



PHNOM PENH WATER SUPPLY AUTHORITY

THIRD QUARTERLY REPORT 2023

MAJOR STRATEGIC GOALS OF THE PHNOM PENH WATER SUPPLY AUTHORITY

To expand water supply to Phnom Penh suburban and surrounding areas at the same rate and standard as in Phnom Penh analyse the costs and improve the process and procedure to reduce the water cost; to improve staff efficiencies and build the capacity of Authority; to maintain a strong commitment to social and environmental responsibilities; to strategically compare and benchmark the most-efficient water utilities in the world.

- TC.05.B01
- TC.05.B02
- TC.05.B03
- TC.05.B04
- TC.05.B05
- TC.05.B06
- TC.05.B07



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Micro-Tunnelling DN2000mm of Tonle Sap Crossing at Prek Pnov Bridge

FINANCIAL HIGHLIGHTS

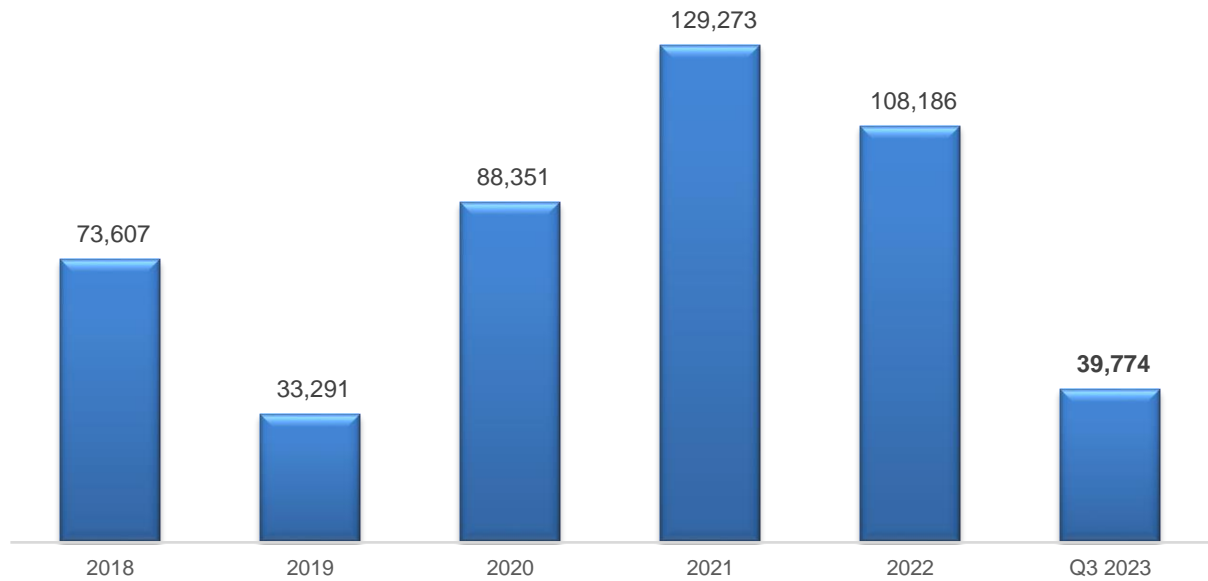
Financial Position		Third Quarter of 2023	2022	2021
Total assets (KHR'000)		3,024,602,994	2,684,135,875	2,306,806,174
Total liabilities (KHR'000)		1,665,279,607	1,411,922,828	1,140,177,961
Total shareholders'equity (KHR'000)		1,359,323,387	1,272,213,047	1,166,628,213
Profit/(Loss)		Third Quarter of 2023	Third Quarter of 2022	Third Quarter of 2021
Total Revenue(KHR'000)		107,718,735	91,572,854	115,282,562
Profit/(Loss) before tax (KHR'000)		48,363,478	34,566,396	67,881,462
Profit/(Loss) after tax (KHR'000)		39,773,814	28,011,926	59,738,680
Total comprehensive income (KHR'000)		39,773,814	28,011,926	59,738,680
Financial Ratios		Third Quarter of 2023	2022	2021
Solvency ratio				
Liquidity Ratio	Current Ratio (Times)	2.30	2.21	1.65
	Quick Ratio(Times)	1.42	1.46	1.11
		Third Quarter of 2023	Third Quarter of 2022	Third Quarter of 2021
Profitabilities Ratio	Return on Assets (%)	1.35	1.09	2.74
	Return on Equity (%)	2.97	2.27	5.36
	Gross Profit margin (%)	44.30	42.98	57.08
	Profit Margin (%)	36.92	30.59	51.82
	Earning Per Share (KHR)	457.31	322.08	686.86
Interest Coverage Ratio (Times)		53.71	3.73	62.35

FINANCIAL SUMMARY CHARTS

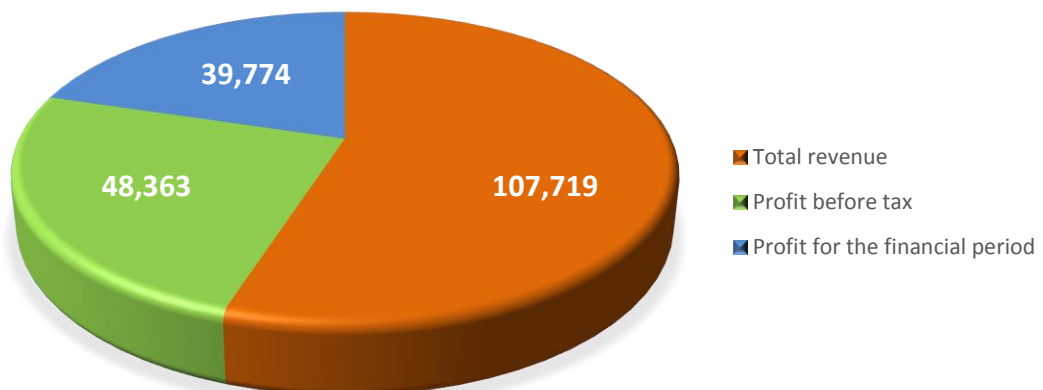
Changes in stock price (in KHR) and trading volume



PROFIT BY YEAR (in million KHR)



PROFIT FOR THIRD 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

Delegation of the Royal Government of
Cambodia in charge of the Director General of
Phnom Penh Water Supply Authority
Member



H.E. Mey Vann

Secretary of State,
Ministry of Economy and Finance
Member



H.E. Nuon Pharat

Deputy Governor of the Board
Governors of Phnom Penh
Member



Mr. Ma Noravin
Representative
of PPWSA's Employees
Member



Mr. Nam Chantry
Non-Executive Director
Representing Private Shareholders
Member



Mr. Sreng Samork
Independent Director
Member

CHAIRMAN'S MESSAGE



H.E. Sim Sitha

Secretary of State, Ministry of Industry,
Science, Technology and Innovation
Chairman

In the 3rd 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 KHR107,718,735,000 and profit before tax of KHR48,363,478,000. Net income was KHR39,773,814,000 while the basic earnings per share was KHR457.31

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 3rd quarter of 2023, we laid the mains and distribution pipes of 145,271.75 meters; produced 75,596,636m³ of clean water; installed 4,613 new house connections, of which 307 connections were for the low-income whom we always care for; and NRW accounted for 8.50%.

