2021		619,315,886	418,038,410	30,771,609	1,068,125,905

The Condensed Interim Statement of Changes in Equity be read in conjunction with the audited financial statements for the financial year ended 31 December 2021 and the accompanying notes attached to the condensed interim financial information.

PHNOM PENH WATER SUPPLY AUTHORITY
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**CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE QUARTER AND THREE-MONTH PERIOD ENDED 31 MARCH 2022**

	Unaudited	
	Quarter and three-months period ended	
	31.3.2022	31.3.2021
	KHR'000	KHR'000
Cash flows from operating activities		
Profit before tax	40,686,269	42,416,039
Adjustments for:		
Amortisation of intangible assets	476,435	401,843
Depreciation of property, plant and equipment	14,402,403	12,219,142
Amortisation of deferred government and other grants	(502,477)	(502,476)
Written off of property, plant and equipment	107,191	25,008
Finance income	(864,883)	(463,489)
Finance costs	1,896,483	1,464,782
Net unrealised foreign exchange gain	(7,059,349)	(8,061,485)
Operating profit before changes in working capital	49,142,072	47,499,364
Increase in inventories	(8,637,420)	(10,577,204)
Decrease/(Increase) in trade and other receivables	7,726,129	(2,495,402)
Increase in trade and other payables	91,418,725	19,476,707
Decrease in contract assets	2,633,498	1,233,678
Decrease in contract liabilities	-	(1,103,981)
Increase in refundable water deposits	1,449,733	1,036,059
Net cash from operations	143,732,737	55,069,221
Income tax paid	(20,116,702)	(24,766,780)
Net cash from operating activities	123,616,035	30,302,441
Cash flows from investing activities		
Purchase of property, plant and equipment	(130,554,816)	(42,495,712)
Purchase of intangible assets	(390,075)	(590,583)
Increase in short-term investments	(253,950)	(632,635)
Interest capitalised on qualifying assets	(1,078,310)	(1,165,925)
Interest received	765,209	958,994
Net cash used in investing activities	(131,511,942)	(43,925,861)

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CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE QUARTER AND THREE-MONTH PERIOD ENDED 31 MARCH 2022 (CONTINUED)

	Unaudited	
	Quarter and three-months period ended	
	31.3.2022	31.3.2021
	KHR'000	KHR'000
Cash flows from financing activities		
Capital contribution from MoEF, net	-	(103,656)
Drawdown of borrowings	24,642,142	22,443,187
Interest paid	(517,519)	(765,442)
Repayments of borrowings	(10,822,159)	(11,894,588)
Net cash generated from financing activities	13,302,464	9,679,501
Net increase/(decrease) in cash and cash equivalents	5,406,557	(3,943,919)
Cash and cash equivalents at the beginning of the period	89,659,538	50,215,505
Cash and cash equivalents at the end of the period	95,066,095	46,271,586

The Condensed Interim Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to the condensed interim financial information.

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER AND THREE-MONTH PERIOD ENDED 31 MARCH 2022**

1. CORPORATE INFORMATION

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

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

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

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

2. BASIS FOR PREPARATION

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

The condensed interim financial information does not include all notes of type normally included in an annual financial statements, however, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in PPWSA’s financial position and performance since the last annual financial statements. Accordingly, this condensed interim financial information is to be read in conjunction with the annual audited financial statements for the financial year ended 31 December 2021 and any public announcements made by PPWSA during the interim reporting period.

