

KINGDOM OF CAMBODIA

NATION RELIGION KING



PHNOM PENH WATER SUPPLY AUTHORITY

FIRST QUARTERLY

REPORT 2023



MAJOR STRATEGIC GOALS OF THE PHNOM PENH WATER SUPPLY AUTHORITY AREAS FOLLOW:

Expand water supply to Phnom Penh's suburban areas and surrounding regions at the same Rate and standard as in Phnom Penh. Analysis the cost and reform the process and procedure to reduce the cost of water, improve staff efficiencies, and build the ability of authority. Maintain a strong commitment to social responsibilities. Engage in Strategic benchmarking compare with the most efficient water supply organization in the world.



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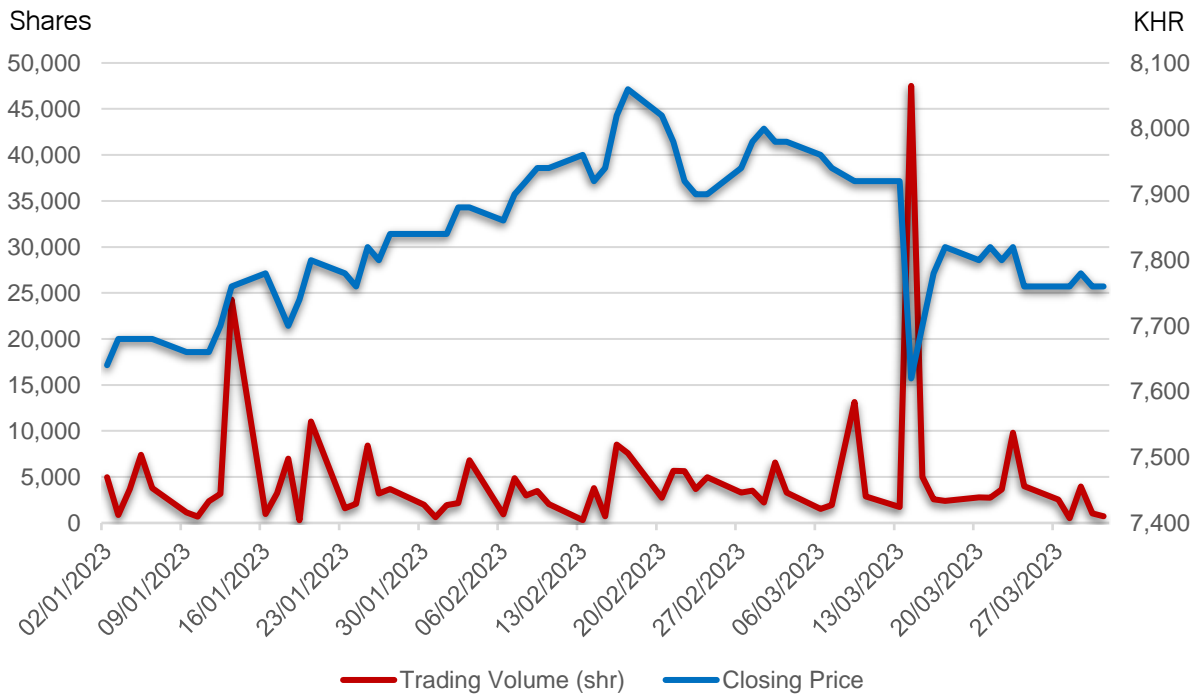
Drilling site for a 2-meter diameter water pipe across the bottom of the Tonle Sap River at Prek Pnov Bridge

FINANCIAL HIGHLIGHTS

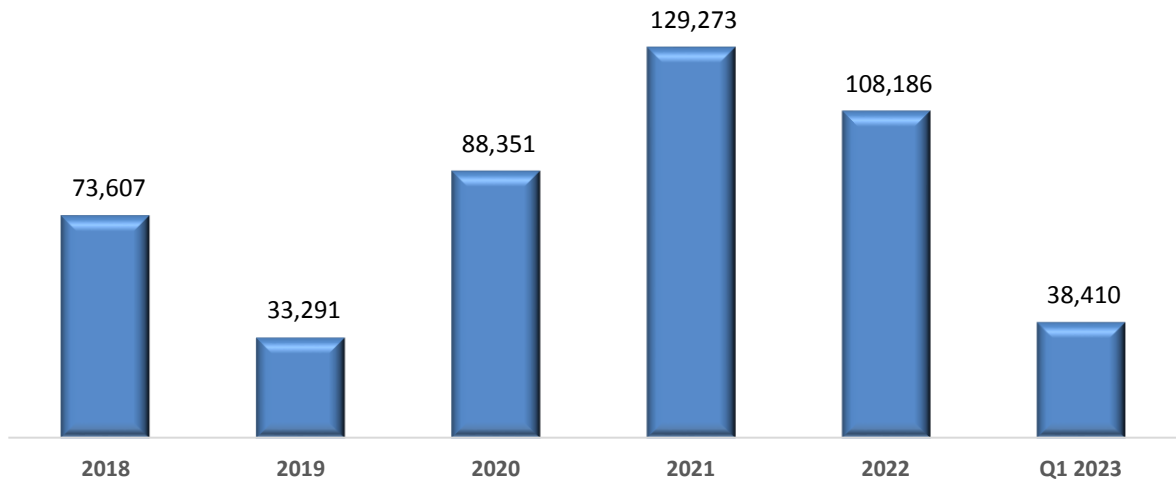
Financial Position		First Quarter 2023	2022	2021
Total assets (KHR'000)		2,754,004,061	2,684,135,875	2,306,806,174
Total liabilities (KHR'000)		1,447,685,787	1,411,922,828	1,140,177,961
Total shareholders'equity (KHR'000)		1,306,318,274	1,272,213,047	1,166,628,213
Profit/(Loss)		First Quarter 2023	First Quarter 2022	First Quarter 2021
Total Revenue(KHR'000)		83,011,613	82,020,010	84,304,726
Profit/(Loss) before tax (KHR'000)		41,741,650	40,686,269	42,416,039
Profit/(Loss) after tax (KHR'000)		38,410,385	30,291,749	30,771,609
Total comprehensive income (KHR'000)		38,410,385	30,291,749	30,771,609
Financial Ratios		First Quarter 2023	2022	2021
Solvency ratio				
Liquidity Ratio	Current Ratio (Times)	2.14	2.21	1.65
	Quick Ratio(Times)	1.48	1.46	1.11
		First Quarter 2023	First Quarter 2022	First Quarter 2021
Profitabilities Ratio	Return on Assets (%)	1.41	1.28	1.60
	Return on Equity (%)	2.98	2.57	3.00
	Gross Profit margin (%)	32.37	39.06	41.02
	Profit Margin (%)	46.27	36.93	36.50
	Earning Per Share (KHR)	441.63	348.29	353.81
Interest Coverage Rario (Times)		22.82	39.15	115.71

FINANCIAL SUMMARY CHARTS

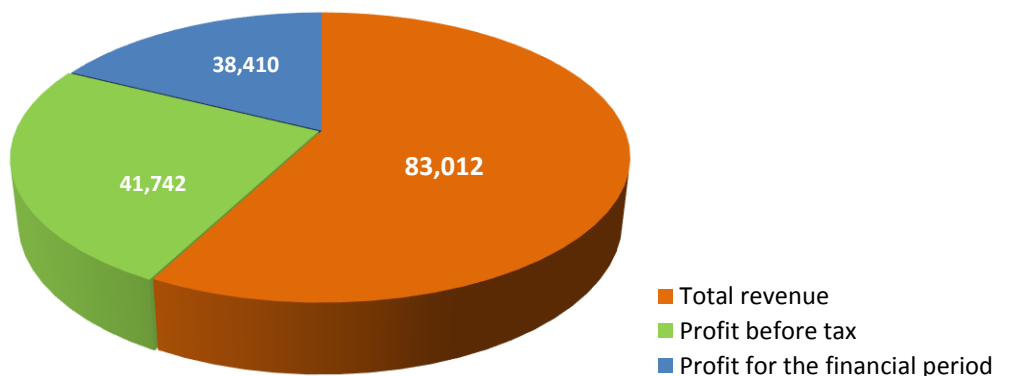
Changes in stock price (in KHR) and trading volume