Performance of the Board of Directors

In the 3rd quarter of 2023, the Board of Directors organized the 3 following meetings:

A. Outcome of the second extraordinary meeting (the 4th meeting) of the Board of Directors

The meeting was held on July 17, 2023 at 8:30 AM at PPWSA headquarter with the following agendas:

- 1) Request for recommendations on Phnom Penh Municipality's asking PPWSA for possibility to supply clean water in Ponheapon, Samrong and Prek Pnov communes, Prek Pnov district, Phnom Penh

The Board approved the following:

1. Requested H.E. NUON Pharat to help make a letter on behalf of the Phnom Penh Municipality to the Ministry of Industry, Science, Technology and Innovation, asking for intervention to integrate Ponheapon, Samrong and Prek Pnov communes, Prek Pnov district, into the water supply service area under PPWSA's jurisdictions with a reference to this minute.
 2. Granted PPWSA the support to conduct a clear, detailed study on the business situation of Prey Kub Construction Co., Ltd. in Ponheapon, Samrong and Prek Pnov communes, Prek Pnov district, and report the result of this study to the Board in the next meeting in September 2023 to request the parent ministries for guidelines for further implementation.
 3. Allowed PPWSA to appoint a joint committee with the proposed members from PPWSA, parent ministries and Phnom Penh Municipality to conduct the above study quickly.
- 2) Report on the preparation of PPWSA Financial Model 2021-2022 under the grant aid of French Government through AFD
The Board acknowledged the report.
 - 3) Report on preliminary feasibility study of the project for Smart Water Management System (SWMS) under the Government of Republic of Korea's grant aid and request for in-principle approval on replication of this study for the remaining DMAs
The Board acknowledged the report on the preliminary feasibility study of the SWMS project under the Government of Republic of Korea's grant aid and in principle agreed that PPWSA replicates this study for the remaining DMAs.
 - 4) Other - Request for recommendations on the water supply problems at Borey Morn Dany's project located in Andong Ta Orn village, Samrong Krom commune, Por Senchey district
The Board acknowledged the report, and approved as follows:
 1. Requested H.E. NUON Pharat for intervention with the district authority to make a letter through Phnom Penh Municipality, requesting PPWSA to help supply clean water to the residents in Project 26 of Borey Morn Dany real estate developer.
 2. Agreed that PPWSA uses its social fund to cover all the costs to be incurred for water supply to this Borey's project.

B. Outcome of the 5th ordinary meeting of the Board of Directors

The meeting was held on September 22, 2023 at 9:00 AM at PPWSA headquarter with the following agendas:

- 1) Request for approval on the water wholesale price for water resellers in Tbong Khmum province

The Board agreed in principle that PPWSA sells water in bulk to water resellers in Tbong Khmum province at a price range of KHR1,750/m³ to KHR1,800/m³ with a base price of KHR1,800/m³.

- 2) Report on the water supply situation in all the 13 project locations of Borey Morn Dany

The Board approved the following:

1. Requested H.E. NUON Pharat to help intervene and facilitate a meeting between the Phnom Penh Municipality's working team in charge of Borey Morn Dany case, PPWSA, representatives of Borey Morn Dany, and representatives of the residents in the Borey's projects to discuss and do a survey on the solution to the problems of water supply in this Borey's project locations based on the principle that "PPWSA is responsible to pay the investment costs for installation of distribution pipes and/or transmission pipes to the entrance of Borey's project locations to enable sufficient water supply for the Borey residents whereas the investment costs for laying the water distribution network in the Borey is to be covered by the residents, and the same water tariff as PPWSA's current water tariff will be implemented.
 2. Allowed PPWSA to use the social fund budget to pay the above investment costs and the house connection fees for the suffering residents in the Borey Morn Dany.
 3. Allowed PPWSA to offset the Borey Morn Dany's water debt against its 3-month water deposit in compliance with the policy of PPWSA.
- 3) Report on the Social Fund for the 3rd quarter of 2023 and request for approval on the Social Fund Plan 2024

The Board totally acknowledged the social fund report for 3rd quarter of 2023 and in principle approved the Social Fund Plan 2024, categorized into 5 types of budgets as below :

- | | |
|--|-------------------|
| a. Budget for social infrastructure | 20% of total fund |
| b. Budget for emergencies | 20% of total fund |
| c. Budget for employee relief | 35% of total fund |
| d. Budget for the low-income connections | 10% of total fund |
| e. Budget for miscellaneous expenditures | 15% of total fund |
- 4) Internal Audit Report for the 3rd quarter of 2023 and Internal Audit Plan 2024 and request for in principle approval on the proposal to hire a consultant to formulate an internal audit manual

The Board approved as follows:

1. Totally agreed on Internal Audit Report for the 3rd quarter of 2023 and Internal Audit Action Plan 2024
 2. Agreed in principle that PPWSA formulates an Internal Audit Manual, requesting the Independent Director to help prepare the terms of references (TOR) of this proposed project for PPWSA as a basis for requesting development partner to include it in the Institutional Improvement Project. On the other hand, the proposed project for hiring a technical consultant to compile this manual will be discussed and approved in the Board meeting later, in case there is no support from the development partner for the above proposed project.
- 5) Report on the study of water supply situation in Prek Pnov, Ponheapon and Samrong communes, Prek Pnov district, Phnom Penh

The Board acknowledged the report and gave the following recommendations:

1. PPWSA shall expedite the preparation of the decision on appointment of a joint committee for the study of the Prey Kub Construction company's water supply business situation in Prek Pnov, Ponheapon and Samrong communes, Prek Pnov district, following the Board's resolution in the extraordinary meeting on July 17, 2023.
2. The joint committee to be appointed above and PPWSA's taskforce shall keep collecting further data and information from the company for detailed study, analysis and evaluation as well as submit suggestions to the Board for approval in the next meeting.

- 6) Report on the feasibility study of Bakheng Water Supply Project - Phase 3
The Board approved as follows :
1. Totally agreed to the report on the feasibility study of Bakheng Water Supply Project - Phase 3.
 2. Granted the support to the Bakheng Water Supply Project - Phase 3, and authorised Delegation of the Royal Government of Cambodia in charge of the Director General of PPWSA to negotiate loans with the development partner and sign a loan agreement in order to implement the project as scheduled.
- 7) Preliminary report on feasibility study of the Project for Sustainable Development of Water Supply in Eastern and Southern Parts of Phnom Penh under the Republic of Korea's grant aid
The Board acknowledged the report as well as allowed PPWSA to divert the project on the feasibility study of the Sustainable Development Project for Water Supply in Eastern Part to that of the Smart Water Management System under the Republic of Korea's grant aid, and requested the consultant to conduct a clear economic analysis of this project. However, the project on the feasibility study of the Sustainable Development Project for Water Supply in Southern Part still resumes.