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

3. SEASONAL OR CYCLICAL FACTOR

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

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER AND THREE-MONTH PERIOD ENDED 31 MARCH 2022 (CONTINUED)**

4. PROPERTY, PLANT AND EQUIPMENT

	Unaudited	Audited
	31.3.2022	31.12.2021
	KHR'000	KHR'000
Cost		
Balance at the beginning of the financial period/year	2,438,823,008	2,075,369,345
Additions	131,633,126	294,115,414
Acquisition through capital contribution	-	78,192,260
Transfer (to)/from inventory	(11,999,508)	7,212,446
Transfer to intangible assets	-	(16,431)
Transfer to other receivables *	(114,452,028)	-
Written-off	(107,191)	(16,050,026)
Balance at the end of the financial period/year	<u>2,443,897,407</u>	<u>2,438,823,008</u>
Accumulated depreciation		
Balance at the beginning of financial period/year	544,958,389	501,767,246
Depreciation for the financial period/year	14,402,403	53,491,993
Written-off	-	(10,300,850)
Balance at the end of the financial period/year	<u>559,360,792</u>	<u>544,958,389</u>
Carrying amount		
Balance at the end of the financial period/year	<u>1,884,536,615</u>	<u>1,893,864,619</u>

* These represent advance payment made to supplier in respect of construction in progress capitalised in prior financial year, for which controls of such assets are yet to be passed to PPWSA as at 31 December 2021. The management of PPWSA has rectified these by reversing these advance payments from its construction in progress to the other receivables.

During the quarter and three-month period ended 31 March 2022, PPWSA made the following cash payment for its additions of property, plant and equipment:

	Unaudited	
	Quarter and three-months period ended	
	31.3.2022	31.3.2021
	KHR'000	KHR'000
Additions	131,633,126	121,853,897
Assets transfer through capital contribution	-	(78,192,260)
Interest capitalised on qualifying assets	(1,078,310)	(1,165,925)
Cash payment for purchase of property, plant and equipment	<u>130,554,816</u>	<u>42,495,712</u>

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER AND THREE-MONTH PERIOD ENDED 31 MARCH 2022 (CONTINUED)**

5. CONTRACT ASSETS / (LIABILITIES)

	Unaudited 31.3.2022 KHR'000	Audited 31.12.2021 KHR'000
Contract assets		
Contract assets relating to construction service contracts	3,053,130	536,051
Contract assets relating to water revenue	60,337,952	65,488,529
	<u>63,391,082</u>	<u>66,024,580</u>
Contract liabilities		
Contract liabilities relating to construction service contracts	<u>1,788,894</u>	<u>1,788,894</u>

6. SHORT-TERM INVESTMENTS

These represent fixed deposit placed with financial institutions for a period of between nine to twelve months (2021: nine to twelve months) and earn interest at rates ranging from 3.50% to 4.75% (2021: 3.50% to 4.75%) per annum.

7. BORROWINGS

	Currency	Nominal interest rate	Year of maturity	Carrying amount KHR'000
Balance at 1 January 2022				813,488,268
Drawdown				
AfD - Credit No. 1176 01 S	USD	0.900%	2038	10,713,217
European Investment Bank ("EIB")	USD	0.610% - 0.965%	2048	13,928,925
Repayments				
<u>Principle</u>				
MoEF - JICA	JPY	0.660%	2049	(808,447)
MoEF - ADB	SDR	1.650%	2037	(1,148,427)
AfD - Credit No. 1121 01 F	EUR	0.250%	2025	(8,865,285)

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER AND THREE-MONTH PERIOD ENDED 31 MARCH 2022 (CONTINUED)**

7. BORROWINGS (CONTINUED)

	Currency	Nominal interest rate	Year of maturity	Carrying amount KHR'000
Repayments (continued)				
<u>Interest</u>				
MoEF - JICA	JPY	0.660%	2049	(145,849)
MoEF - ADB	SDR	1.650%	2037	(293,712)
AfD - Credit No. 1121 01 F	EUR	0.250%	2025	(77,958)
Accrued interest				1,896,483
Realised exchange gain				(437,815)
Unrealised exchange gain				(8,604,024)
Balance at 31 March 2022				819,645,376

