

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

CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER AND NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

**CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER AND NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021**

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PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

STATEMENT BY THE DIRECTORS

In the opinion of the directors, the accompanying condensed interim statement of financial position of the Phnom Penh Water Supply Authority as at 30 September 2021, and the related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows for the quarter and nine-month period then ended, and notes to the condensed interim financial information (collectively known as "Condensed Interim Financial Information") are presented fairly, in all material respects, in accordance with Cambodian International Accounting Standard 34 *Interim Financial Reporting*.

Signed on behalf of the Board of Directors,



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



.....
LONG NARO
Director General



.....
DENG POLYDEN
Head of Accounting and Finance Department

Date: 11 November 2021

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2021**

	Note	Unaudited 30.9.2021 KHR'000	Audited 31.12.2020 KHR'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	1,672,029,478	1,573,602,099
Intangible assets		12,720,845	13,083,204
Total non-current assets		<u>1,684,750,323</u>	<u>1,586,685,303</u>
Current assets			
Inventories		157,313,079	78,612,888
Trade and other receivables		195,583,596	25,642,206
Contract assets	5	48,498,290	42,922,547
Loan to employees		7,956,651	7,956,651
Short-term investments		69,168,490	67,939,714
Current tax receivables		-	4,643,326
Cash and cash equivalents		73,957,626	50,215,505
Total current assets		<u>552,477,732</u>	<u>277,932,837</u>
TOTAL ASSETS		<u>2,237,228,055</u>	<u>1,864,618,140</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the PPWSA			
Share capital		619,315,886	541,227,282
Reserves		418,038,410	352,473,530
Retained earnings		107,321,056	88,351,845
TOTAL EQUITY		<u>1,144,675,352</u>	<u>982,052,657</u>
Non-current liabilities			
Borrowings	6	688,169,425	517,288,403
Deferred government and other grants		17,314,663	18,822,093
Deferred tax liabilities		68,797,603	62,506,657
Other payables	7	68,364,466	65,195,836
Total non-current liabilities		<u>842,646,157</u>	<u>663,812,989</u>

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CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2021 (CONTINUED)

		Unaudited	Audited
		30.9.2021	31.12.2020
	Note	KHR'000	KHR'000
Current liabilities			
Trade and other payables	7	204,877,008	156,599,805
Borrowings	6	24,746,836	30,847,173
Contract liabilities	5	2,770,412	3,616,566
Current tax liabilities		17,512,290	27,688,950
Total current liabilities		<u>249,906,546</u>	<u>218,752,494</u>
TOTAL LIABILITIES		<u>1,092,552,703</u>	<u>882,565,483</u>
TOTAL EQUITY AND LIABILITIES		<u>2,237,228,055</u>	<u>1,864,618,140</u>

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

PHNOM PENH WATER SUPPLY AUTHORITY
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**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE QUARTER AND NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021**

	Note	Unaudited		Unaudited	
		Three-month period ended 30.9.2021 KHR'000	30.9.2020 KHR'000	Nine-month period ended 30.9.2021 KHR'000	30.9.2020 KHR'000
Revenue:					
Sale	8	70,538,340	71,053,789	205,699,037	206,059,058
Construction service fee		7,503,441	7,838,120	19,532,580	14,990,924
Foreign exchange gains - net		377,860	-	621,698	-
Other income		36,862,921	7,693,162	50,615,580	17,433,746
		115,282,562	86,585,071	276,468,895	237,483,728
Expenses:					
Depreciation and amortisation charges		(14,322,755)	(12,525,310)	(40,455,450)	(37,934,845)
Electricity costs		(9,483,182)	(8,667,841)	(27,296,168)	(27,559,300)
Employee benefits expense		(15,248,076)	(13,628,675)	(46,216,533)	(41,584,059)
Raw materials for water treatment		(2,295,301)	(3,177,958)	(6,834,308)	(7,173,780)
Raw materials for household water connections		(956,648)	(635,570)	(2,197,162)	(1,816,410)
Repairs and maintenance		(2,076,460)	(2,165,583)	(5,132,648)	(7,403,896)
Construction service expense		(2,844,669)	(6,278,884)	(13,294,709)	(11,570,151)
Impairment on loan to employees		-	313,049	-	130,437
Other operating expenses		(2,255,874)	(1,329,912)	(6,959,057)	(5,719,134)
Foreign exchange losses - net		-	(592,162)	-	(636,862)
		(49,482,965)	(48,688,846)	(148,386,035)	(141,268,002)
Operating profit		65,799,597	37,896,225	128,082,860	96,215,726
Finance income	9	3,137,122	246,544	11,946,599	3,170,288
Finance costs	10	(1,055,257)	(7,067,485)	(7,238,229)	(12,577,004)
Profit before tax		67,881,462	31,075,284	132,791,230	86,809,010
Income tax	11	(8,142,782)	(3,934,442)	(25,470,174)	(17,242,975)
Profit for the period, representing total comprehensive income for the period		59,738,680	27,140,842	107,321,056	69,566,035
Earnings per share attributable to owners:					
Basic earnings per share (KHR)		686.86	312.06	1,233.96	799.86
Diluted earnings per share (KHR)		686.86	312.06	1,233.96	799.86