PROFIT FOR EACH YEAR (in million KHR)



PROFIT FOR FIRST QUARTER OF 2023 (in million KHR)



BOARD OF DIRECTORS



H.E. Sim Sitha

Secretary of State. Ministry of Industry
Science Technology and Innovation

Chairman



H.E. Long Naro

Director General Of
PPWSA

Member



H.E. Mey Vann

Secretary of State.
Ministry of Economy and Finance

Member



H.E. Nuon Pharat

Deputy Governor of the Board
Of Governors of Phnom Penh

Member



Mr. Ma Noravin

Representative
Of PPWSA's employees

Member



Mr. Nam Chantry

Non-Executive Director
Representative of Private
Shareholder

Member



Mr. Sreng Samork

Independent Director

Member

MESSAGE FROM CHAIRMAN OF THE BOARD



H.E. Sim Sitha

Secretary of State, Ministry of Industry
Science Technology and Innovation

Chairman

In the 1st quarter of 2023,

By gaining the trust from the Royal Government and the support from the two parent ministries, PPWSA successfully performed all its business activities. We have been continuing to develop its water service from day to day, both in terms of qualities and quantities, to meet the water demand for the population in Phnom Penh and the provincial town of Takmao as well as to contribute to the developments of the two municipalities.

In this quarter, PPWSA reported total revenues of KHR83,011,613,000 and profit before tax of KHR41,741,650,000. Net income was KHR38,410,385,000. While the basic earnings per share was KHR441.63.

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

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

Effective Service

PPWSA keeps supplying clean water that is straight drinkable from the tap on 24x7 basis. In the 1st quarter of 2023, we laid the main and distribution pipes of 105,535.55m, produced 59,296,616m³ of clean water and installed 7,355 new house connections, of which 577 connections were for the low-income whom we always care for. Furthermore, the water loss accounted for 8.70% due to pipe leakage.

Performance of the Board of Directors

In the 1st quarter of 2023, the Board of Directors organized the 2 following meetings:

A. Outcomes of the 1st ordinary meeting of Board of Directors

The meeting was on March 15, 2023 at 8:30 AM at the headquarter of PPWSA with the following agendas:

1. Request for approval on Annual Report 2022 and on the distribution of profit and dividend in 2022

The Board approved :

a) Unanimously adopted the proposed distribution of net income in 2022, where:

- *Reward to staff (3 months) : KHR 9,326,110,356.13*
- *Social Fund (5%) : KHR 4,299,136,464.07*
- *Mandatory reserved fund (5%) : KHR 5,409,293,250.00*
- *Voluntary reserved fund (5%) : KHR 5,409,293,250.00*

b) Unanimously adopted the retained earnings : KHR 93,062,106,750.00

2. Request for in-principle approval on the disposal of damaged fixed assets and provision of obsolete or damaged inventory in 2021, to be submitted to Ministry of Economy and Finance for in-principle approval on write-off.

The Board agreed in-principle to the proposed write-off, and to request Ministry of Economy and Finance to evaluate and auction the fixed assets and inventory in compliance with the present procedures.

3. Request for compliance with the disclosure in the 2nd part of the annexure of PPWSA's Annual Report "Annual Corporate Governance Report" and provision of supporting documents based on the outline of periodical reports of the Securities and Exchange Regulator of Cambodia (SERC) both in Khmer and English.

The Board agreed on the first request (proposed updates of directors' CVs in Khmer and English) and the second request (proposed information of directors' relation with other firms) whereas, for the third request (proposed implementation of the annual performance evaluation for the Board of Directors, Individual directors, Committees and Executive Director, the Board of Directors requested PPWSA to contact SERC for a sample evaluation form as a basis for future implementation.

4. Request for approval on the organization of the 11th General Meeting of Shareholders

The Board approved :

- *Date of the 11th General Meeting of Shareholders (GMS) : May 26, 2023 and April 26, 2023 is a Record Date for the attending the 11th General Meeting of Shareholders*
- *The 11th GMS, including the voting session, will be organized via online meeting*
- *The GMS will start at 8:00 AM with the proposed agendas as below :*
 - *Online registration*
 - *Opening call*
 - *Presentation on the Annual Business Report 2022 and Business Plan 2023*
 - *Voting on the approval on dividend distribution*
 - *Voting on the remuneration of Board of Directors*
 - *Closing remarks.*

- Authorize Mr. DENG Polyden, Deputy Director in charge of Finance, to deliver the presentation on the Annual Business Report 2022 and the Business Plan 2023
- Authorize the Director General to conduct and organize the 11th GMS

5. Request for approval on the revision of the composition of the Board Committees

The Board agreed to revise and appoint the composition of the Board Committees as follows :

a) *Nomination and Remuneration Committee*

- | | | |
|------------------------------|---|-----------|
| 1. H.E. SIM Sitha | Board Chairman | Chairman |
| | <i>Representative of Ministry of Industry, Science, Technology and Innovation</i> | |
| 2. H.E. MEY Vann | Board Member | Member |
| | <i>Representative of Ministry of Economy and Finance</i> | |
| 3. H.E. NUON Pharat | Board Member | Member |
| | <i>Representative of Phnom Penh Municipality</i> | |
| 4. Director General of PPWSA | | Member |
| 5. Company Secretary | | Secretary |

b) *Audit Committee*

- | | | |
|---------------------|---|---------------|
| 1. Mr. SRENG Samork | Board Member | Chairman |
| | <i>Independent Director</i> | |
| 2. H.E. MEY Vann | Board Member | Vice-chairman |
| | <i>Representative of Ministry of Economy and Finance</i> | |
| 3. Mr. NAM Chantry | Board Member | Member |
| | <i>Non-Executive Director Representing Privat Sharholders</i> | |
| 4. H.E. NET Mony | State Controller attached to PPWSA | Member |
| 5. Mr. MA Noravin | Board Member | Member |
| | <i>Representative of PPWSA employees</i> | |

6. Request for approval on the Board meeting calendar in 2023

The Board approved the following dates for the Board meetings in 2023:

- June 22, 2023 for the 2nd quarter
- September 22, 2023 for the 3rd quarter
- December 22, 2023 for the 4th quarter

7. Request for review and approval on Organizational Chart of PPWSA

The Board agreed in principle to select the proposed first option of Organization Chart for further revision based on the recommendations of the Board members by removing the proposed box “Risk Management Committee” as well as requesting to rename the box “ Legislation & Inspection” and to revise some of the unit’s roles, maintaining that this unit is not a water debt collector, but resolves the disputes if any. In addition, the Board of Directors also advised Director General disseminate to all senior staff and department employees the statutes, paper on non-compliance of the relevant legal documents of PPWSA with Prakas No. 011/18 SECC/Prk and the recommendations of HML LAW GROUP & CONSULTANTS.

8. Request for a discussion on Code of Ethics, conflict of interest and the implementation in compliance with Prakas No. 011/18 SECC/Prk on Corporate Governance for Listed Companies

The Board acknowledged the information and advised PPWSA to follow the recommendations of Board of Directors.

9. Business Report for the 1st quarter of 2023 and Business Plan for the 2nd quarter of 2023

The Board acknowledge the Business Report for the 1st quarter of 2023 and Business Plan for the 2nd quarter of 2023. On the other hand, for spurring the house connection to the people in Tbong Khmum province, the Board of Directors advised PPWSA prepare a financial analysis and report it to the Board of Director through Telegram later.