8. TRADE AND OTHER PAYABLES

	Unaudited 31.3.2022 KHR'000	Audited 31.12.2021 KHR'000
Non-current:		
Refundable water deposits	70,895,806	69,446,073
Current:		
Trade payables		
Third parties	132,833,814	33,251,064
Accruals construction-in-progress	22,584,894	38,283,099
	155,418,708	71,534,163
Other payables		
Accrued staff incentive	2,988,378	9,241,237
Amount due to Phnom Penh Municipality	53,164,144	47,455,958
Performance guarantee	67,319	67,344
Dividends payable	4,044,252	-
Other tax payable	1,362,876	293,258
Accruals	5,977,103	6,146,076
Other payables	16,392,232	7,231,509
	83,996,304	70,435,382
Total trade and other payables (current)	239,415,012	141,969,545
Total trade and other payables (non-current and current)	310,310,818	211,415,618

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER AND THREE-MONTH PERIOD ENDED 31 MARCH 2022 (CONTINUED)**

9. SALES

	Unaudited	
	Quarter and three-months period ended	
	31.3.2022	31.3.2021
	KHR'000	KHR'000
Water sales:		
- households	26,420,025	27,924,616
- commercial	32,165,718	33,445,347
- public administration	4,741,260	4,224,327
- wholesalers	2,184,725	2,256,204
Rounding difference on water sales revenue	16,109	16,201
Less: Invoice cancellations	(104,276)	(1,754,079)
	<u>65,423,561</u>	<u>66,112,616</u>
Water connection revenue	2,423,585	1,496,071
Water meter replacement charges	1,220,826	1,099,091
Spare parts and meter sales	64,155	21,285
	<u>69,132,127</u>	<u>68,729,063</u>

10. FINANCE INCOME

	Unaudited	
	Quarter and three-months period ended	
	31.3.2022	31.3.2021
	KHR'000	KHR'000
Interest income on bank deposits	864,883	463,489
Unrealised foreign exchange gain on borrowings	8,604,024	7,669,253
	<u>9,468,907</u>	<u>8,132,742</u>

11. FINANCE COSTS

	Unaudited	
	Quarter and three-months period ended	
	31.3.2022	31.3.2021
	KHR'000	KHR'000
Interest expense on borrowings	1,896,483	1,464,782
Interest capitalised on qualifying assets	(1,078,310)	(1,165,925)
	<u>818,173</u>	<u>298,857</u>

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER AND THREE-MONTH PERIOD ENDED 31 MARCH 2022 (CONTINUED)**

12. INCOME TAX

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

PPWSA's effective tax rate for the quarter and three-month period ended 31 March 2022 of 26% was not significantly differ from the quarter and three-month period ended 31 March 2021 of 27%.

13. DIVIDENDS

	Unaudited	
	Quarter and three-months period ended	
	31.3.2022	31.3.2021
	KHR'000	KHR'000
Recognised during the financial period		
Dividend for the financial year ended 31 December 2021 of KHR310 per ordinary share *	4,044,252	-
Dividend for the financial year ended 31 December 2020 of KHR262 per ordinary share	-	22,786,965

* The Board of Directors had on 18 March 2022 declared and approved the dividend of KHR310 per ordinary share of PPWSA.

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

Accordingly, the dividends recognised during the financial period were for the remaining shareholders of PPWSA, whilst the portion for MoEF were transferred from retained earnings to development reserve of PPWSA directly.

14. RELATED PARTY TRANSACTIONS

PPWSA has the following significant transactions with related parties:

(a) Government-related entities

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

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER AND THREE-MONTH PERIOD ENDED 31 MARCH 2022 (CONTINUED)**

14. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Government-related entities (continued)

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

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

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

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

(b) Key management personnel compensation

Total key management personnel compensation is analysed as below:

	Unaudited	
	Quarter and three-months period ended	
	31.3.2022	31.3.2021
	KHR'000	KHR'000
Salaries and other expenses	545,001	566,420