The Condensed Interim Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 and the accompanying explanatory notes attached to this condensed interim financial information.

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**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER AND NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021**

	Note	Share capital KHR'000	Reserves KHR'000	Retained earnings KHR'000	Total KHR'000
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		-	-	107,321,056	107,321,056
Transactions with owners					
Capital contribution:		78,088,604	-	-	78,088,604
Transfer to reserves:		-	65,564,880	(65,564,880)	-
Dividends	12	-	-	(22,786,965)	(22,786,965)
Total transactions with owners		78,088,604	65,564,880	(88,351,845)	55,301,639
Balance at 30 September 2021		619,315,886	418,038,410	107,321,056	1,144,675,352
Unaudited					
Balance at 1 January 2020		541,227,282	339,185,444	33,291,913	913,704,639
Profit for the financial period, representing total comprehensive income for the period		-	-	69,566,035	69,566,035
Transactions with owners					
Transfer to reserves:		-	13,288,086	(13,288,086)	-
Dividends	12	-	-	(20,003,827)	(20,003,827)
Total transactions with owners		-	13,288,086	(33,291,913)	(20,003,827)
Balance at 30 September 2020		541,227,282	352,473,530	69,566,035	963,266,847

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

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CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE QUARTER AND NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021

	Unaudited	
	Nine-month period ended	
	30.9.2021	30.9.2020
	KHR'000	KHR'000
Cash flows from operating activities		
Profit before tax	132,791,230	86,809,010
Adjustments for:		
Amortisation of intangible assets	1,257,775	1,805,957
Depreciation of property, plant and equipment	39,197,675	36,128,888
Amortisation of deferred government and other grants	(1,507,430)	(1,635,267)
Reversal of impairment on loan to employees	-	(130,437)
Written off of:		
- property, plant and equipment	135,977	1,483,673
Finance income	(1,798,510)	(758,015)
Finance costs	4,815,092	3,671,838
Net unrealised foreign exchange (gain)/loss	(4,010,885)	9,142,539
Operating profit before changes in working capital	170,880,924	136,518,186
(Increase)/Decrease in inventories	(78,700,191)	21,739,992
Increase in trade and other receivables	(40,564,638)	(30,657,398)
Increase/(Decrease) in trade and other payables	28,884,144	(95,210,589)
Increase in contract assets	(5,575,743)	(23,793,383)
(Decrease)/Increase in contract liabilities	(846,154)	1,740,175
Increase in refundable water deposits	3,168,630	3,462,658
Net cash from operations	77,246,972	13,799,641
Income tax paid	(24,712,562)	(8,621,539)
Net cash from operating activities	52,534,410	5,178,102
Cash flows from investing activities		
Purchase of property, plant and equipment	(184,593,012)	(90,610,582)
Purchase of intangible assets	(878,985)	(256,739)
Assets transfer from Tbong Khmum Water Supply	(78,192,260)	-
Increase in short-term investments	(1,228,776)	(18,086,240)
Interest capitalised on qualifying assets	(3,714,067)	(2,649,646)
Interest received	1,143,635	879,034
Net cash used in investing activities	(267,463,465)	(110,724,173)