10. Procurement Report the end of 2022 and for the 1st quarter of 2023

The Board approved the Procurement Report for the end of 2022 and for the 1st quarter of 2023 and also urged PPWSA to speed up the request for approval from Ministry of Economy and Finance on the procedure of selecting an independent auditor for two-year term.

11. Report on the Social Fund for the end of 2022 and for the 1st quarter of 2023

The Board acknowledged the Social Fund Report for the end of 2022 and for the 1st quarter of 2023 as well as agreed to the three expenditure requests (1st, 2nd and 3rd requests). Separately, for the 4th request, the Board of Directors suggested PPWSA conduct a detailed study before being submitted for a decision from the Board of Directors at the next meeting.

12. Internal Audit Report for the 1st quarter of 2023

The Board acknowledged the report as well as advised PPWSA follow the its recommendations.

13. Others

- a) Request for a discussion on organizational infrastructure including the office for the Board of Directors.

The Board agreed to a preparation as planned by PPWSA .

- b) Drafted strategic plan for the Public Enterprise Management Reform.

The Board acknowledged and suggested Director General, Employee Representative and all senior staff of PPWSA disseminate to every member of the subordinate staff the slide presentation and relevant legal documents before the promulgation of the new Law on Public Enterprise Management, and report the result of this dissemination to the Board at the next meeting.

- c) Request for approval on the report of the options of land locations with optimal technical and economic efficiency to be selected for the construction of the intake for Bakheng Water Treatment Plant (WTP) Stage 3, including the presentation by SAFEGE consultant on the feasibility study of Bakheng Stage 3 project.

The Board decided the following:

- 1. Agreed in principle to the result of feasibility study of Bakheng Stage 3 project presented by SAFEGE consultant.*
- 2. Agreed in principle to select the most technically and economically efficient location for construction of the intake of Bakheng WTP Stage 3.*
- 3. Requested Director General to follow H.E. MEY Vann's recommendations in preparation for response to the development partner in the coming policy dialog.*

B. Outcomes of the first extraordinary meeting (the 2nd meeting) of the Board of Directors

The meeting was held on March 29, 2023 at 14:00 PM at the headquarter of PPWSA with the following agenda:

Request for a discussion and review on the possibility of water supply in Phnom Penh and Takmao in this summer and the solution to temporary water shortage in April and May

The Board decided the following :

- 1. Advised PPWSA prepare the technical causes of water shortage by writing in brief and straightforward, along with the request to customers for water saving, for further broadcasting over a wider range of media and through the local authorities.*
- 2. Advised PPWSA contact with major customers for their collaboration on reducing or changing their production hours as well as requested Phnom Penh Municipality to temporarily use river water for road cleaning and public park watering.*
- 3. Proposed a strategic (collective) delivery of water, setting location of supply, time of water delivery, number of water trucks to transport water in each channel, the location of fire hydrants where to get the water, and the location where to install standpipe, etc.*
- 4. Advised PPWSA discuss with the contractor to find the ways and possibilities of speeding up the construction of Bakheng WTP Stage 1 as well as the connection of pipes with the WTP and supply all the water from Chroy Changwar WTP to Phnom Penh.*
- 5. Allowed PPWSA to use the Social Fund to pay all expenses, including water charges, for delivery of clean water to customers in Phnom Penh and Takmao who are facing water shortage during this summer.*

PPWSA has a clear strategy to expand the water distribution network to the surrounding areas of Phnom Penh based on the extension of water treatment facilities, keeping the same tariff and standard for Phnom Penh, and a strong commitment to social and environmental responsibility.

In the 2nd quarter of 2023, PPWSA plans to produce 57,017,964m³ of clean water, expand 149,740m of additional distribution network, and total revenues of KHR 102,139,416,000 with total expenses of KHR 68,558,697,000 as approved by the Board and the 2 parent ministries.

Acknowledgement

We would like to express our deep gratitude to the Royal Government, the two tutelary ministries-Ministry of Industry, Science, Technology and Innovation, and Ministry of Economy and Finance, Securities and Exchange Committee of Cambodia, and all the shareholders who always trust and support PPWSA.

We are also proud and thankful to PPWSA's staff at all levels, who worked hard and responsibly to achieve the best results.

Phnom Penh, May 12, 2023

CHAIRMAN

Sim Sitha

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PART1: General Information of PPWSA

A. Identification of the Phnom Penh Water Supply Authority

- ◆ Name in Khmer: រដ្ឋាករទឹកស្វយ័តក្រុងភ្នំពេញ (រ.ទ.ស.ភ)
- ◆ Name in Latin: Phnom Penh Water Supply Authority (PPWSA)
- ◆ Standard Code: KH1000010004
- ◆ Address: Office No.45, St. 106, Sangkat Srah Chork, Khan Daun Penh, Phnom Penh, Cambodia
- ◆ Phone number: (855)31 322 6345
- ◆ Website: www.ppwsa.com.kh Email: ir@ppwsa.com.kh
- ◆ Company Registration Number: Co.0839Et/2012 Date: March 27th, 2012
- ◆ License number: Sub-decree No. 52 ANKr.BK Issued by: The Royal Government of Cambodia
Date: December 19th, 1996
- ◆ Disclosure document registration number by SERC: 012/12 SECC/SSR Date: March 23rd, 2012
- ◆ Representative: **H.E. LONG NARO**

B. Nature of Business

- ◆ Invest in, build, expand, operate, repair and maintain water supply and sanitation facilities.
- ◆ Take all the means to improve its production and service, and assure clean water quality to satisfy the requirements for living, businesses, services and industries. Engage in domestic or overseas business and services related to water and sanitation sectors due to the Board of Directors's resolutions and the existing laws.
- ◆ Enhance technical, commercial and financial corporations with local and international development partners to develop PPWSA in accordance with the Royal Government's policies.
- ◆ Maintain financial and operational sustainability pertaining to social interests.
- ◆ Expand water supply to Phnom Penh's suburban areas and surrounding regions at the same rate and standard as in Phnom Penh.
- ◆ Improve staff efficiency and continue to build the capacity of the enterprise.
- ◆ Analyze cost factors and reform processes and procedures to reduce water costs.
- ◆ Strategically compare with the most efficient water utilities in the world.
- ◆ Strong commitment to social and environmental responsibility.

PART 2. Information on Business Operation Performance

A. Business Operation Performance including business segments information

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

A.1.1. Water Treatment

➤ The water treatment in the first quarter 2023 as follows:

