



PHNOM PENH WATER SUPPLY
AUTHORITY

QUARTERLY REPORT

Q3 / 2020

MAJOR STRATEGIC GOALS OF THE AUTHORITY ARE AS FOLLOWS:

Expand water supply to Phnom Penh's suburban areas and surrounding regions at the same rate and standard as in Phnom Penh. Analyze the drivers of cost and revise processes and procedures to reduce the cost of water. Maintain a strong commitment to social responsibility. Engage in strategic benchmarking against the most efficient water production organization in the world.



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FINANCIAL HIGHLIGHTS



Financial Position	Third Quarter 2020	2019	2018
Total assets (KHR'000)	1,785,226,529	1,604,343,922	1,449,408,815
Total liabilities (KHR'000)	821,959,682	690,639,283	550,770,729
Total shareholders' equity (KHR'000)	963,266,847	913,704,639	899,338,086

Profit/(Loss)	Third Quarter 2020	Third Quarter 2019	Third Quarter 2018
Total revenues (KHR'000)	86,585,071	63,931,199	58,034,900
Profit/ (Loss) before Tax (KHR'000)	31,075,284	27,072,919	10,039,936
Profit/ (Loss) after Tax (KHR'000)	27,140,842	21,667,879	7,207,209
Total Comprehensive income (KHR'000)	27,140,842	21,667,879	7,207,209

Financial Ratios	Third Quarter 2020	2019	2018
Solvency ratio			
Liquidity ratios			
Current ratio (times)	1.27	1.15	1.79
Quick ratio (times)	0.85	0.62	1.15

	Third Quarter 2020	Third Quarter 2019	Third Quarter 2018
Profitability ratios			
Return on assets (%)	1.57	1.45	0.51
Return on equity (%)	2.86	4.31	1.53
Gross profit margin (%)	43.77	34.71	24.29
Profit margin (%)	31.35	33.89	12.47
Earnings per share (KHR)	312.06	249.13	83.21
Interest Coverage ratio (times)	5.36	49.61	3.20