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CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE QUARTER AND NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021 (CONTINUED)

	Unaudited	
	Nine-month period ended	
	30.9.2021	30.9.2020
	KHR'000	KHR'000
Cash flows from financing activities		
Proceed from capital contribution	78,088,604	-
Dividend paid	(3,418,045)	(14,885,360)
Drawdown of borrowings	197,463,642	155,152,537
Interest paid	(4,866,718)	(1,573,645)
Repayments of borrowings	(28,596,307)	(26,972,012)
Net cash generated from financing activities	238,671,176	111,721,520
Net increase in cash and cash equivalents	23,742,121	6,175,449
Cash and cash equivalents at the beginning of the period	50,215,505	55,212,070
Cash and cash equivalents at the end of the period	73,957,626	61,387,519

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

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER AND NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021**

1. CORPORATE INFORMATION

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

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

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

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

2. BASIS FOR PREPARATION

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

The condensed interim financial information does not include all notes of type normally included in an annual financial statements, however, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in PPWSA's financial position and performance since the last annual financial statements. Accordingly, this condensed interim financial information is to be read in conjunction with the annual audited financial statements for the financial year ended 31 December 2020 and any public announcements made by PPWSA during the interim reporting period.

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

3. SEASONAL OR CUCLYCAL 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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021 (CONTINUED)

4. PROPERTY, PLANT AND EQUIPMENT

	Unaudited	Audited
	30.9.2021	31.12.2020
	KHR'000	KHR'000
Cost		
Balance at the beginning of financial period/year	2,075,369,345	1,827,579,498
Additions	266,499,339	249,933,042
Transfer to intangible assets	(16,431)	(1,551,154)
Transfer to other receivables *	(128,721,877)	-
Written-off	(135,977)	(592,041)
Balance at the end of the financial period/year	<u>2,212,994,399</u>	<u>2,075,369,345</u>
Accumulated depreciation		
Balance at the beginning of financial period/year	501,767,246	453,547,944
Depreciation for the financial period/year	39,197,675	48,219,302
Balance at the end of the financial period/year	<u>540,964,921</u>	<u>501,767,246</u>
Carrying amount		
Balance at the end of the financial period/year	<u>1,672,029,478</u>	<u>1,573,602,099</u>

* This represent advance payments made to suppliers 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 2020. The management of PPWSA has rectified this by reversing these advance payments from its construction in progress to the other receivables in 2021's quarter 1.

During the quarter and nine-month period ended 30 September 2021, PPWSA made the following cash payment for its additions of property, plant and equipment:

	Unaudited	
	Nine-month period ended	
	30.9.2021	30.9.2020
	KHR'000	KHR'000
Additions	266,499,339	163,062,491
Assets transfer from Tbong Khmum Water Supply	(78,192,260)	-
Increase in payables and performance guarantee	-	(69,802,263)
Interest capitalised on qualifying assets	(3,714,067)	(2,649,646)
Cash payment for purchase of property, plant and equipment	<u>184,593,012</u>	<u>90,610,582</u>

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER AND NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021 (CONTINUED)
5. CONTRACT ASSETS / (LIABILITIES)

	Unaudited 30.9.2021 KHR'000	Audited 31.12.2020 KHR'000
Contract assets		
Contract assets relating to construction service contracts	4,079,806	4,861,270
Contract assets relating to water revenue	44,418,484	38,061,277
	<u>48,498,290</u>	<u>42,922,547</u>
Contract liabilities		
Contract liabilities relating to construction service contracts	<u>2,770,412</u>	<u>3,616,566</u>