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER AND THREE-MONTH PERIOD ENDED 31 MARCH 2022 (CONTINUED)**

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk

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

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

(b) Liquidity and cash flow risk

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

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

(c) Interest rate risk

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

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

(d) Fair values

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

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

PHNOM PENH WATER SUPPLY AUTHORITY

(Incorporated in Cambodia)

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER AND THREE-MONTH PERIOD ENDED 31 MARCH 2022 (CONTINUED)**

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Fair values (continued)

	Carrying amount KHR'000	Fair value of financial instruments not carried at fair value KHR'000
Borrowings		
31.03.2022	819,645,376	827,679,232
31.12.2021	813,488,268	821,446,238

Level 3 fair value

Fair value on financial instruments not carried at fair value

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

16. CAPITAL COMMITMENTS

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

	Unaudited	
	Quarter and three-months period ended	
	31.3.2022	31.3.2021
	KHR'000	KHR'000
Construction of water treatment plant	288,897,974	518,894,471
Consultation services	6,790,329	9,763,222
Purchase of iron pipes, fitting and accessories	1,908,227	141,068,268
	<u>297,596,530</u>	<u>669,725,961</u>

17. SEGMENTAL REPORTING

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

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER AND THREE-MONTH PERIOD ENDED 31 MARCH 2022 (CONTINUED)**

18. SIGNIFICANT EVENT DURING THE REPORTING PERIOD

PPWSA had on 7 March 2022 made an announcement in Cambodia Securities Exchange ("CSX"), the extract of such announcement are as follows:

"PPWSA is pleased to announce to investors and the public that on March 7, 2022 at PPWSA's Head Office, under the presidency of H.E. Oum Sotha, chairman of the Board of Directors, PPWSA celebrated signing ceremony of the contract on the project for the extension of water supply system in Takhmau between PPWSA and KKKCT Consortium under Japanese Grant AID by JICA."

The type of this project for the extension of water supply system is Special Purpose Company (SPC) project of which wholesale back to PPWSA in the lower price or not over KHR500 per m³ for a project period of 10 years (2024 – 2034). The construction will be started from June 2022 to December 2024 under control of KKKCT CONSORTIUM CONSTRUCTION and CONSORTIUM OF NIHON SUIDO CONSTRUCTIONS CO., LTD. and CROWN AGENTS JAPAN LIMITED, technical consultants from Japan."

19. COMPARATIVE FIGURES

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

20. AUTHORISATION OF CONDENSED INTERIM FINANCIAL INFORMATION

The condensed interim financial information of PPWSA for the quarter and three-month period ended 31 March 2022 were authorised for issue by the Board of Directors on 9 June 2022.

Register No. 0839 Et/2012

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

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Phnom Penh Water Supply Authority (“PPWSA”) as at 31 March 2022 and the related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows for the three-month period then ended, and notes to the condensed interim financial information (collectively referred to as “condensed interim financial information of PPWSA”). The directors of PPWSA are responsible for the preparation and fair presentation of the condensed interim financial information of PPWSA in accordance with the Cambodian International Accounting Standard (“CIAS”) 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on the condensed interim financial information of PPWSA based on our review.

Scope of review

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

Registration No. Co.0839 Et/2012

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

Conclusion

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



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

Phnom Penh, Kingdom of Cambodia

Date: 09 JUN 2022



Tan Khee Meng
Certified Public Accountant

PART 4: Management's Discussion and Analysis

A. Overview of operations

1. Revenue analysis

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

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

The period ended 31 March 2022 compared to the period of 31 March 2021

Description	First quarter 2022 (KHR'000)	First quarter 2021 (KHR'000)	Changes(KHR'000/Percent)	
Total Revenues	82,020,010	84,304,726	(2,284,716)	(2.71%)

PPWSA has a total revenue of KHR 82,020,010,000 for 31 Mar 2022 and KHR 84,304,726,000 at 31 Mar 2021. The revenue decreased by KHR 2,284,716,000 or 2.71%. The decrease was due to the decrease in the revenue of construction services about 45.23% or KHR 3,151,785,000, but the other income was increased about 12.50% or KHR 1,007,631,000.