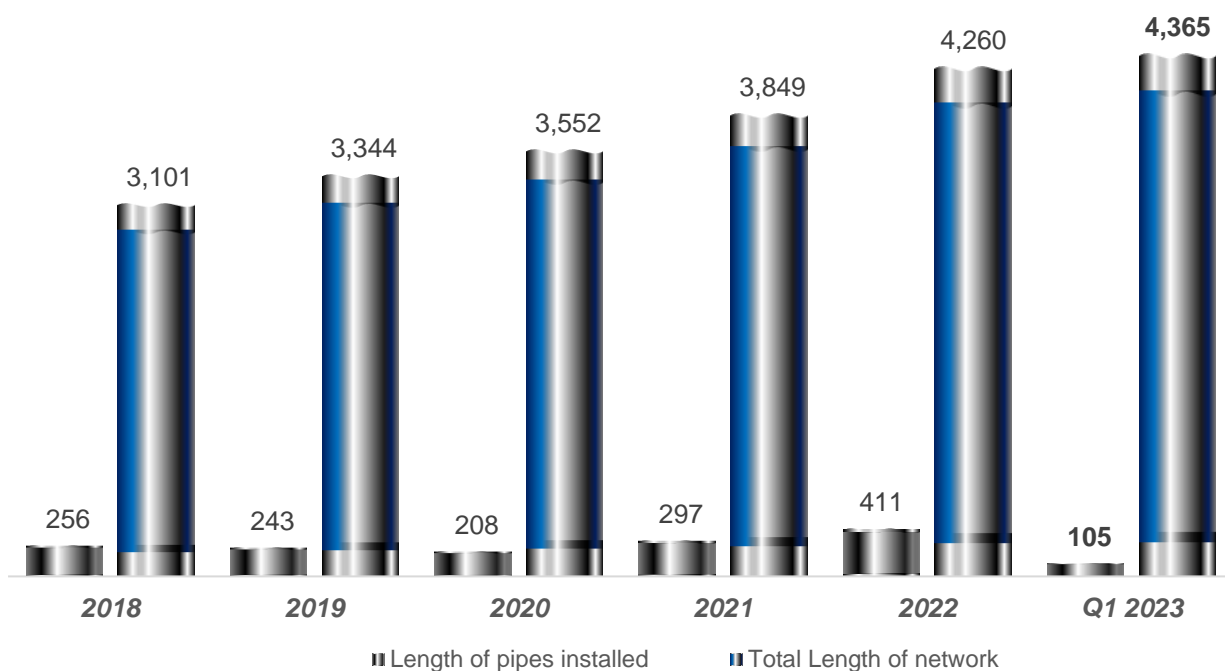
Description	Plan (m ³)	Actual (m ³)	Rate (%)
Phum Prek	14,154,700	15,143,643	107
Chroy Chang War	14,999,000	16,205,520	108
Chamkar Mon	4,680,000	5,116,408	109
Niroth	23,428,000	22,621,330	97
Mlech	90,000	120,760	134
Thbong Khmom	63,000	88,955	141
TOTAL	<u>57,414,700</u>	<u>59,296,616</u>	<u>103</u>

➤ The quality of treated water at the six water treatment plants and distribution networks

Parameters	Unit	WHO	Phum Prek WTP	Chroy Chang War WTP	Chamkar Mon WTP	Niroth WTP	Mlech WTP	Thbong Khmom WTP	Distribution Pipes
Turbidity	NTU	≤ 5	0.39	0.30	0.18	0.29	0.56	0.48	0.39
pH Value	pH	6.5-8.5	7.38	7.67	7.58	7.20	7.25	7.55	7.36
Free Available Chlorine	mg/l	0.1-1	1.57	1.40	1.28	1.43	1.24	0.78	0.37
Total Available Chlorine	mg/l	<2	1.79	1.57	1.46	1.63	1.47	0.93	0.50
Total coliforms	cfu/100ml	0	0	0	0	0	0	0	0
E. Coli	cfu/100ml	0	0	0	0	0	0	0	0

A.1.2. Pipes Laying

The Length of pipes for each year (km)

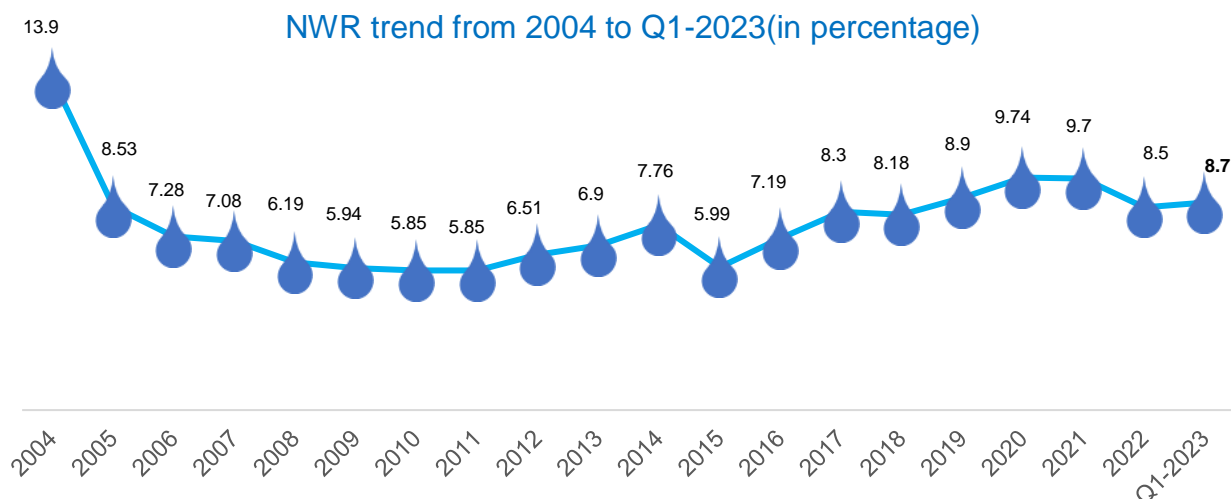


A. Business Operation Performance including business segments information (con't)

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

A.1.3. Water Loss Reduction

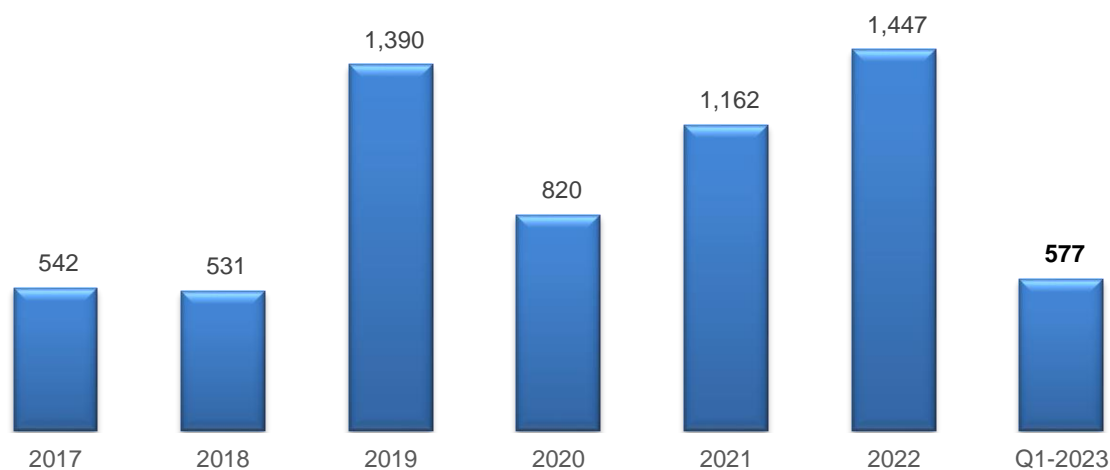
In the first quarter 2023, PPWSA's water loss rate was kept in single digits 8.70%, as shown in the graph below.