6. BORROWINGS

	Currency	Nominal interest rate	Year of maturity	Carrying amount KHR'000
Balance at 1 January 2021				548,135,576
New issues				
AfD - Credit No. 1176 01 S	USD	0.900%	2038	75,936,904
European Investment Bank ("EIB")	USD	0.610% - 0.965%	2048	121,526,738
Repayments				
Principle				
MoEF - JICA	YEN	0.660%	2049	(1,728,566)
MoEF - ADB	SDR	1.650%	2037	(2,379,119)
AfD - Credit No. 1075 03 S	EURO	0.880%	2021	(4,978,400)
AfD - Credit No. 1121 01 F	EURO	0.250%	2025	(19,510,222)
Interest				
MoEF - JICA	YEN	0.660%	2049	(322,302)
MoEF - ADB	SDR	1.650%	2037	(637,888)
AfD - Credit No. 1075 03 S	EURO	0.880%	2021	(22,223)
AfD - Credit No. 1121 01 F	EURO	0.250%	2025	(210,313)
AfD - Credit No. 1174 01 P	USD	1.800%	2037	(2,660,135)
AfD - Credit No. 1176 01 S	USD	0.900%	2038	(430,260)
European Investment Bank ("EIB")	USD	0.610% - 0.965%	2048	(583,597)
Accrued interest				4,815,087
Realised exchange gain				(24,134)
Unrealised exchange gain				(4,010,885)
Balance at 30 September 2021				<u>712,916,261</u>

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER AND NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021 (CONTINUED)**

7. TRADE AND OTHER PAYABLES

	Unaudited 30.9.2021 KHR'000	Audited 31.12.2020 KHR'000
Non-current:		
Refundable water deposits	68,364,466	65,195,836
Current:		
Trade payable		
Third parties	97,546,338	78,123,933
Other payable		
Accrued staff incentive	6,768,171	8,743,427
Amount due to Phnom Penh Municipality	50,036,865	38,524,322
Performance guarantee	67,350	67,313
Dividend payable	-	17,003,254
Other tax payable	328,916	584,751
Accruals	6,031,519	7,191,258
Other payables	44,097,849	6,361,547
	<u>107,330,670</u>	<u>78,475,872</u>
Total trade and other payables (current)	<u>204,877,008</u>	<u>156,599,805</u>
Total trade and other payables (non-current and current)	<u>273,241,474</u>	<u>221,795,641</u>

The MoEF had on 9 August 2021 approved the waiver of dividends payable of PPWSA as at 30 June 2021 of KHR36,372,177,000 and reflected as other income during the quarter and nine-months period ended 30 September 2021.

Included in other payables are borrowings yet to be released from the borrowers of PPWSA, for the purpose of deposits required by suppliers on certain capital commitment as disclosed in Note 16. The corresponding accounting entry are reflected in other receivables as at 30 September 2021.

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER AND NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021 (CONTINUED)
8. SALE

	Unaudited		Unaudited	
	Three-month period ended		Nine-month period ended	
	30.9.2021	30.9.2020	30.9.2021	30.9.2020
	KHR'000	KHR'000	KHR'000	KHR'000
Water sales:				
- households	29,402,329	29,271,794	83,663,856	82,372,845
- commercial	31,054,151	33,335,560	93,334,577	95,489,811
- public administration institution	3,227,972	3,807,183	13,916,123	12,423,718
- autonomous state authorities	121,854	144,420	359,866	418,705
- wholesalers	2,177,008	2,327,373	6,706,086	6,242,921
Rounding difference on water sales revenue	16,282	16,690	48,207	48,126
Less: Invoice cancellations	(533,968)	(1,052,141)	(2,679,746)	(1,715,701)
	<u>65,465,628</u>	<u>67,850,879</u>	<u>195,348,989</u>	<u>195,280,425</u>
Water connection revenue	3,888,818	2,212,969	7,153,925	7,105,858
Water meter replacement charges	1,139,891	949,216	3,111,538	2,541,202
Spare parts and meter sales	44,003	40,705	84,587	131,573
	<u>70,538,340</u>	<u>71,053,789</u>	<u>205,699,037</u>	<u>205,059,058</u>

9. FINANCE INCOME

	Unaudited		Unaudited	
	Three-month period ended		Nine-month period ended	
	30.9.2021	30.9.2020	30.9.2021	30.9.2020
	KHR'000	KHR'000	KHR'000	KHR'000
Interest income on bank deposits	658,286	246,544	1,798,510	758,015
Unrealised foreign exchange gain on borrowings	2,478,836	-	10,148,089	2,412,273
	<u>3,137,122</u>	<u>246,544</u>	<u>11,946,599</u>	<u>3,170,288</u>