2. Revenue analysis by segment

The analysis of PPWSA's revenue by segment are shown as below:

Description	First quarter 2022 (KHR'000)		First quarter 2021 (KHR'000)	
Sale	69,132,127	84.29	68,729,063	81.52
Construction service fee	3,816,557	4.65	6,968,342	8.27
Foreign Exchange gains-net	-	-	543,626	0.64
Other income	9,071,326	11.06	8,063,695	9.56

PART 4: Management Discussion and Analysis (con't)

A. Overview of operations (Con't)

2. Revenue analysis by segment (Con't)

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

➤ The period ended 31 March 2022 compared to the period of 31 March 2021

Description	First quarter 2022		First quarter 2021		Changes		
	Volume	Amount	Volume	Amount	Volume	Amount	Percent
	(M ³)	(KHR'000)	(M ³)	(KHR'000)	(M ³)	(KHR'000)	
Water Sales-Household	27,188,620	26,420,025	27,301,920	27,924,616	(113,300)	(1,504,591)	(5.39%)
Water Sales-Commercial	19,546,931	32,165,718	19,362,539	33,445,347	184,392	(1,279,629)	3.83%
Water Sale-Administrative Institution	1,847,231	4,618,078	1,641,390	4,103,476	205,841	514,602	12.54%
Water Saler- Holdsaler- rental room	2,867,405	2,184,725	3,081,192	2,256,204	(213,787)	(71,479)	(3.17%)

◆ Revenue from household sales

PPWSA has the revenue from household is KHR 26,420,025,000 on 31 March 2022 and KHR 27,924,616,000 on 31 March 2021 that decreased by KHR 1,504,591,000 or 5.39%. The decreased because of the water consumption per connection per month decreased 0.79m³/month from 24.98m³/connections to 24.19m³/connection and the average tariff decreased by KHR 51.08/m³ from KHR 1,022.81/ m³ to KHR 971.73/m³.

◆ Revenue from commercial

PPWSA has the revenue from commercial and industry is KHR 32,165,718,000 on 31 March 2022 and KHR 33,445,347,000 on 31 March 2021 that decreased by KHR 1,279,629,000 or 3.83%. The decreasing is due to the consumption per connection decreased by 2.14m³/month from 92.95m³/connection to 90.81m³/connection and the average tariff were decrease by KHR 81.76/m³ from KHR 1,727.32/m³ to KHR 1,645.56/m³.

◆ Revenue from government institution sales

PPWSA has the revenue from government institution sales is KHR 4,618,078,000 on 31 March 2022 and KHR 4,103,476,000 on 31 March 2021 that increased by KHR 514,602,000 or 12.54%. The increase on 31 March 2022 due to the increasing number of the customer by 104 connections from 774 connections to 878 connections.

◆ Revenue from wholesalers and rental-rooms

PPWSA has the revenue from wholesaler and rental room is KHR 2,184,725,000 on 31 March 2021 and KHR 2,256,204,000 on 31 March 2021 that is decreased by KHR 71,479,000 or 3.17%. The decrease is due to the water consumption per connection decreased by 7.20m³/connection from 173.16m³ to 165.96m³/connection.

3. Gross profit margin analysis

PPWSA prepared and presented its income statements by nature, without showing gross profit. However, this presentation enables discussions and analyzes on the operating profit which is calculated by subtracting operating expenses from total income.

The details of the operating expenses will be discussed in Item "a-4" below.

4. Profit before tax

Profit before tax is derived from the subtraction of operating expenses from the gross revenues and net finance income (expenses). In discussing and analyzing the operating expenses, we considered the total expenses as follows.