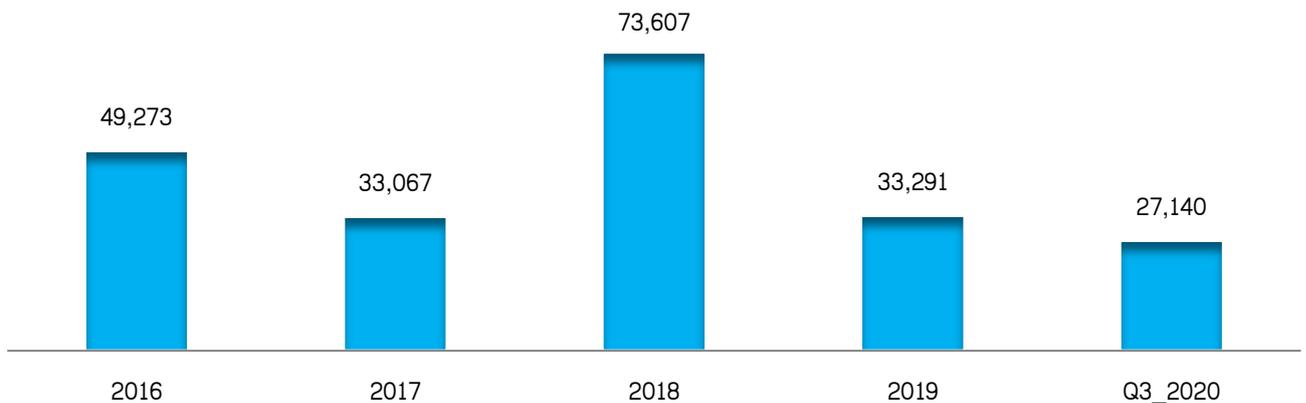


Financial Summary Charts

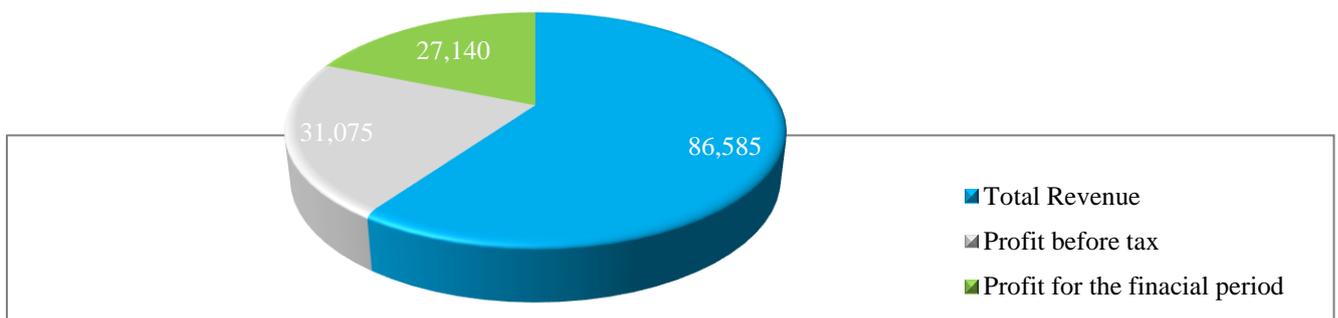
CHANGES IN STOCK PRICE (in KHR) AND TRADING VOLUME



PROFIT FOR EACH YEAR (in million KHR)



PROFIT FOR THE THIRD QUARTER OF 2020 (in million KHR)



Board of Directors





H.E. Oum Sotha
Secretary of State, Ministry of Industry
Science, Technology and Innovation

Chairman



H.E. Dr. Sim Sitha
Director General
of PPWSA

Member



H.E. Mey Vann
Delegate to the Royal Government
in charge as Director General of
General Department of Financial Industry,
Ministry of Economy and Finance

Member



H.E. Noun Pharath
Deputy Governor of the Board
of Governors of Phnom Penh

Member



Mr. Ma Noravin
Representative
of PPWSA's Employees

Member



Mr. Zhang Yun Feng
Non-Executive Director
Representing Private Shareholders

Member



Mr. Om Sengbora
Independent Director

Member

MESSAGE FROM CHAIRMAN OF THE BOARD



In the 3rd quarter of 2020

“Gaining the trust from the Royal Government and the support from the 2 parent ministries, PPWSA successfully performed all its business activities. We have been continuing to develop the water service from day to day, both qualitatively and quantitatively, to meet the water demand for the population in Phnom Penh and the provincial town of Takhmao as well as to contribute to the developments of the 2 municipalities.”

In this quarter, PPWSA reported total revenues of KHR 86,585,071,000 and profit before tax of KHR 31,075,284,000.

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 overseas 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 pertaining to social interests; 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 this quarter, we produced 59,187,288m³ of clean water, and we use poly aluminum chloride (PAC) instead of sourdough to improve water quality and reduce chemical costs.



As a result, in this quarter we installed 5,127 new house connections including 135 connections for the low-income whom we always care for. The rate of water loss in this quarter was 12.89%, due to the leakage of pipes caused by the development and repair of road infrastructure.

We raised the awareness on our water supply – regularly among the population living in communities – and timely responded to their complaints about water service. Transmission pipeline and distribution network are extended everyday. As a result, 48,998.60m of pipes were laid in this quarter.