C. Outcome of the third extraordinary meeting (the 6th meeting) of the Board of Directors

The meeting was held on September 27, 2023 at 9:00 AM at the PPWSA headquarter and online via ZOOM with the following agendas:

- 1) Business Report 2023 (8 months actual and 4 months estimate) and request for approval on Business and Investment Plan 2024

The Board totally completely acknowledged the Business Report 2023 (8 months actual and 4 months estimate). In addition, the Board advised PPWSA to revise the evaluation criteria for subsidizing the low-income connections based on the poverty evaluation criteria (Poor Level 1 and Poor Level 2) which are currently being implemented by the Royal Government as well as requested H.E. NUON Pharat for intervention to speed up PPWSA's requests for permission to dig across some parts of roads to install the water transmission pipes. On the other hand, for the plan 2024, the Board proposed to adjust Net Profit to KHR148,772,843,000 and Total Investment to KHR610,368,724,411 and agreed to increase one salary step for PPWSA staff of the 4 cadres. The main indicators of the Business and Investment Plan 2024 to be proposed for support and approval from both parent ministries are as below:

1. Total Revenues	KHR 470,600,692,000
2. Total Expenses	KHR 284,634,638,000
2.1 Operating Expenses	KHR 183,734,829,000
2.2 Loss on Exchange Rate	KHR 10,838,745,000
2.3 Depreciation Expenses	KHR 69,914,399,000
2.4 Interest	KHR 9,575,951,000
2.5 Meter Change	KHR 5,207,417,000
2.6 Non-Operating Expenses	KHR 5,363,297,000
3. Net Profit	KHR 148,772,843,000
4. Total Investment Budget	KHR 610,368,724,411
4.1 Counterpart Budget	KHR 172,782,814,461
4.2 AFD	KHR 426,779,334,950
4.3 EIB	KHR 10,806,575,000

- 2) Procurement Report for the 3rd quarter of 2023 and request for approval on Procurement Plan 2024

The Board totally approved the Procurement Report for the 3rd quarter of 2023 and the Procurement Plan 2024.

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 4th quarter of 2023, PPWSA plans to produce 73,980,100m³ of clean water, expand 85,104.36meters of additional distribution network, and total revenues of KHR111,819,354,000 with total expenses of KHR63,143,074,000 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, November 13, 2023

CHAIRMAN

Sim Sitha

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PART1: General Information of PPWSA

A. Identity 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** Delegation of the Royal Government of Cambodia in Charge of The Director General of Phnom Penh Water Supply Authority

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 Non-revenue water

A.1.1. Water Treatment

➤ Below is the water treatment plant (WTP) in the third quarter of 2023:

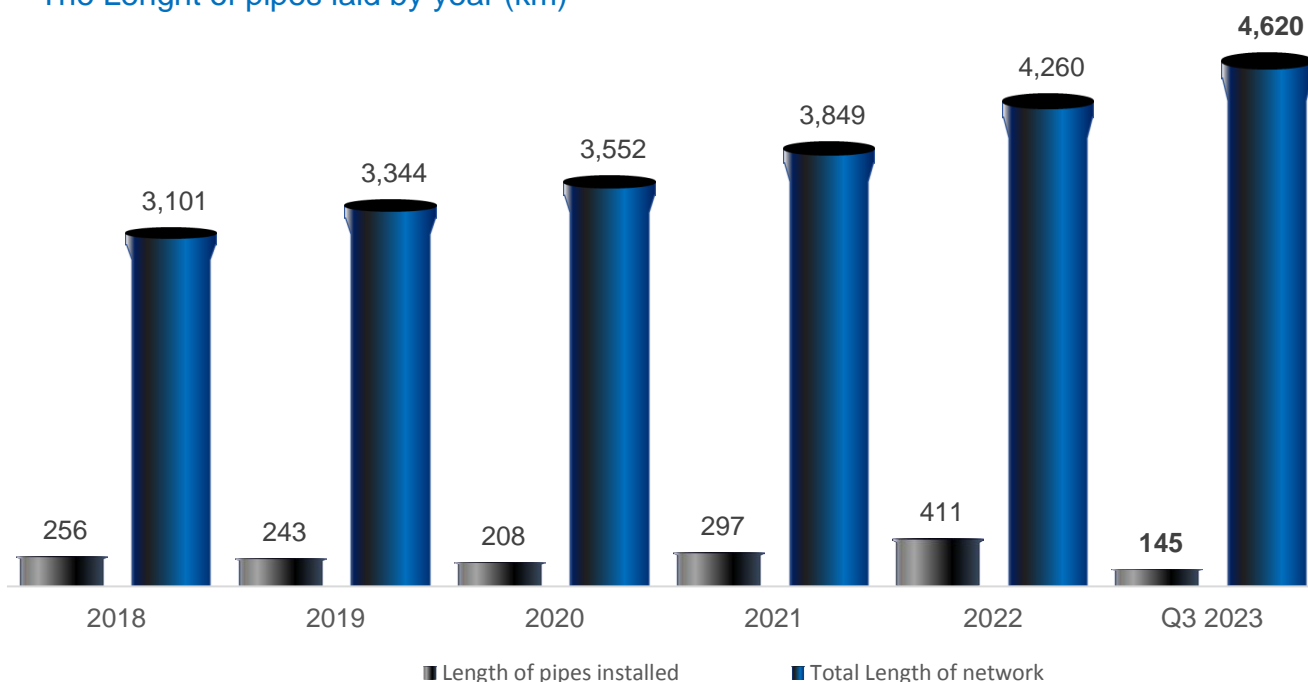
Description	Planned (m ³)	Actual (m ³)	Rate (%)
Phum Prek WTP	15,335,000	15,601,697	102
Chroy Changvar WTP	12,394,000	12,788,310	103
Chamkar Mon WTP	4,784,000	4,817,095	101
Nirodh WTP	24,815,000	24,541,330	99
Bakheng WTP	16,708,000	17,646,952	106
Mlech WTP	76,700	121,146	158
Tbong Khmom WTP	73,600	80,106	109
Beoung Thom WTP	406,700	-	-
TOTAL	<u>74,593,000</u>	<u>75,596,636</u>	<u>101</u>

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

Parameters	Unit	WHO	Phum Prek WTP	Chroy Changvar WTP	Chamkar Mon WTP	Nirodh WTP	Bakheng WTP	Mlech WTP	Tbong Khmom WTP	Distribution Pipes
Turbidity	NTU	≤ 5	0.29	0.31	0.11	0.54	0.17	0.40	7.43	0.35
pH Value	pH	6.5-8.5	7.26	7.31	7.42	7.20	7.38	7.16	0.46	7.24
Free Available Chlorine	mg/l	0.1-1	1.60	1.37	1.20	1.41	1.14	1.48	1.08	0.51
Total Available Chlorine	mg/l	<2	1.82	1.49	1.36	1.54	1.27	1.69	1.22	0.62
Total coliforms	cfu/100ml	0	0	0	0	0	0	0	0	0
E. Coli	cfu/100ml	0	0	0	0	0	0	0	0	0

A.1.2. Pipes Laying

The Length of pipes laid by year (km)