- The period ended 31 March 2022 compared to the period ended 31 March 2021

Description	First quarter 2022	First quarter 2021	Changes(KHR'000/Percent)	
	(KHR'000)	(KHR'000)		
Total revenues	82,020,010	84,304,726	(2,284,716)	(2.71%)
Depreciation and amortisation charges	(14,878,838)	(12,620,985)	(2,257,853)	(17.89%)
Electricity costs	(8,523,659)	(8,946,794)	423,135	4.73%
Salaries, wages and related expenses	(16,054,468)	(14,685,992)	(1,368,475)	(9.32%)
Raw materials for water treatment	(2,579,993)	(2,912,588)	332,595	11.42%
Construction service expenses	(1,991,028)	(6,507,350)	4,516,322	69.40%
Finance income	9,468,907	8,132,742	1,336,165	(16.43%)
Finance costs	(818,173)	(298,857)	(519,857)	(173.77%)
Profit before tax	40,686,269	42,416,039	(1,729,770)	(4.08)

PPWSA earned profit before tax of KHR 40,686,269,000 at 31 March 2022 and KHR 42,416,039,000 at 31 March 2021 that was decreased by KHR 1,729,770,000 or 4.08%. The decrease in profit before tax was primarily due to the decrease in total revenues by KHR 2,284,716,000 or 2.71% while depreciation increased by 2,257,853,000 or 17.89%. Salaries, wages and related expenses increased 1,368,476,000 or 9.32% Raw material decreased KHR 332,595,000 or 11.42% and construction service expenses decreased KHR 4,516,322,000 or 69.40%.

5. Profit for the financial year

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

- The period ended 31 March 2022 compared to the period ended 31 March 2021

Description	First quarter 2022	First quarter 2021	Changes(KHR'000/Percent)	
	(KHR'000)	(KHR'000)		
Profit before tax (a)	40,686,269	42,416,039	(1,729,770)	(4.08%)
Tax expense (b)	(10,394,520)	(11,644,430)	1,249,910	(10.73%)
Profit for the financial year	30,291,749	30,771,609	479,860	(1.56%)
Total comprehensive income for the financial year	30,291,749	30,771,609	479,860	(1.56%)
Effective tax reate (b)/(a)	25.55%	27.45%		

PPWSA earned profit for the financial period of KHR 30,291,749,000 at 31 Mar 2022 and KHR 30,771,609,000 in 31 Mar 2021, a decrease of KHR 479,860,000 or 1.56%. The decrease in profit for the financial period was due to the decrease in profit before tax by KHR 1,729,770,000 or 4.08%.

6. Analysis of factors and trends analysis affecting financial conditions and results

Although profits in the first quarter of 2022 were lower than in the first quarter of 2021 due to lower construction services revenue, the situation of revenue from water sales and other revenue continued to increase from quarter to quarter due to the following supporting factors:

- **NRW rate:** PPWSA utilized an effective mechanism to reduce NRW to 8.64% in this quarter. It is a critical factor enabling PPWSA to ensure its financial viability and sustainable enterprise development.
- **Increase in customer base:** To generate revenues from water sales, PPWSA increased its customer base, expanding its service coverage to unserved areas by filling up its coverage with distribution networks in Phnom Penh and its surrounding areas, in particular, the economically potential zones.
- **Increase in average water tariff:** Finding new commercial and industrial customers increased PPWSA's average water tariff because the tariff for this customer category is higher than that of other customer categories.
- **Operating expenses management:** PPWSA managed these expenses, especially the electricity consumption cost which is huge and significant in the water treatment process, through the introduction of new technologies such as variable speed distribution pumps. PPWSA Managed the efficient and economical use of raw materials in water treatment.

For operating expenses, PPWSA try to reduce unimportant expenditures such as general administration, maintenance by controlling and maintaining general tools and usage material regularly to ensure the quality and reduce others expenses.