Performance of the Board of Directors for Mandate 7

The 4th ordinary meeting was held on September 29, 2020 at 8:30 AM at the headquarter of PPWSA with the following resolutions:

- 1) Agreed and suggested PPWSA to make requests for principal approval from the 2 tutelary ministries due to the Board's comments, and authorized the Director General to do this work.
- 2) Agreed in principle to the needs for backfilling of PPWSA's land property at Tamoak Lake, but the investment cost shall be considered later as it is not urgent, and granted the support for one of the 3 following alternative approaches to implementing this project.
 - a) Backfill the property with soil dredged from the nearby areas in the lake with possible support from Phnom Penh Municipality.
 - b) Allocate PPWSA's budget to build the fence surrounding the property.
 - c) Request for grants from the government for this investment cost in cause of water supply in Phnom Penh.
- 3) Totally acknowledged the Annual Business Report 2020 (8 months actual and 4 months estimate) and unanimously adopted the Business Plan 2021, and agreed to increase 10% of basic salary for PPWSA's staff of the 4 cadres as well as allowed PPWSA to install house connections to its customers in Thbong Khmum for free of charge, articulating the validity of these free-of-charge connections in the announcement.
- 4) Totally approved and agreed to the Procurement Report for the 3rd quarter of 2020, and the Procurement Plan 2021.
- 5) Totally agreed to the Social Fund Report for the 3rd quarter of 2020, and the Social Fund Budget Plan 2021.
- 6) Agreed and asked the Layers to move a step forward with Board's recommendations, collaborating with the company secretary to follow all the recommendations. In the upcoming meeting, the lawyers have to resume their presentation to the Board.
- 7) As already discussed and agreed in Agenda 2 above.

- 8) Acknowledged the report and suggested PPWSA to make a letter informing Phnom Penh Municipality about its network extension plan from 2020 to 2025.
- 9) Totally acknowledged the Internal Audit Report for the 3rd quarter of 2020, and approved the audit services plan in 2021.
- 10) Agreed to promote the Secretariat and Procurement Unit to departmental level, like Legislation and Inspection, Internal Audit, and Information Technology Center.

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 Takhmao, and a strong commitment to social and environmental responsibility. In the fourth quarter of 2020, PPWSA plans to produce 58,259,800 m³ of clean water with further expansion of the distribution network of 45,150 meters and generate total revenues of KHR 84,825,787,000 with total expenses of KHR 56,214,377,000 as approved by the Board and the 2 parent ministries.

Acknowledgement

We would like to express our deep gratitude to the Royal Government, the 2 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, 10 November 2020

Chairman





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PART 1.- General Information of PPWSA

A- IDENTITY OF PHNOM PENH WAER SUPPLY AUTHRITHY

- ◆ Name in Khmer: រដ្ឋាករទឹកស្វយ័តក្រុងភ្នំពេញ (រ.ទ.ស.ភ.)
- ◆ Name in Latin: PHNOM PENH WATER SUPPLY AUTHORITY (PPWSA)
- ◆ Standard Code: KH1000010004
- ◆ Address: #45, St. 106, Sangkat Srah Chak, Khan Doun Penh, Phnom Penh, Cambodia
- ◆ Phone number: +855(0)23 6358080/724046
- ◆ Fax: +855(0)23427657
- ◆ Website: www.ppwsa.com.kh Email: ir@ppwsa.com.kh
- ◆ Company registration number: Co.០៨៣៩Et/២០១២
Date: 27 March 2012
- ◆ License number: Sub-decree No. 52អនក្រ.បក
Issued by: Royal Government of Cambodia
Date: 19 December 1996
- ◆ Disclosure Document approved and registered by SECC's Resolution No.: ០12/12គ.ម.ក/ស.ស.វ.
Date: 23 March 2012
- ◆ Representative of the listed entity: **H.E. Dr. Sim Sitha**

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 livings, businesses, services and industries.
- ◆ Engage in domestic or overseas busienss and services related to water and sanitation sectors due to the Board of Director's resolutions and the existing laws.
- ◆ Enhance technical, commercial and financial cooperations 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.

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

PPWSA continued to supply clean water in response to customer demand through operation of the existing treatment system, and assured that treated water is clean, uncontaminated and directly drinkable from the tap. As a result, water treatment in the 3rd quarter of 2020 was summarized in the table below.