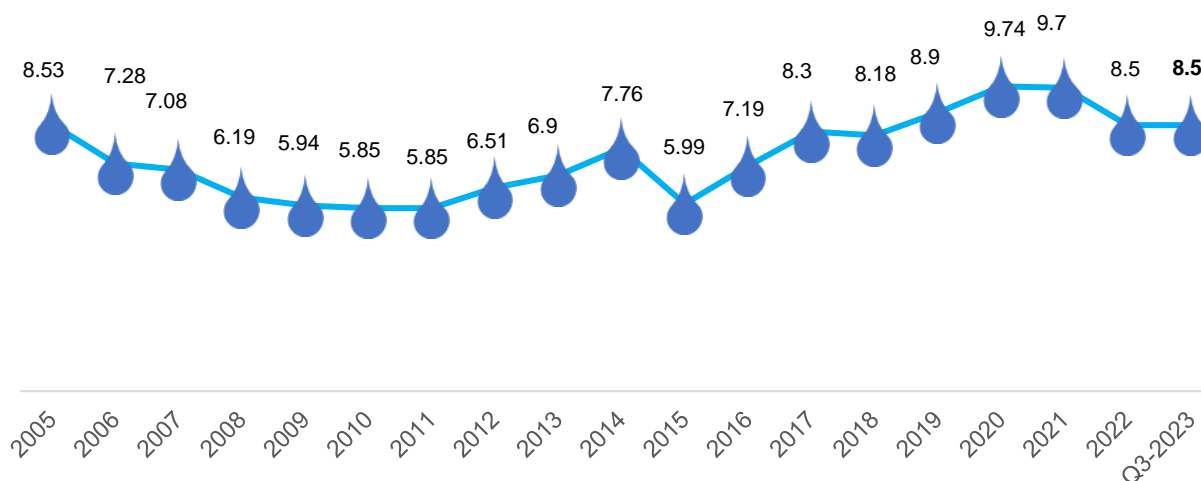
A. Business Operation Performance including business segments information (con't)

A.1. Water Treatment and Distribution System and Non-revenue water (con't)

A.1.3. Water Loss Reduction

In the third quarter of 2023, PPWSA's non-revenue water rate was kept at 8.50%, as shown in the graph below.

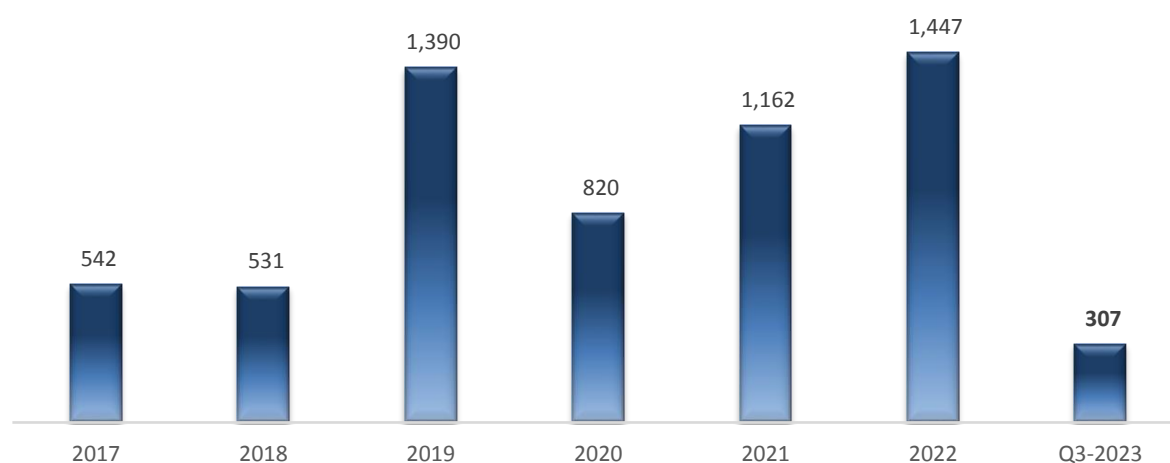
NRW Trend from 2005 to the Third Quarter of 2023 (in percentage)



A.2. Business Activities and Results

A.2.1. Water Supply to the low-income households

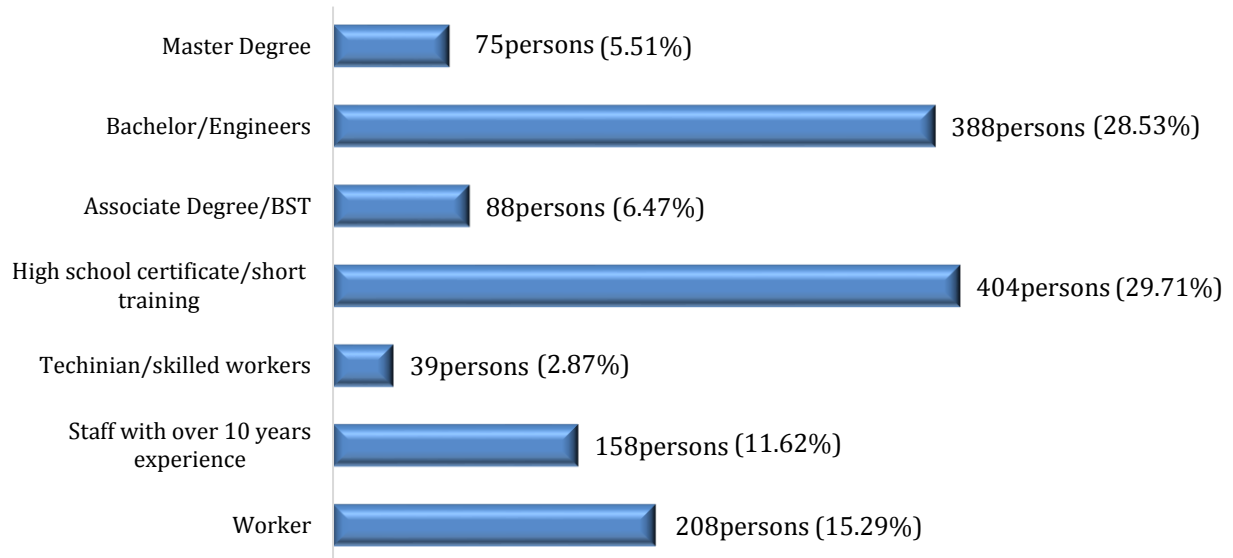
Low-income household connections



A.2.2. House Connection and Customer Management

Type of Customers	2019	2020	2021	2022	Q3-2023	
	(Connections)	(Connections)	(Connections)	(Connections)	(Connections)	(%)
Domestic	321,212	333,099	350,463	360,948	372,155	79.7368
Commercial	62,366	68,136	74,344	83,874	87,889	18.8308
Administrative	696	744	823	913	912	0.1854
Wholesalers	7	10	11	9	6	0.0013
RDE Representative	17	14	16	5	4	0.0009
Standpipe	17	17	16	16	14	0.0030
Room rental	5,752	5,759	5,728	5,789	5,749	1.2318
TOTAL	390,067	407,779	431,401	451,554	466,729	

A. Business Operation Performance including business segments information (con't)
A.3- Human Resource Management



Total staff of PPWSA in Q3-2023: 1,360 persons (225 females)

B- Revenue Structure

No	Source of Revenue	Third Quarter of 2023		Third Quarter of 2022		Third Quarter of 2021	
		(KHR'000)	%	(KHR'000)	%	(KHR'000)	%
1	Sales	99,202,498	92.09	77,002,356	84.09	70,538,340	61.19
2	Construction Service fees	2,790,852	2.59	4,674,632	5.10	7,503,441	6.51
3	Foreign exchange gains-net	3,272,221	3.04	-	-	377,860	0.33
4	Other income	2,453,164	2.28	9,895,866	10.81	36,862,921	31.97
	Total revenue	107,718,735		91,572,854		115,282,562	

**PART 3:
FINANCIAL STATEMENT
REVIEWED BY
THE EXTERNAL AUDITOR**

**CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER AND
NINE-MONTH PERIOD ENDED 30 September 2023**

ATTACHED IN APPENDIX I

PART 4: Management's Discussion and Analysis

A. Overview of operations

1. Revenue analysis

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

- Water sales revenue is generated 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 generated from the fees of construction services related to the expansion of the distribution network that PPWSA constructs for a construction company.
- Other revenues:
 - 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.
 - Interest income is the income from interest on fixed savings accounts in which the Authority deposited cash surplus at various commercial bank accounts.