10. FINANCE COSTS

	Unaudited		Unaudited	
	Three-month period ended		Nine-month period ended	
	30.9.2021	30.9.2020	30.9.2021	30.9.2020
	KHR'000	KHR'000	KHR'000	KHR'000
Interest expense on borrowings	1,762,605	1,351,537	4,815,092	3,671,838
Unrealised foreign exchange loss on borrowings	545,126	6,720,275	6,137,204	11,554,812
Interest capitalised on qualifying assets	(1,252,474)	(1,004,327)	(3,714,067)	(2,649,646)
	<u>1,055,257</u>	<u>7,067,485</u>	<u>7,238,229</u>	<u>12,577,004</u>

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER AND NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021 (CONTINUED)**

13. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Government-related entities (continued)

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

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

(b) Key management personnel compensation

Total key management personnel compensation is analysed as below:

	Unaudited	
	Nine-month period ended	
	30.9.2021	30.9.2020
	KHR'000	KHR'000
Salaries and other expenses	1,727,393	1,728,360

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

(a) Credit risk

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

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

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER AND NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021 (CONTINUED)**

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity and cash flow risk

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

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

(c) Interest rate risk

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

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

(d) Fair values

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

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

	Carrying amount KHR'000	Fair value of financial instruments not carried at fair value KHR'000
Borrowings		
30.09.2021	712,916,261	720,031,234
31.12.2020	548,135,576	554,052,862

Level 3 fair value

Fair value on financial instruments not carried at fair value

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

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER AND NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021 (CONTINUED)**

15. CAPITAL COMMITMENTS

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

	Unaudited	
	Nine-month period ended	
	30.9.2021	30.9.2020
	KHR'000	KHR'000
Construction of water treatment plant	445,367,776	612,617,807
Consultation services	8,957	11,322,776
Purchase of iron pipes, fitting and accessories	1,057	1,063
	<u>445,377,790</u>	<u>623,941,646</u>

16. SEGMENTAL REPORTING

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

17. SIGNIFICANT EVENT DURING THE REPORTING PERIOD

The MoEF had on 9 August 2021 approved the waiver of dividends payable of PPWSA as at 30 June 2021 of KHR36,372,177,000 and reflected as other income during the quarter and nine-months period ended 30 September 2021.

18. AUTHORISATION OF FINANCIAL STATEMENTS

The condensed interim financial information of PPWSA for the quarter and nine-month period ended 30 September 2021 were authorised for issue by the Board of Directors on 11 November 2021.

Registration No. Co.0839 E/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 30 September 2021 and the related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows for the quarter and nine-month period then ended, and notes to the condensed interim financial information (collectively referred to as "condensed interim financial information of PPWSA"). The directors of PPWSA are responsible for the preparation and fair presentation of the condensed interim financial information of PPWSA in accordance with the Cambodian International Accounting Standard ("CIAS") 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on the condensed interim financial information of PPWSA based on our review.

Scope of review

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

Conclusion

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

Registration No. Co.0839 Et/2012

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

Other Matter

The financial statements of PPWSA for the financial year ended 31 December 2020 and the condensed interim financial information of PPWSA for the quarter and nine-month period ended 30 September 2020 were audited and reviewed by another firm of certified public accountants whose report dated 24 March 2021 and 10 November 2020 expressed an unmodified opinion and unmodified conclusion, on those financial statements and condensed interim financial information respectively.



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

Phnom Penh, Kingdom of Cambodia

Date: 11 NOV 2021



Tan Khee Meng
Certified Public Accountant

PART4.- Management's Discussion and Analysis

A. Overview of operations

1- Revenue analysis

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

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

➤ The period ended 30 September 2021 compared to the period ended 30 September 2020

	Third Quarter 2021 (KHR'000)	Third Quarter 2020 (KHR'000)	Changes (KHR'000/Percent)	
Total revenues	115,282,562	86,585,071	28,697,491	33.14%

Total revenue increased by KHR 28,697,491,000 or 33.14%, from KHR 86,585,071,000 for the period ended 2020 to KHR 115,282,562,000 for the period ended 2021 . This increase was primarily due to the Ministry of Economy and Finance approved to waive the dividend payment to the state for the period 2019-2020 of 36,372,177,033,34 Riels, which increase in the other income by 29,169,757,000 Riels or 379.16%.