A.2. Business Activities and Results

A.2.1. Water Supply for low-income household

low-income household connections

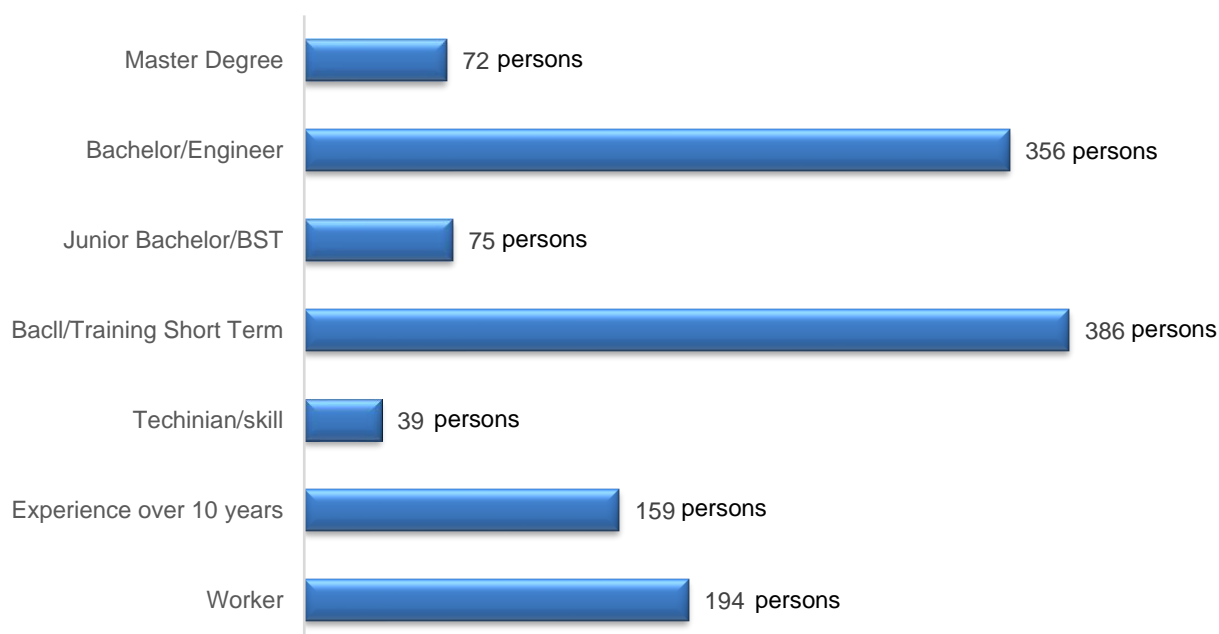


A.2.2. House Connection and Customer Management

Type of Customers	2019	2020	2021	2022	Q1-2023	
	(Connections)	(Connections)	(Connections)	(Connections)	(Connections)	(%)
Domestic	321,212	333,099	350,463	360,948	366,997	79.9716
Commercial	62,366	68,136	74,344	83,874	85,180	18.5614
Administrative	696	744	823	913	922	0.2009
Wholesalers	07	10	11	09	08	0.0017
RDE Representative	17	14	16	05	05	0.0011
Standpipe	17	17	16	16	14	0.0030
Room rental	5,752	5,759	5,728	5,789	5,783	1.2602
TOTAL	390,067	407,779	431,401	451,554	458,909	

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

A.3- Human Resource Management



B- Revenue Structure

No	Source of Revenue	Q1-2023		Q1-2022		Q1-2021	
		(KHR'000)	%	(KHR'000)	%	(KHR'000)	%
1	Sales	73,742,555	88.84	69,132,127	84.29	68,729,063	81.52
2	Construction Service fees	6,825,219	8.22	3,816,557	4.65	6,968,342	8.27
3	Foreign exchange gains-net	-	-	-	-	543,626	0.64
4	Other income	2,443,839	2.94	9,071,326	11.06	8,063,695	9.56
	Total revenue	83,011,613		82,020,010		84,304,726	

PART 3:
FINANCIAL STATEMENT
REVIEW BY
THE EXTERNAL AUDITOR

**CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER AND
THREE-MONTH PERIOD ENDED 31 MARCH 2023**

ATTACHED AS APPENDIX I

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 charges, 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 2023 compared to the period of 31 March 2022

Description	First quarter 2023 (KHR'000)	First quarter 2022 (KHR'000)	Changes(KHR'000/Percentage)	
Total Revenues	83,011,613	82,020,010	991,603	1.21%

PPWSA has a total revenue of KHR83,011,613,000 for the period ended 31 March 2023 and KHR82,020,010,000 for the period ending 31 March 2022. The revenue increased by KHR991,603,000 or 1.21%. We can see that the main factor of this increase in revenue is due to sales revenue increased by KHR4,610,428,000 or 6.67% and Construction service fee increased by KHR3,008,662,000 or 78.83%.

2. Revenue analysis by segment

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

Description	First quarter 2023 (KHR'000)	%	First quarter 2022 (KHR'000)	%
Sale	73,742,555	88.84%	69,132,127	84.29%
Construction service fee	6,825,219	8.22%	3,816,557	4.65%
Other income	2,443,839	2.94%	9,071,326	11.06%

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 2023 compared to the period of 31 March 2022

Description	First quarter 2023		First quarter 2022		Changes		
	Volume	Amount	Volume	Amount	Volume	Amount	%
	(M ³)	(KHR'000)	(M ³)	(KHR'000)	(M ³)	(KHR'000)	
Domestic	27,209,444	26,523,779	27,188,620	26,420,025	20,824	103,754	0.39%
Commercial	21,447,332	35,646,798	19,546,931	32,165,718	1,900,401	3,481,080	10.82%
Public administrative and autonomy	2,127,618	5,685,582	1,911,527	4,741,260	216,091	944,322	19.92%
Representative and room rental	3,353,416	2,347,391	2,867,405	2,184,725	486,011	162,666	7.45%

◆ Revenue from household water sales (Domestic)

Revenue from domestic water sales amounted to KHR26,523,779,000 for the period ended 31 March 2023 and KHR26,420,025,000 for the period ended 31 March 2022, that is increased by KHR103,754,000 or 0.39%. The reason of the increase is that the average tariff ascended by KHR 3.07/m³, from KHR 971.73/m³ to KHR 974.80/m³ and the number of connections ascended by 13,977 from 353,020 to 366,997 connections and monthly consumption per connection increased by 0.95m³ from 24.19m³ to 25.14m³.

◆ Revenue from commercial water sales

Revenue from commercial water sales amounted to KHR35,646,798,000 for the period ended 31 March 2023 and KHR32,165,718,000 for the period ended 31 March 2022, that is increased by KHR3,481,080,000 or 10.82%. The reason of the increase is that the number of connections ascended by 7,134 from 78,046 to 85,180 connections and the average tariff ascended by KHR 124.89/m³ from KHR 1,772.69/m³ to KHR 1,897.58/m³. On the other hand, monthly consumption per connection decreased by 5.58m³ from 90.81m³ to 85.25m³.

◆ Revenue from public administrative water sales

Revenue from public administrative water sales amounted to KHR5,685,582,000 for the period ended 31 March 2023 and KHR 4,741,260,000 for the period ended 31 March 2022, that is increased KHR 944,322,000 or 19.92%. The reason of the increase is that the connections ascended by 44 connections from 878 to 922 connections and monthly consumption per connection ascended by 45.51m³ from 640.92m³ to 685.89m³ and the average tariff KHR 2,500/m³.

◆ Revenue from representative and rent rooms water sales

Revenue from representative and rent rooms water sales amounted to KHR2,347,391,000 for the period ended 31 March 2023 and KHR2,184,725,000 for the period ended 31 March 2022, that is increased KHR162,666,000 or 7.45%. The reason of the increase is that the number of connections ascended by 35 connections from 5,775 to 5,810 connections, monthly consumption per connection ascended by 3.11m³ from 174.37m³ to 177.49m³ and the average tariff 700/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.

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 2023 compared to the period ended 31 March 2022

Description	First quarter 2023 (KHR'000)	First quarter 2022 (KHR'000)	Changes (KHR'000/Percentage)	
Total revenues	83,011,613	82,020,010	991,603	1.21%
Depreciation and amortisation charges	(15,117,954)	(14,878,838)	(239,116)	(1.61%)
Electricity costs	(8,953,220)	(8,523,659)	(429,561)	(5.04%)
Salaries, wages and related expenses	(18,457,090)	(16,054,468)	(2,402,622)	(14.97%)
Raw materials for water treatment	(3,381,078)	(2,579,993)	(801,085)	(31.05%)
Construction service expenses	(3,204,764)	(1,991,028)	(1,213,736)	(60.96%)
Finance income	16,048,689	9,468,907	6,579,782	69.49%
Finance costs	(1,177,483)	(818,173)	(359,310)	(43.92%)
Profit before tax	41,741,650	40,686,269	1,055,381	2.59%

PPWSA earned profit before tax of KHR41,741,650,000 for the period ended 31 March 2023 and KHR40,686,269,000 for the period ended 31 March 2022 that was increased by KHR1,055,381,000 or 2.59%. We can see that the main factor of this increased in Profit before tax is due to Finance income-net increased by KHR6,220,472,000 or 71.91%.