In addition to revenues as above, PPWSA has revenue from commercial and industrial customers' investments for installing special network connections into their properties, and fees earned from collection of sewerage maintenance charges on behalf of Phnom Penh Municipality.

➤ The period ended 30 September 2023 compared to the period of 30 September 2022

Description	Third Quarter of 2023	Third Quarter of 2022	Changes	
	(KHR'000)	(KHR'000)	(KHR'000)	Percentage
	a	b	a - b	(a-b)/b*100
Total Revenues	107,718,735	91,572,854	16,145,881	17.63

PPWSA had a total revenue of KHR107,718,735,000 for the period ended 30 September 2023 and KHR91,572,854,000 for the period ended 30 September 2022. The revenue increased by KHR16,145,881,000 or 17.63%. The main reason of this increase in revenue is due to the increased of KHR22,200,142,000 in sales revenue or 28.83%, of which the revenue from water sales increased by KHR22,627,641,000 or 30.69% and house connection fees decreased by KHR478,510,000 or 23.99%.

2. Revenue analysis by segment

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

Description	Third Quarter of 2023	%	Third Quarter of 2022	%
	(KHR'000)		(KHR'000)	
Sale	99,202,498	92.09	77,002,356	84.09
Construction service fee	2,790,852	2.59	4,674,632	5.10
Foreign exchange gains-net	3,272,221	3.04	-	-
Other income	2,453,164	2.28	9,895,866	10.81
Total Revenues	107,718,735		91,572,854	

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 30 September 2023 compared to the period of 30 September 2022

Description	Third Quarter of 2023		Third Quarter of 2022		Changes		
	Volume	Amount	Volume	Amount	Volume	Amount	%
	(M ³)	(KHR'000)	(M ³)	(KHR'000)	(M ³)	(KHR'000)	
	a	b	c	d	a - c	b - d	(b-d)/d*100
Domestic	34,471,595	38,581,654	29,710,200	29,789,515	4,761,395	8,792,139	29.51
Commercial	27,788,706	47,863,252	21,417,106	36,868,440	6,371,600	10,994,812	29.82
Public administrative and autonomy	2,604,225	6,510,563	2,729,269	5,076,241	(125,044)	1,434,322	28.26
Representative and room rental	4,309,434	3,471,604	3,541,775	2,646,012	767,659	825,592	31.20

◆ Revenue from domestic/household water sales

Revenue from domestic water sales amounted to KHR38,581,654,000 for the year ended 30 September 2023 and KHR29,789,515,000 for the year ended 30 September 2022, increasing by KHR8,792,139,000 or 29.51%. The reason of the increase is that the number of connections ascended by 13,385 from 358,770 to 372,155 connections and the average tariff ascended by KHR116.56/m³ from KHR1,002.67/m³ to KHR1,119.23/m³ and monthly consumption per connection increased by 2.38m³ from 28.27m³ to 30.65m³.

◆ Revenue from commercial water sales

Revenue from commercial water sales amounted to KHR47,863,252,000 for the year ended 30 September 2023 and KHR36,868,440,000 for the year ended 30 September 2022, increasing by KHR10,994,812,000 or 29.82%. The reason of the increase is that the number of connections ascended by 5,760 from 82,129 to 87,889 connections and monthly consumption per connection ascended by 0.07m³ from 108.04m³ to 108.11m³ and the average tariff ascended by KHR0.95/m³ from KHR1,721.45/m³ to KHR1,722.40/m³.

◆ Revenue from public administrative water sales

Revenue from public administrative water sales amounted to KHR6,510,563,000 for the year ended 30 September 2023 and KHR5,076,241,000 for the year ended 30 September 2022, increasing by KHR1,434,322,000 or 28.26%. The reason of the increase is that the connections ascended by 9 connections from 907 to 916 connections. On the other hand, the monthly consumption decended by 55.12m³ from 817.93m³ to 762.81m³ and the average tariff of KHR2,500/m³.

◆ Revenue from water sales for representatives and rented rooms

Revenue from water sales for representatives and rented rooms amounted of KHR3,471,604,000 for the year ended 30 September 2023 and KHR2,646,012,000 for the year ended 30 September 2022, increasing by KHR825,592,000 or 31.20%. The reason of the increase is that the monthly consumption per connection ascended by 64.04m³ from 183.59m³ to 247.63m³ and the average ascended KHR58.50 from KHR747.09/m³ to KHR805.58/m³. On the other hand, the number of connections declined by 40 connections from 5,809 to 5,769 connections.

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 analyses 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 analysis the operating expenses, we considered the total expenses as follows.

➤ The period ended 30 September 2023 compared to the period ended 30 September 2022

Description	Third Quarter of 2023 (KHR'000)	Third Quarter of 2022 (KHR'000)	Changes	
			(KHR'000)	Percentage
	a	b	a - b	(a-b)/b*100
Total revenues	107,718,735	91,572,854	16,145,881	17.63
Depreciation and amortisation charges	(15,658,244)	(14,849,062)	(809,182)	5.45
Electricity costs	(11,481,149)	(9,278,366)	(2,202,783)	23.74
Salaries, wages and related expenses	(19,391,636)	(16,578,357)	(2,813,279)	16.97
Raw materials for water treatment	(4,662,873)	(3,470,907)	(1,191,966)	34.34
Construction service expenses	(2,015,963)	(2,989,887)	973,924	(32.57)
Finance income	1,532,263	1,182,757	349,506	29.55
Finance costs	(888,445)	(1,099,909)	211,464	(19.23)
Profit before tax	48,363,478	34,566,396	13,797,082	39.91

PPWSA earned profit before tax of KHR48,363,478,000 for the period ended 30 September 2023 and KHR34,566,396,000 for the period ended 30 September 2022, increasing by KHR13,797,082,000 or 39.91%. The main reason of this increase is due to the increase of KHR22,200,142,000 in sales revenue or 28.83%, of which the water sales increased by KHR22,627,641,000 or 30.69% and the water connection fees decreased by KHR478,510,000 or 23.99%, as well as the finance income increased by KHR560,970,000 or 677.11%.