2- Revenue analysis by segment

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

	Third Quarter 2021 (KHR'000)		Third Quarter 2020 (KHR'000)	
Sale	70,538,340	61.19%	71,053,789	82.06%
Construction service fee	7,503,441	6.51%	7,838,120	9.05%
Foreign exchange gains - net	377,860	0.33%	-	-
Other income	36,862,921	31.98%	7,693,162	8.89%

A. Overview of operations (con't)

2- Revenue analysis by segment (con't)

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

➤ The period ended 30 September 2021 compared to the period ended 30 September 2020

	Third Quarter 2021		Third Quarter 2020		Changes		
	Volume	Amount	Volume	Amount	Volume	Amount	Amount
	(M ³)	(KHR'000)	(M ³)	(KHR'000)	(M ³)	(KHR'000)	(%)
Water Sales-Household	26,740,560	29,402,329	27,404,400	29,271,793	(1,063,840)	130,536	0.45%
Water Sales-Commercial	18,284,637	31,054,151	19,388,128	33,335,560	(1,103,491)	(2,281,409)	(6.84%)

- Revenue from household sales

Revenue increased by KHR 130,536,000 or 0.45%, from KHR 29,271,793,000 for the period ended Q3_2020 to KHR 29,402,329,000 for the period ended Q3_2021 due to and increase in number of customer by 16,020 connections, from 331,946 to 347,966 connections.

- Revenue from commercial and industrial sales

Revenue decreased by KHR 2,281,409,000 or 6.84%, from KHR 31,054,151,000 for the period ended Q3_2020 to KHR 33,335,560,000 for the period ended Q3_2021 due to average tariff decreased by 4.76 Riels/m³ of 1,719.38 Riels/m³ to 1,714.62 Riels/m³.

A. Overview of operations (con't)

3- Gross profit margin analysis

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

Details of the operating expenses will be discussed in Item "A.4" below.

4- Profit before tax

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

➤ The period ended 30 September 2021 compared to the period ended 30 September 2020

	Third Quarter 2021 (KHR'000)	Third Quarter 2020 (KHR'000)	Changes (KHR'000/Percent)	
Total revenues	115,282,562	86,585,071	28,697,491	33.14%
Depreciation and amortisation charges	(14,322,755)	(12,525,310)	(1,797,445)	(14.35%)
Electricity costs	(9,483,182)	(8,667,841)	(815,341)	(9.41%)
Employee benefits expense	(15,248,076)	(13,628,675)	(1,619,401)	(11.88%)
Raw materials for water treatment	(2,295,301)	(3,177,958)	882,657	27.77%
Construction service expenses	(2,844,669)	(6,278,884)	3,434,215	54.69%
Finance income	3,137,122	246,544	2,890,578	1,172.44%
Finance costs	(1,055,257)	(7,067,485)	6,012,228	85.07%
Profit before tax	67,881,462	31,075,284	36,806,178	118.44%

PPWSA earned profit before tax of KHR 67,881,462,000 for the period ended Q3_2021 and KHR 31,075,284,000 for the period ended Q3_2020, representing an increase of KHR 36,806,178,000 or 118.44%. The increase in profit before tax was primarily due to the increase in total revenues by KHR 28,697,491,000 or 33.14% an increase in finance income-net by KHR 8,902,807,000 or 135.52% compared with the period ended Q3_2020.