- **Strict practices in procurement process:** PPWSA has strictly adhered to applicable laws, regulation and other guidelines in relation to the procurement process for purchases of material and raw materials. This process is transparent and encourages market price competition, which allows PPWSA to make low cost purchases, without neglecting quality.
- **Cash management:** With the above high collection ratio 99.90%, PPWSA was capable enough to manage its cash efficiently. With this, PPWSA reserved cash as working capital for two-three months, and invested available cash in short-term fixed deposits at commercial banks with high interest rates. PPWSA also scrutinizes risks and benefits associated with the high interest rates.
- **Selection of low-rate financiers:** Due to the increasing water demand, PPWSA is in need of finance for its investment projects, such as construction of WTPs, and laying of transmission and distribution pipes. PPWSA has sought international development partners such as AFD to get the low interest rate financing.
- **Economic situation:** Due to the Covid-19 pandemic and changes in economic circumstances impacted on the average monthly water consumption per connection, which led to fluctuations in the average water tariff.

B. Significant Factors Affecting Profit

1. Demand and supply conditions analysis

According to a study on water demand against the population growth in Phnom Penh due to the expansion of its surrounding areas, PPWSA will construct additional water treatment plants in 2 phases at Bakheng. The investment project for Bakheng WTP Phase 1, with a production capacity of 195,000m³/day, is scheduled to be put into operation in 2022. Bakheng WTP Phase 2 will be constructed

soon after 2021, with additional production capacity of 195,000m³/day to meet the clean water demand from 2025 onwards.

2. Variations in prices of raw materials analysis

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

3. Tax analysis

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

4. Exceptional and extraordinary items analysis

At the end of March 31, 2022, the management believes that PPWSA does not have any unusual and extraordinary elements.

C. Material changes in sales and revenues

PPWSA's main revenues are the sales of safe water which is a basic need of Phnom Penh residents. The water sales represented more than 84% of gross revenue on 31 Mar 2022. PPWSA is also the monopoly water supplier in Phnom Penh and its outskirts. Revenues may grow, subject to the demography including the enlargement of Phnom Penh capital and the Takhmao city.

D. Impact of foreign exchange, interest rates and commodity prices

D.1. Impact of exchange rate

The PPWSA maintains its accounting records in functional currency – “Cambodian Riel (KHR)”. All transactions carried out in foreign currencies must be converted into Cambodian Riel based on the average exchange rate on the transaction date. Gain or loss arising from the translation and the settlement of assets and liabilities denominated in foreign currencies into Riel is recognized in the comprehensive income statement. Because most of PPWSA's payments are made in KHR like this PPWSA is not significantly affected by the exchange rate.

D.2. Impact of interest rates

D.2.1. Impact of interest rate on interest income

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

D.2.2. Impact of interest rate on interest expense

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

D.2.3. Impact of raw materials prices

Through PPWSA's procurement procedure in compliance with the existing laws and regulations, as well as other guidelines, the Authority has to sign contracts with material and raw material suppliers at a competitive price or negotiable price. During the Covid-19 outbreak in the first quarter of 2022, The cost of materials and raw materials in domestic and foreign markets increased due to unbalanced demand and supply. The rising prices of materials and raw materials have also affected PPWSA's investment and operating costs. However, despite the increase in the cost of materials and raw materials, the management has taken into account thoroughly planning and demanding raw materials to ensure timely and cost-effective use appropriate in accordance with the public procurement law in force.

E. Impact of inflation

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

F. Economic / Fiscal / Monetary Policies of the Royal Government

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

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

PART 5: Other Necessary Information for Investor Protection

In the first quarter of 2022, Phnom Penh Water Supply Authority has no other necessary information to disclose.

SIGNATURE OF DIRECTORS OF PHNOM PENH WATER SUPPLY AUTHORITY

Phnom Penh, 09- June 2022

Read and Approved

Signature

Oum Sotha

Chairman of the Board

Phnom Penh, 09 June 2022

Read and Approved

Signature

Long Naro

Director



PHNOM PENH WATER SUPPLY AUTHORITY (PPWSA)



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