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 30 September 2023 compared to the period ended 30 September 2022

Description	Third Quarter of 2023 (KHR'000)	Third Quarter of 2022 (KHR'000)	Changes	
			(KHR'000)	Percentage
	c	d	c - d	(c-d)/d*100
Profit before tax (a)	48,363,478	34,566,396	13,797,082	39.91
Tax expense (b)	(8,589,664)	(6,554,470)	(2,035,194)	31.05
Profit for the financial year	39,773,814	28,011,926	11,761,888	41.99
Total comprehensive income for the financial year	39,773,814	28,011,926	11,761,888	41.99
Effective tax reate (b)/(a)	17.76%	18.96%		

PPWSA earned profit for the financial period of KHR39,773,814,000 for the period ended 30 September 2023 and KHR28,011,926,000 for the period ended 30 September 2022, increasing by KHR 11,761,888,000 or 41.99%. The main reason of this increase is due to the increase of KHR22,200,142,000 in sales revenue or 28.83%, of which the revenue from water sales increased by KHR22,627,641,000 or 30.69% and the water connection fees decreased by KHR478,510,000 or 23.99% as well as the finance income increased by KHR560,970,000 or 677.11%.

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 economic growth in the globe and in the region as well. However, PPWSA continues to operate daily and remains profitable in the third quarter of 2023. The reason the Authority could secure this profit is that water sales increased quarter on quarter, with the supporting factors as below:

- **NRW rate:** PPWSA utilized an effective mechanism to reduce NRW to 8.50% in this quarter. Maintaining NRW is a critical factor enabling PPWSA to ensure its financial viability and sustainable enterprise development.
- **Increasing the 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 unnecessary as well as the efficient and economical use of raw materials in water treatment.

For operating expenses, PPWSA tried to lessened the expenditures, especially, on administration and maintenance. In this regard, the Authority regularly inspected and maintained all the existing equipment and facilities to assure their quality and reduce other repair expenses.

A- Overview of operations (Con't)

6. Analysis of factors and trends analysis affecting financial conditions and results (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 to 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:** The economy in the globe as well as in the region was not in good conditions in the third quarter of 2023. The real estate sector in Cambodia was likely to be on a declining trend, which somewhat affected the entity's revenue earned from investments for installing water distribution networks in the construction project sites for Boreys, villas, flats and condos, etc. Based on this situation, though the Cambodian economy has been affected to some extent by the global economic situation, PPWSA is still striving to maintain a good average water price, ensuring its financial sustainability.

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 and due to the expansion of Phnom Penh surrounding areas, PPWSA constructed a Bakheng WTP - Phase 1 with a production capacity of 195,000 m³/day and placed it in operation at the end of April 2023; and is continuing the construction of Bakheng WTP - Phase 2 with the same production capacity of 195,000 m³/day which is scheduled to operate in the first quarter of 2024, Boeung Thom WTP with a production capacity of 6,000 m³/day and Takhmao WTP with a production capacity of 30,000m³/day which are scheduled to complete in the second quarter of 2024 and at the end of 2024, respectively.

2. Raw materials price analysis

Changes 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 the period ended September 30, 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 revenues (water sales and connection fees) which is a basic need of Phnom Penh residents. The water sales represented about 94.98% of gross revenue in third quarter of 2023. PPWSA is also the monopoly water supplier in Phnom Penh and its outskirts. Revenues may grow, subject to the demography of Phnom Penh capital, province town of the Takhmao.

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 "Cambodian Riel (KHR)", 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. On the other hand, most payments by PPWSA were made in Cambodian 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 months 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% commodity. The interest rates must range from 0.25% to 5.21% per annual.

D.3. Impact of 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 suppliers at a competitive 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, transportation costs as well as imbalanced 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 needs for raw materials to ensure the timely and affordable use pursuant to the applicable public procurement laws.

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

PART 5: Other Necessary Information for Investor Protection

In the 3rd quarter of 2023, Phnom Penh Water Supply Authority had no other necessary information to disclose.

SIGNATURE OF DIRECTORS OF PHNOM PENH WATER SUPPLY AUTHORITY

Phnom Penh, November 13, 2023

Read and Approved

Signature

Sim Sitha

Chairman of the Board

Phnom Penh, November 13, 2023

Read and Approved

Signature

Long Naro

Director

APPENDIX I

**CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER AND
NINE-MONTH PERIOD ENDED 30 September 2023**

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 2023

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

**CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER AND NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023**

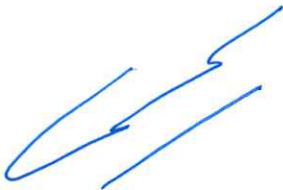
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PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

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 30 September 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 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*.

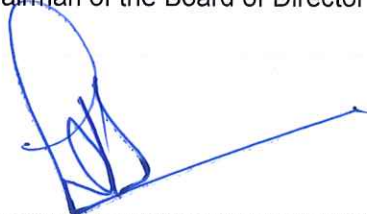
Signed on behalf of the Board of Directors and the management, 



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



.....
LONG NARO
Director General



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

Date: 13th November 2023

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2023

		Unaudited	Audited
		30.9.2023	31.12.2022
	Notes	KHR'000	KHR'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	2,422,029,215	2,203,041,914
Intangible assets		10,935,399	12,089,587
Total non-current assets		<u>2,432,964,614</u>	<u>2,215,131,501</u>
Current assets			
Inventories		252,017,264	152,737,078
Trade and other receivables		42,866,843	28,264,940
Contract assets	5	135,961,791	92,768,374
Loan to employees		7,956,651	7,956,651
Short-term investments	6	126,988,449	126,118,416
Cash and cash equivalents		25,847,382	61,158,915
Total current assets		<u>591,638,380</u>	<u>469,004,374</u>
TOTAL ASSETS		<u>3,024,602,994</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		91,415,498	108,185,865
TOTAL EQUITY		<u>1,359,323,387</u>	<u>1,272,213,047</u>
Non-current liabilities			
Borrowings	7	1,190,911,125	986,495,717
Deferred government and other grants	8	74,056,338	69,238,477
Deferred tax liabilities - net		81,829,566	77,016,716
Other payables	9	81,107,981	76,801,705
Total non-current liabilities		<u>1,427,905,010</u>	<u>1,209,552,615</u>
Current liabilities			
Trade and other payables	9	190,269,389	154,661,152
Borrowings	7	25,445,955	23,499,158
Contract liabilities	5	4,637,254	4,456,756
Current tax liabilities		17,021,999	19,753,147
Total current liabilities		<u>237,374,597</u>	<u>202,370,213</u>
TOTAL LIABILITIES		<u>1,665,279,607</u>	<u>1,411,922,828</u>
TOTAL EQUITY AND LIABILITIES		<u>3,024,602,994</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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023**