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.

A. Overview of operations (Con't)

5. Profit for the financial year (Con't)

➤ The period ended 31 March 2023 compared to the period ended 31 March 2022

Description	First quarter 2023 (KHR'000)	First quarter 2022 (KHR'000)	Changes(KHR'000/Percentage)	
Profit before tax (a)	41,741,650	40,686,269	1,055,381	2.59%
Tax expense (b)	(3,331,265)	(10,394,520)	7,063,255	67.95%
Profit for the financial year	38,410,385	30,291,749	8,118,636	26.80%
Total comprehensive income for the financial year	38,410,385	30,291,749	8,118,636	26.80%
Effective tax reate (b)/(a)	7.98%	25.55%		

PPWSA earned profit for the financial period of KHR38,410,385,000 for the period ended 31 March 2023 and KHR30,291,749,000 for the period ended 31 March 2022, the increased by KHR 8,118,636,000 or 26.80%. We can see that the main factor of this increased in Profit for the period is due to Tax expense decreased by KHR7,063,255,000 or 67.95%, although operating expenses increased by KHR6,156,694,000 or 12.32%.

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

The protracted situation of the war between Russia and Ukraine, as well as the uncertain state of the world economy continues to affect the progress of the global economy and in the region as well, however. PPWSA continues to operate daily and remains profitable in the First quarter of 2023. Continuing to maintain this profit as sales revenue continues to grow quarter-on-quarter due to the following supporting factors:

- **NRW rate:** PPWSA utilized an effective mechanism to reduce NRW to 8.70% in this quarter. Maintaining water loss rate to a minimum, 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.

A- Overview of operations (Con't)

5. Profit for the financial year (Con't)

- **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:** Based on the forecast of the economic situation of Cambodia in 2023 may be at the rate of 5.5%, which is higher than in 2022, which is only 5.2%. A slight increase in the Cambodian economy is a good sign that the average water price may increase based on the demand side, there is an increase, especially the price of water for business type.

B. Significant Factors Affecting Profit

1. Demand and supply conditions analysis

According to a study of water demand relative to population growth in Phnom Penh due to the expansion of the area around Phnom Penh, PPWSA is building a Bak Kheng water treatment plant. Phase 1 with a production capacity of 195,000 m³/day and is scheduled to start production in May 2023 and is continuing to build the Bak Kheng water treatment plant Phase 2 with the same production capacity of 195,000 m³/day that will start in 1st quarter of 2024, Boeung Thom water treatment plant with a production capacity of 5,000 m³/day will complete at the end of 2023, and Takhmao water treatment plant with a production capacity of 30,000m³/day will complete at the end of 2024,.

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, 2023, 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 and house connection which is a basic need of Phnom Penh residents. The water sales represented about 88.84% of gross revenue on 30 March 2023. 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 records the accounting using the base currency, the riel, and foreign currency transactions are converted to the base currency at the exchange rates ruling at the dates of the transactions. Gains and losses arising from the settlement of such transactions, changes in assets and liabilities denominated in foreign currencies are recorded in the detailed income statement. For the first quarter of 2023, the declining of the foreign exchange rate against the riel has made PPWSA unrealized gain from the loans. In particular, most of PPWSA's payments are made in riel, so there is no significant impact on 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 9-12 month 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. The protracted war between Russia and Ukraine has pushed up the prices of raw materials in domestic and foreign markets due to rising fuel prices, unbalanced transportation and supply and demand. 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 carefully considered the plan and the need for raw materials to ensure the timely and affordable use of public procurement laws effective.

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.

F. Economic / Fiscal / Monetary Policies of the Royal Government (Con't)

- **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 សហវិ.ប្រកាស, dated 19 July 2010, on Immovable Property Tax Collection. PPWSA's immovable properties are used to process the water treatment facilities, and tax-exempt according to MEF's Notification No. 006 សហវិ.អនុក្រឹត្យ, dated 18 May 2011.

PART 5: Other Necessary Information for Investor Protection

In the first quarter of 2023, Phnom Penh Water Supply Authority has no other necessary information to disclose

SIGNATURE OF DIRECTORS OF PHNOM PENH WATER SUPPLY AUTHORITY

Phnom Penh, May 12, 2023

Read and Approved

Signature

Sim Sitha

Chairman of the Board

Phnom Penh, May 12, 2023

Read and Approved

Signature

Long Naro

Director

APPENDIX I

**CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER AND
THREE-MONTH PERIOD ENDED 31 MARCH 2023**

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 2023

Registration No. Co.0839 Et/2012

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

**CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER AND THREE-MONTH PERIOD ENDED 31 MARCH 2023**

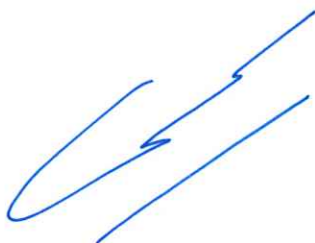
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PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

STATEMENT BY THE DIRECTORS

We, **H.E. SIM SITHA**, **H.E. LONG NARO** and **DENG POLYDEN**, being the directors and officer of Phnom Penh Water Supply Authority ("PPWSA"), do hereby state that in the opinion of the directors, the accompanying condensed interim statement of financial position of PPWSA as at 31 March 2023, 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 three-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*.

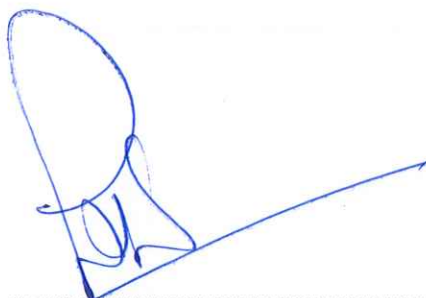
Signed on behalf of the Board of Directors and the management, 



.....
SIM SITHA
Chairman of the Board of Director



.....
LONG NARO
Director General



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

Date: 12th May 2023

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023

	Note	Unaudited 31.3.2023 KHR'000	Audited 31.12.2022 KHR'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	2,293,721,681	2,203,041,914
Intangible assets		11,765,724	12,089,587
Total non-current assets		<u>2,305,487,405</u>	<u>2,215,131,501</u>
Current assets			
Inventories		131,278,926	152,737,078
Trade and other receivables		48,419,059	28,264,940
Contract assets	5	93,205,688	92,768,374
Loan to employees		7,956,651	7,956,651
Short-term investments	6	125,404,908	126,118,416
Cash and cash equivalents		42,251,424	61,158,915
Total current assets		<u>448,516,656</u>	<u>469,004,374</u>
TOTAL ASSETS		<u>2,754,004,061</u>	<u>2,684,135,875</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of PPWSA			
Share capital and share premium		620,759,107	620,759,107
Reserves		647,148,782	543,268,075
Retained earnings		38,410,385	108,185,865
TOTAL EQUITY		<u>1,306,318,274</u>	<u>1,272,213,047</u>
Non-current liabilities			
Borrowings	7	996,259,610	986,495,717
Deferred government and other grants		68,736,001	69,238,477
Deferred tax liabilities		77,016,716	77,016,716
Other payables	8	78,805,380	76,801,705
Total non-current liabilities		<u>1,220,817,707</u>	<u>1,209,552,615</u>
Current liabilities			
Trade and other payables	8	193,418,624	154,661,152
Borrowings	7	23,188,388	23,499,158
Contract liabilities	5	5,479,944	4,456,756
Current tax liabilities		4,781,124	19,753,147
Total current liabilities		<u>226,868,080</u>	<u>202,370,213</u>
TOTAL LIABILITIES		<u>1,447,685,787</u>	<u>1,411,922,828</u>
TOTAL EQUITY AND LIABILITIES		<u>2,754,004,061</u>	<u>2,684,135,875</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 2022 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 2023**