A. Overview of operations (con't)

5- Profit for the financial year

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

➤ The period ended 30 September 2021 compared to the period ended 30 September 2020

	Third Quarter 2021 (KHR'000)	Third Quarter 2020 (KHR'000)	Changes (KHR'000/Percent)	
Profit before tax (a)	67,881,462	31,075,284	36,806,178	118.44%
Tax expense (b)	(8,142,782)	(3,934,442)	(4,208,340)	(106.96%)
Profit for the financial year	59,738,680	27,140,842	32,597,838	120.11%
Total comprehensive income for the financial year	59,738,680	27,140,842	32,597,838	120.11%
Effective tax reate (b)/(a)	12.00%	12.66%		

PPWSA earned profit for the financial period of KHR 59,738,680,000 in Q3_2021 and KHR 27,140,842,000 in Q3_2020, representing an increase of KHR 36,806,178,000 or 120.11%. The increase in profit for the financial year was due to the increase in operating profit by KHR 36,806,178,000 or 118.44%.

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

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

- **NRW rate:** PPWSA utilized an effective mechanism to reduce NRW to 11.38% in this quarter. It is a critical factor enabling PPWSA to ensure its financial viability and sustainable enterprise development.
- **Increase in customer base:** To generate revenues from water sales, PPWSA increased its customer base, expanding its service coverage to unserved areas by filling up its coverage with distribution network in Phnom Penh and its surroundings areas, in particular, the economically potential ones.
- **Increase in average water tariff:** Finding new commercial and industrial customers increased PPWSA's average water tariff because the tariff for this customer category is higher than that of other customer categories.
- **Operating expenses management:** PPWSA managed these expenses, especially the electricity consumption cost which is huge and significant in the water treatment process, through the introduction of new technologies such as variable speed distribution pumps. In 2012, PPWSA started using low-cost raw materials for water treatment efficiency – Poly Aluminium Chloride (PAC) instead of alum.

- **Strict practices in procurement process:** The Authority has strictly adhered to applicable laws, regulation and other guidelines in relation to the procurement process for purchases of pipelines, material and raw materials. This process is transparency and encourages market price competition, which allows the Authority to make low cost purchases, without neglecting quality.
- **Collection ratio:** This rate not only gave PPWSA high liquidity but also adequate capability to use the working capital effectively.
- **Cash management:** With the above high collection ratio, PPWSA was capable enough to manage its cash efficiently. With this, PPWSA reserved cash as working capital for 2-3 months, and invested available cash in short-term fixed deposits at commercial banks with high interest rates. PPWSA also scrutinize risks and benefits associated with the high interest rates.
- **Selection of low-rate financiers:** Due to the increasing water demand, PPWSA is in need of finance for its investment projects, such as construction of WTPs, and laying of transmission and distribution pipes. PPWSA has sought international development partners such as AFD to get the low interest rate financing.
- **Economic situation:** Changes in economic circumstances impacted on the average monthly water consumption per connection, which led to fluctuations in the average water tariff.

B. Significant Factors Affecting Profit

1- Demand and supply conditions analysis

According to a study on water demand against the population growth in Phnom Penh due to the expansion of its surrounding areas, PPWSA will construct additional water treatment plants in 2 phases at Bakheng. The investment project for Bakheng WTP Phase 1, with a production capacity of 195,000m³/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 General Department of Taxation.

4- Exceptional and extraordinary items analysis

At the end of the period ended 30 September 2021, the management learned that PPWSA did not have any exceptional and extraordinary items.

C- Material changes in sales and revenues

PPWSA's main revenues are the sales of safe water which is a basic need of Phnom Penh residents. The water sales represented more than 60% of gross revenue in Q3_2021. PPWSA is also the monopoly water supplier in Phnom Penh and its outskirts. Revenues may grow, subject to the demography including the enlargement of Phnom Penh capital and the migration of provincial residents to Phnom Penh.

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

D.1- Impact of exchange rate

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

D.2- Impact of interest rates

D.2.1- Impact of interest rate on interest income

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

D.2.2- Impact of interest rate on interest expense

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

D.2.3- Impact of raw materials prices

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

E- Impact of inflation

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

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

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

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

PART 5.- Other Necessary Information for Investor Protection

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

SIGNATURE OF DIRECTORES OF PHNOM PENH WATER SUPPLY AUTHORITY

Phnom Penh, 11 November 2021

Read and Approved

Signature

Oum Sotha

Chairman of the Board

Phnom Penh, 11 November 2021

Read and Approved

Signature

Long Naro

Director



PHNOM PENH WATER SUPPLY AUTHORITY (PPWSA)



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