	Notes	Unaudited		Unaudited	
		Three-month period ended 30.9.2023	30.9.2022	Nine-month period ended 30.9.2023	30.9.2022
		KHR'000	KHR'000	KHR'000	KHR'000
Income:					
Sales	10	99,202,498	77,002,356	262,016,611	220,116,445
Construction service fee		2,790,852	4,674,632	13,958,439	13,499,618
Foreign exchange gains - net		3,272,221	-	143,389	7,395,378
Other income		2,453,164	9,895,866	11,045,573	20,295,628
		<u>107,718,735</u>	<u>91,572,854</u>	<u>287,164,012</u>	<u>261,307,069</u>
Expenses:					
Depreciation and amortisation charges		(15,658,244)	(14,849,062)	(46,449,762)	(44,609,012)
Electricity costs		(11,481,149)	(9,278,366)	(31,839,737)	(26,639,427)
Employee benefits expense		(19,391,636)	(16,578,357)	(58,682,572)	(51,159,290)
Raw materials for water treatment		(4,662,873)	(3,470,907)	(11,858,825)	(8,677,023)
Raw materials for household water connections		(1,207,494)	(1,275,782)	(3,591,210)	(3,916,733)
Repairs and maintenance		(3,270,124)	(1,930,355)	(8,026,098)	(4,521,737)
Construction service expenses		(2,015,963)	(2,989,887)	(7,375,612)	(8,590,920)
Other operating expenses		(2,311,592)	(2,175,062)	(8,293,247)	(7,602,973)
Foreign exchange losses - net		-	(4,541,528)	-	-
		<u>(59,999,075)</u>	<u>(57,089,306)</u>	<u>(176,117,063)</u>	<u>(155,717,115)</u>
Operating profit		47,719,660	34,483,548	111,046,949	105,589,954
Finance income		1,532,263	1,182,757	4,972,081	3,084,779
Finance costs	11	(888,445)	(1,099,909)	(2,658,049)	(2,699,549)
Profit before tax		48,363,478	34,566,396	113,360,981	105,975,184
Income tax	12	(8,589,664)	(6,554,470)	(21,945,483)	(19,879,924)
Profit for the period, representing total comprehensive income for the period		<u>39,773,814</u>	<u>28,011,926</u>	<u>91,415,498</u>	<u>86,095,260</u>
Earnings per share attributable to owners:					
Basic earnings per share (KHR)		<u>457.31</u>	<u>322.08</u>	<u>1,051.08</u>	<u>989.91</u>
Diluted earnings per share (KHR)		<u>457.31</u>	<u>322.08</u>	<u>1,051.08</u>	<u>989.91</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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023**

	Notes	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		-	-	91,415,498	91,415,498
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 30 September 2023		620,759,107	647,148,782	91,415,498	1,359,323,387
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		-	-	86,095,260	86,095,260
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 30 September 2022		619,315,886	543,268,075	86,095,260	1,248,679,221

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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023

	Notes	Unaudited	
		Nine-month period ended	
		30.9.2023	30.9.2022
		KHR'000	KHR'000
Cash flows from operating activities			
Profit before tax		113,360,981	105,975,184
Adjustments for:			
Amortisation of intangible assets		1,390,440	1,491,988
Depreciation of property, plant and equipment	4	45,059,321	43,117,024
Amortisation of deferred government and other grants	8	(1,339,939)	(1,507,430)
Loss on write-off of property, plant and equipment	4	444,669	113,878
Finance income		(4,972,081)	(3,084,779)
Finance costs	11	2,658,049	2,699,549
Net unrealised foreign exchange gain	7	(2,527,903)	(4,927,948)
Operating profit before changes in working capital		154,073,537	143,877,466
Change in working capital:			
Inventories		(106,047,813)	4,563,544
Trade and other receivables		(11,922,653)	66,551,478
Trade and other payables		35,608,237	55,957,738
Contract assets		(43,193,417)	(7,643,980)
Contract liabilities		180,498	-
Refundable water deposits		4,306,276	5,149,753
Net cash from operations		33,004,665	268,455,999
Income tax paid		(19,863,781)	(21,479,768)
Net cash generated from operating activities		13,140,884	246,976,231
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(249,514,186)	(389,473,392)
Purchase of intangible assets		(236,252)	(428,456)
Increase in short-term investments		(870,033)	(22,079,280)
Interest received		2,292,831	1,804,654
Net cash used in investing activities		(248,327,640)	(410,176,474)
Cash flows from financing activities			
Dividends paid	13	(4,305,158)	(4,044,252)
Drawdown of borrowings	7	228,074,196	183,758,805
Interest paid	7	(8,572,162)	(4,784,224)
Repayments of borrowings	7	(21,479,453)	(20,769,386)
Receipt of Japanese government grants	8	6,157,800	-
Net cash generated from financing activities		199,875,223	154,160,943
Net decrease in cash and cash equivalents		(35,311,533)	(9,039,300)
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		25,847,382	80,620,238

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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 engage in the processing and distribution of water for general use by the public in the city of Phnom Penh and surrounding areas, including Takmao, Tbong Khmom and Mlech and the provision of other related services. The objectives of PPWSA are to:

- invest in, build, enlarge, operate, repair and maintain the means of water sanitation and distribution;
- manage devices to increase water production, and improve services and water quality to meet demand;
- operate the business, services and related duties for water supply in accordance with the Board of 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
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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER AND NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023 (CONTINUED)**

4. PROPERTY, PLANT AND EQUIPMENT

	Unaudited	Audited
	30.9.2023	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	257,723,664	287,124,812
Transfer from inventory	6,767,627	80,775,249
Transfer to intangible assets	-	(1,125,000)
Written-off	(5,055,548)	(136,839)
Balance at the end of the financial period/year	<u>3,064,896,973</u>	<u>2,805,461,230</u>
Accumulated depreciation		
Balance at the beginning of financial period/year	602,419,316	544,958,389
Depreciation for the financial period/year	45,059,321	57,460,927
Written-off	(4,610,879)	-
Balance at the end of the financial period/year	<u>642,867,758</u>	<u>602,419,316</u>
Carrying amount		
Balance at the end of the financial period/year	<u>2,422,029,215</u>	<u>2,203,041,914</u>

During the quarter and nine-month period ended 30 September 2023, PPWSA made the following cash payment for its additions of property, plant and equipment:

	Unaudited	
	Nine-month period ended	
	30.9.2023	30.9.2022
	KHR'000	KHR'000
Additions	257,723,664	393,616,340
Interest capitalised on qualifying assets	(8,209,478)	(4,142,948)
Cash payment for purchase of property, plant and equipment	<u>249,514,186</u>	<u>389,473,392</u>

5. CONTRACT ASSETS / (LIABILITIES)

	Unaudited	Audited
	30.9.2023	31.12.2022
	KHR'000	KHR'000
Contract assets		
Contract assets relating to construction service contracts	5,469,361	3,533,898
Contract assets relating to water revenue	130,492,430	89,234,476
	<u>135,961,791</u>	<u>92,768,374</u>
Contract liabilities		
Contract liabilities relating to construction service contracts	<u>4,637,254</u>	<u>4,456,756</u>