	Note	Unaudited	
		Quarter and three-month period ended	
		31.3.2023	31.3.2022
		KHR'000	KHR'000
Income:			
Sales	9	73,742,555	69,132,127
Construction service fee		6,825,219	3,816,557
Other income		2,443,839	9,071,326
		<u>83,011,613</u>	<u>82,020,010</u>
Expenses:			
Depreciation and amortisation charges		(15,117,954)	(14,878,838)
Electricity costs		(8,953,220)	(8,523,659)
Employee benefits expense		(18,457,090)	(16,054,468)
Raw materials for water treatment		(3,381,078)	(2,579,993)
Raw materials for household water connections		(1,157,083)	(1,154,089)
Repairs and maintenance		(2,293,738)	(1,359,450)
Construction service expense		(3,204,764)	(1,991,028)
Other operating expenses		(2,685,485)	(2,316,046)
Foreign exchange losses - net		(890,757)	(1,126,904)
		<u>(56,141,169)</u>	<u>(49,984,475)</u>
Operating profit		26,870,444	32,035,535
Finance income	10	16,048,689	9,468,907
Finance costs	11	(1,177,483)	(818,173)
Profit before tax		41,741,650	40,686,269
Income tax	12	(3,331,265)	(10,394,520)
Profit for the period, representing total comprehensive income for the period		<u>38,410,385</u>	<u>30,291,749</u>
Earnings per share attributable to owners			
Basic earnings per share (KHR)		441.63	348.29
Diluted earnings per share (KHR)		<u>441.63</u>	<u>348.29</u>

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 2022 and the accompanying explanatory notes attached to this condensed interim financial information.

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER AND THREE-MONTH PERIOD ENDED 31 MARCH 2023**

	Note	Share capital and share premium KHR'000	Reserves KHR'000	Retained earnings KHR'000	Total KHR'000
Unaudited					
Balance at 1 January 2023		620,759,107	543,268,075	108,185,865	1,272,213,047
Profit for the financial period, representing total comprehensive income for the period		-	-	38,410,385	38,410,385
Transactions with owners					
Transfer to reserves		-	103,880,707	(103,880,707)	-
Dividends	13	-	-	(4,305,158)	(4,305,158)
Total transactions with owners		-	103,880,707	(108,185,865)	(4,305,158)
Balance at 31 March 2023		620,759,107	647,148,782	38,410,385	1,306,318,274
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

The Condensed Interim Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and the accompanying notes attached to the condensed interim financial information.

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE QUARTER AND THREE-MONTH PERIOD ENDED 31 MARCH 2023

	Unaudited	
	Quarter and three-month period ended	
	31.3.2023	31.3.2022
	KHR'000	KHR'000
Cash flows from operating activities		
Profit before tax	41,741,650	40,686,269
Adjustments for:		
Amortisation of intangible assets	453,165	476,435
Depreciation of property, plant and equipment	14,664,789	14,402,403
Amortisation of deferred government and other grants	(502,476)	(502,477)
Written off of property, plant and equipment	444,666	107,191
Finance income	(1,662,838)	(864,883)
Finance costs	2,536,441	1,896,483
Net unrealised foreign exchange gain	(14,138,039)	(7,059,349)
Operating profit before changes in working capital	43,537,358	49,142,072
Decrease/(Increase) in inventories	18,287,786	(8,637,420)
(Increase)/Decrease in trade and other receivables	(18,910,978)	7,726,129
Increase in trade and other payables	34,452,314	91,418,725
(Increase)/Decrease in contract assets	(437,314)	2,633,498
Increase in contract liabilities	1,023,188	-
Increase in refundable water deposits	2,003,675	1,449,733
Net cash from operations	79,956,029	143,732,737
Income tax paid	(18,303,288)	(20,116,702)
Net cash generated from operating activities	61,652,741	123,616,035
Cash flows from investing activities		
Purchase of property, plant and equipment	(101,012,086)	(130,554,816)
Purchase of intangible assets	(129,302)	(390,075)
Increase in short-term investments	713,508	(253,950)
Interest capitalised on qualifying assets	(1,606,770)	(1,078,310)
Interest received	419,697	765,209
Net cash used in investing activities	(101,614,953)	(131,511,942)
Cash flows from financing activities		
Drawdown of borrowings	32,095,692	24,642,142
Interest paid	(1,534,376)	(517,519)
Repayments of borrowings	(9,506,595)	(10,822,159)
Net cash generated from financing activities	21,054,721	13,302,464
Net (decrease)/increase in cash and cash equivalents	(18,907,491)	5,406,557
Cash and cash equivalents at the beginning of the period	61,158,915	89,659,538
Cash and cash equivalents at the end of the period	42,251,424	95,066,095

The Condensed Interim Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to the condensed interim financial information.

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 2023**

1. CORPORATE INFORMATION

Phnom Penh Water Supply Authority ("PPWSA") is under the technical supervision of the Ministry of Industry Science Technology and Innovation ("MISTI") and the financial supervision of the Ministry of the Economy and Finance ("MoEF"), and has its headquarter in Phnom Penh. 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 2022 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.

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 2023 (CONTINUED)**

4. PROPERTY, PLANT AND EQUIPMENT

	Unaudited	Audited
	31.3.2023	31.12.2022
	KHR'000	KHR'000
Cost		
Balance at the beginning of the financial period/year	2,805,461,230	2,438,823,008
Additions	102,618,856	287,124,812
Transfer from inventory	3,170,366	80,775,249
Transfer to intangible assets	-	(1,125,000)
Written-off	<u>(5,055,547)</u>	<u>(136,839)</u>
Balance at the end of the financial period/year	<u>2,906,194,905</u>	<u>2,805,461,230</u>
Accumulated depreciation		
Balance at the beginning of the financial period/year	602,419,316	544,958,389
Depreciation for the financial period/year	14,664,789	57,460,927
Written-off	<u>(4,610,881)</u>	<u>-</u>
Balance at the end of the financial period/year	<u>612,473,224</u>	<u>602,419,316</u>
Carrying amount		
Balance at the end of the financial period/year	<u>2,293,721,681</u>	<u>2,203,041,914</u>

During the quarter and three-month period ended 31 March 2023, PPWSA made the following cash payment for its additions of property, plant and equipment:

	Unaudited	
	Quarter and three-month period ended	
	31.3.2023	31.3.2022
	KHR'000	KHR'000
Additions	102,618,856	131,633,126
Interest capitalised on qualifying assets	<u>(1,606,770)</u>	<u>(1,078,310)</u>
Cash payment for purchase of property, plant and equipment	<u>101,012,086</u>	<u>130,554,816</u>

5. CONTRACT ASSETS / (LIABILITIES)

	Unaudited	Audited
	31.3.2023	31.12.2022
	KHR'000	KHR'000
Contract assets		
Contract assets relating to construction service contracts	5,931,224	3,533,898
Contract assets relating to water revenue	<u>87,274,464</u>	<u>89,234,476</u>
	<u>93,205,688</u>	<u>92,768,374</u>
Contract liabilities		
Contract liabilities relating to construction service contracts	<u>5,479,944</u>	<u>4,456,756</u>

PHNOM PENH WATER SUPPLY AUTHORITY
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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER AND THREE-MONTH PERIOD ENDED 31 MARCH 2023 (CONTINUED)**

6. SHORT-TERM INVESTMENTS

These represent fixed deposit placed with financial institutions for a period of between nine to twelve months (2022: nine to twelve months) and earn interest at rates ranging from 3.50% to 4.75% (2022: 3.50% to 4.75%) per annum.

7. BORROWINGS

	Currency	Nominal interest rate	Year of maturity	Carrying amount KHR'000
Balance at 1 January 2023				1,009,994,875
Drawdown				
AfD - Credit No. 1176 01 S	USD	0.900%	2038	12,179,690
AfD - Credit No. 1244 01 M	USD	0.900%	2039	8,900,038
European Investment Bank	USD	0.610% - 0.965%	2048	11,015,964
Repayments				
<u>Principle</u>				
AfD - Credit No. 1121 01 F	EUR	0.250%	2025	(8,793,340)
MoEF - JICA	JPY	0.660%	2049	(713,255)
<u>Interest</u>				
MoEF - JICA	JPY	0.660%	2049	(118,174)
AfD - Credit No. 1121 01 F	EUR	0.250%	2025	(54,821)
AfD - Credit No. 1174 01 P	USD	1.800%	2037	(1,361,381)
Accrued interest				2,536,441
Unrealised exchange gain				(14,138,039)
Balance at 31 March 2023				1,019,447,998

Breach of loan covenants

PPWSA has unsecured borrowings with a carrying amount of KHR1,019,447,998,000 as at 31 March 2023. These borrowings bear interest from 0.250% to 1.800% and are repayable ranges from 2 to 26 years. However, these borrowings contained certain covenants which PPWSA has to comply, otherwise MoEF and / or AfD may suspend or cancel the rights of PPWSA to request additional disbursement of the unwithdrawn amount and repayable on demand of its existing outstanding balance, if such covenant breached is material.

PPWSA exceeded its maximum leverage threshold during the quarter and three-month period ended 31 March 2023. As disclosed in the audited financial statement for the year ended 31 December 2022, PPWSA has obtained a waiver from the relevant party, extended until 31 December 2022.

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
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8. TRADE AND OTHER PAYABLES

	Unaudited	Audited
	31.3.2023	31.12.2022
	KHR'000	KHR'000
Non-current:		
Other payables		
Refundable water deposits	78,805,380	76,801,705
Current:		
Trade payables		
Third parties	88,069,364	48,078,710
Accruals construction-in-progress	20,898,444	23,208,075
	<u>108,967,808</u>	<u>71,286,785</u>
Other payables		
Accrued staff incentive	3,006,926	9,993,226
Amount due to Phnom Penh Municipality	59,111,871	57,830,594
Performance guarantee	67,323	67,390
Dividend payable	4,305,158	-
Other tax payable	1,582,610	385,903
Accruals	6,150,877	6,071,437
Other payables	10,226,051	9,025,817
	<u>84,450,816</u>	<u>83,374,367</u>
Total trade and other payables (current)	<u>193,418,624</u>	<u>154,661,152</u>
Total trade and other payables (non-current and current)	<u>272,224,004</u>	<u>231,462,857</u>

9. SALES

	Unaudited	
	Quarter and three-month period ended	
	31.3.2023	31.3.2022
	KHR'000	KHR'000
Water sales:		
- households	26,523,779	26,420,025
- commercial	35,646,798	32,165,718
- public administration	5,685,582	4,741,260
- wholesalers	2,347,391	2,184,725
Rounding difference on water sales revenue	17,175	16,109
Less: Invoice cancellations	(544,989)	(104,276)
	<u>69,675,736</u>	<u>65,423,561</u>
Water connection revenue	2,750,981	2,423,585
Water meter replacement charges	1,263,615	1,220,826
Spare parts and meter sales	52,223	64,155
	<u>73,742,555</u>	<u>69,132,127</u>

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER AND THREE-MONTH PERIOD ENDED 31 MARCH 2023 (CONTINUED)**

10. FINANCE INCOME

	Unaudited	
	Quarter and three-month period ended	
	31.3.2023	31.3.2022
	KHR'000	KHR'000
Interest income on bank deposits	1,662,838	864,883
Unrealised foreign exchange gain on borrowings	14,385,851	8,604,024
	<u>16,048,689</u>	<u>9,468,907</u>

11. FINANCE COSTS

	Unaudited	
	Quarter and three-month period ended	
	31.3.2023	31.3.2022
	KHR'000	KHR'000
Interest expense on borrowings	2,536,441	1,896,483
Unrealised foreign exchange loss on borrowings	247,812	-
Interest capitalised on qualifying assets	(1,606,770)	(1,078,310)
	<u>1,177,483</u>	<u>818,173</u>

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 2023 of 8% (quarter and three-month period ended 31 March 2022: 26%). The change in effective tax rate was mainly contributed by the recognition of deferred tax liabilities in the quarter and three-month period ended 31 March 2022.

13. DIVIDENDS

	Unaudited	
	Quarter and three-month period ended	
	31.3.2023	31.3.2022
	KHR'000	KHR'000
Recognised during the financial period		
Dividend for the financial period ended 31 March 2023 of KHR330 per ordinary share (*)	<u>4,305,158</u>	<u>-</u>
Dividend for the financial period ended 31 December 2022 of KHR310 per ordinary share	<u>-</u>	<u>4,044,252</u>

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER AND THREE-MONTH PERIOD ENDED 31 MARCH 2023 (CONTINUED)**

13. DIVIDENDS (CONTINUED)

- (*) The Board of Directors had on 15 March 2023 declared and approve the dividend of KHR330 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.

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.

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

All the transactions entered into by PPWSA with 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.

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER AND THREE-MONTH PERIOD ENDED 31 MARCH 2023 (CONTINUED)**

14. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management personnel compensation

Total key management personnel compensation is analysed as below:

	Unaudited	
	Quarter and three-month period ended	
	31.3.2023	31.3.2022
	KHR'000	KHR'000
Salaries and other expenses	<u>628,664</u>	<u>545,001</u>

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.

(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's 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 month 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.

PHNOM PENH WATER SUPPLY AUTHORITY
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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER AND THREE-MONTH PERIOD ENDED 31 MARCH 2023 (CONTINUED)**

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Interest rate risk (continued)

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		
31.3.2023	1,019,447,998	876,281,593
31.12.2022	<u>1,009,994,875</u>	<u>868,569,688</u>

Level 3 fair value

Fair value of 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 reflect 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-month period ended	
	31.3.2023 KHR'000	31.3.2022 KHR'000
Construction of water treatment plant	27,799,074	288,897,974
Consultation services	9,949,247	6,790,329
Purchase of iron pipes, fitting and accessories	<u>21,870,849</u>	<u>1,908,227</u>
	<u>59,619,170</u>	<u>297,596,530</u>

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER AND THREE-MONTH PERIOD ENDED 31 MARCH 2023 (CONTINUED)**

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.

18. AUTHORISATION OF CONDENSED INTERIM FINANCIAL INFORMATION

The condensed interim financial information of PPWSA for the quarter and three-month period ended 31 March 2023 were authorised for issue by the Board of Directors on 12 May 2023.

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**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 2023 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 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

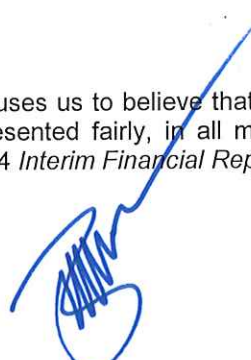
We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* ("ISRE 2410"). A review of condensed interim financial information consists of making inquiries, primarily of persons 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.

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



Oknha Tan Khee Meng
Certified Public Accountant

Phnom Penh, Kingdom of Cambodia

Date: 12 MAY 2023



PHNOM PENH WATER SUPPLY AUTHORITY (PPWSA)



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