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 2023 (CONTINUED)**

6. SHORT-TERM INVESTMENTS

These represent fixed deposit placed with financial institutions with maturity of one year or less and earn interest at rates ranging from 3.50% to 5.75% (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
Drawdowns				
European Investment Bank	USD	0.610% - 0.965%	2048	43,373,286
AfD - Credit No. 1176 01 S	USD	0.900%	2038	48,487,779
AfD - Credit No. 1244 01 M	USD	0.900%	2039	136,213,131
Repayments				
<u>Principal</u>				
MoEF - Asian Development Bank	SDR	1.650%	2037	(2,255,711)
AfD - Credit No. 1121 01 F	EUR	0.250%	2025	(17,847,481)
MoEF - JICA	JPY	0.660%	2049	(1,376,261)
<u>Interest</u>				
MoEF - Asian Development Bank	SDR	1.650%	2037	(526,392)
AfD - Credit No. 1121 01 F	EUR	0.250%	2025	(100,125)
MoEF - JICA	JPY	0.660%	2049	(234,095)
AfD - Credit No. 1174 01 P	USD	1.800%	2037	(2,704,468)
AfD - Credit No. 1176 01 S	USD	0.900%	2038	(1,365,036)
AfD - Credit No. 1244 01 M	USD	0.900%	2039	(642,826)
European Investment Bank	USD	0.610% - 0.965%	2048	(2,999,220)
Accrued interest				10,867,527
Unrealised exchange gain				(2,527,903)
Balance at 30 September 2023				1,216,357,080
Less: Current portion				(25,445,955)
Non-current portion				1,190,911,125

Breach of loan covenants

PPWSA has unsecured borrowings with a carrying amount of KHR1,216,357,080,000 as at 30 September 2023. These borrowings bear interest from 0.250% to 1.800% with repayment schedules ranging 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.

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER AND NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023 (CONTINUED)**

7. BORROWINGS (CONTINUED)

PPWSA exceeded its maximum leverage threshold during the quarter and nine-month period ended 30 September 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. The extension of the waiver is expected to be obtained on or before 31 December 2023.

8. DEFERRED GOVERNMENT AND OTHER GRANTS

	Unaudited 30.9.2023 KHR'000	Audited 31.12.2022 KHR'000
Balance at 1 January	69,238,477	16,812,186
Additions (*)	6,157,800	54,436,199
Amortisation charged for the financial period/year	<u>(1,339,939)</u>	<u>(2,009,908)</u>
Balance at 30 September /31 December	<u>74,056,338</u>	<u>69,238,477</u>

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

9. TRADE AND OTHER PAYABLES

	Unaudited 30.9.2023 KHR'000	Audited 31.12.2022 KHR'000
Non-current:		
Other payable		
Refundable water deposits	<u>81,107,981</u>	<u>76,801,705</u>
Current:		
Trade payables		
Third parties	72,945,263	48,078,710
Accruals construction services	<u>21,851,512</u>	<u>23,208,075</u>
	<u>94,796,775</u>	<u>71,286,785</u>
Other payables		
Amount due to Phnom Penh Municipality	71,749,888	57,830,594
Accruals	8,660,721	6,071,437
Performance guarantee	429,876	67,390
Accrued staff incentive	67,395	9,993,226
Other tax payable	4,513,157	385,903
Other payables	<u>10,051,577</u>	<u>9,025,817</u>
	<u>95,472,614</u>	<u>83,374,367</u>
Total trade and other payables (current)	<u>190,269,389</u>	<u>154,661,152</u>
Total trade and other payables (non-current and current)	<u>271,377,370</u>	<u>231,462,857</u>

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER AND NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023 (CONTINUED)**

10. SALES

	Unaudited		Unaudited	
	Three-month period ended		Nine-month period ended	
	30.9.2023	30.9.2022	30.9.2023	30.9.2022
	KHR'000	KHR'000	KHR'000	KHR'000
Water sales:				
- commercial	47,863,252	36,868,440	127,336,131	106,906,864
- households	38,581,654	29,789,515	98,490,028	82,381,118
- public administration	6,510,563	5,076,241	18,256,658	14,672,393
- wholesalers	3,471,604	2,646,012	8,945,192	7,415,869
Rounding difference on water sales revenue	23,628	18,117	62,002	51,669
Less: Invoice cancellations	<u>(84,441)</u>	<u>(659,706)</u>	<u>(740,668)</u>	<u>(1,503,113)</u>
	96,366,260	73,738,619	252,349,343	209,924,800
Water connection revenue	1,517,093	1,995,603	6,104,066	6,666,275
Water meter replacement charges	1,226,993	1,217,071	3,383,755	3,343,733
Spare parts and meter sales	<u>92,152</u>	<u>51,063</u>	<u>179,447</u>	<u>181,637</u>
	<u>99,202,498</u>	<u>77,002,356</u>	<u>262,016,611</u>	<u>220,116,445</u>

11. FINANCE COSTS

	Unaudited		Unaudited	
	Three-month period ended		Nine-month period ended	
	30.9.2023	30.9.2022	30.9.2023	30.9.2022
	KHR'000	KHR'000	KHR'000	KHR'000
Interest expense on borrowings	4,001,388	2,551,564	10,867,527	6,842,497
Interest capitalised on qualifying assets	<u>(3,112,943)</u>	<u>(1,451,655)</u>	<u>(8,209,478)</u>	<u>(4,142,948)</u>
	<u>888,445</u>	<u>1,099,909</u>	<u>2,658,049</u>	<u>2,699,549</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 nine-month period ended 30 September 2023 of 19% (quarter and nine-month period ended 30 September 2022: 19%).

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER AND NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023 (CONTINUED)**

13. DIVIDENDS

	Unaudited	
	Nine-month period ended	
	30.9.2023	30.9.2022
	KHR'000	KHR'000
Recognised during the financial period		
Dividend for the financial period ended 30 September 2023 of KHR330 per ordinary share (*)	4,305,158	-
Dividend for the financial period ended 31 December 2022 of KHR310 per ordinary share	-	4,044,252

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

Pursuant to the approval letter from the MoEF on 9 August 2021, PPWSA is exempted for payment of dividends to MoEF until the 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 the government-related entities are conducted in the ordinary course of PPWSA's businesses on negotiated terms or terms comparable to those with other entities that are not government-related, except otherwise disclosed elsewhere in the condensed interim financial information.

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

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

PHNOM PENH WATER SUPPLY AUTHORITY
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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER AND NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023 (CONTINUED)**

14. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management personnel compensation

Total key management personnel compensation is analysed as below:

	Unaudited	
	Nine-month period ended	
	30.9.2023	30.9.2022
	KHR'000	KHR'000
Salaries and other expenses	<u>1,894,788</u>	<u>1,763,266</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.

PHNOM PENH WATER SUPPLY AUTHORITY
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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER AND NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023 (CONTINUED)**

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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

16. CAPITAL COMMITMENTS

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

	Unaudited	
	Nine-month period ended	
	30.9.2023	30.9.2022
	KHR'000	KHR'000
Construction of water treatment plant	26,006,131	124,910,115
Consultation services	9,473,178	9,205,439
Purchase of ductile iron pipes, fitting and accessories	98,647,048	23,154,852
	<u>134,126,357</u>	<u>157,270,406</u>

17. SEGMENTAL REPORTING

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

18. COMPARATIVE FIGURES

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

19. AUTHORISATION OF CONDENSED INTERIM FINANCIAL INFORMATION

The condensed interim financial information of PPWSA for the quarter and nine-month period ended 30 September 2023 were authorised for issue by the Board of Directors on 13 November 2023.

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**REPORT ON THE REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION
TO THE SHAREHOLDERS 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 of 30 September 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 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*.



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

Phnom Penh, Kingdom of Cambodia

Date: 13 NOV 2023



Oknha Tan Khee Meng
Certified Public Accountant



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