Description (water treatment plant)	PLAN (m ³)	ACTUAL (m ³)	RATE (%)
Phum Prek	14,600,000	15,188,788	104
Chruoy Chang War	15,028,000	14,940,459	99
Chamkar Morn	4,140,000	5,007,230	121
Niroth	24,380,000	23,962,468	98
Mlech	165,600	72,197	44
Thbong Khmom	-	16,146	-
TOTAL	58,313,600	59,187,288	101

The quality of treated water at the 5 water treatment plants (WTPs) was tested 3 times a day, and that at 80 checkpoints along the distribution network was tested weekly. In consequence, the water quality complies with Cambodian National Drinking Water Quality Standard (CNDWQS). The water quality control at each WTP and along the distribution network is implemented regularly based on the Standard Operating Procedure (SOP) and the working schedule, assuring that water is safe and drinkable from the tap in accordance with WHO guidelines for drinking water.

Parameters	Unit	WHO	Phum Prek WTP	Chroy Chang War WTP	Chamcar Morn WTP	Niroth WTP	Mlech WTP	Thbong Khmom WTP	Along Distribution Pipes
Turbidity	NTU	≤5	0.24	0.61	0.13	1.10	1.10	1.53	0.80
pH Value		6.50-8.50	7.36	7.44	7.37	7.49	7.49	7.51	7.47
Free Available Chlorine	mg/l	0.10-1.0	1.32	1.06	0.96	0.81	0.81	0.04	0.30
Total Available Chlorine	mg/l	<2	1.43	1.17	1.10	1.03	1.03	0.06	0.41
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. Business Operation Performance including business segments information (con't)

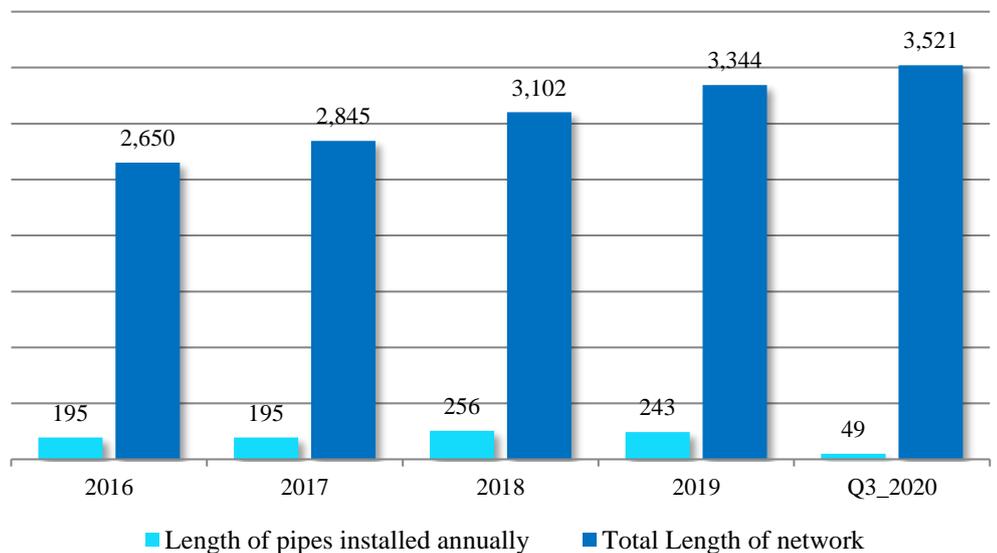
A.1- Water Treatment and Distribution System and Water Loss Reduction (con't)

A.1.2- Pipes Laying

Description	Actual (m)
1- Khan Chamkar Morn	191.10
2- Khan Toul Kok	187.20
3- Khan Roeusei Keo	5,070.50
4- Khan Meanchey	1,539.50
5- Khan Dankor	7,684.20
6- Khan Po Senchey	8,908.80
7- Khan Sen Sok	5,486.80
8- Khan Chroy Chanva	9,992.00
9- Khan Chba Ampov	8,803.90
10- Khan Prek Phnov	315.90
11- Takhmao	818.70
TOTAL	48,998.60



Lengths of pipes installed each year
(Km)



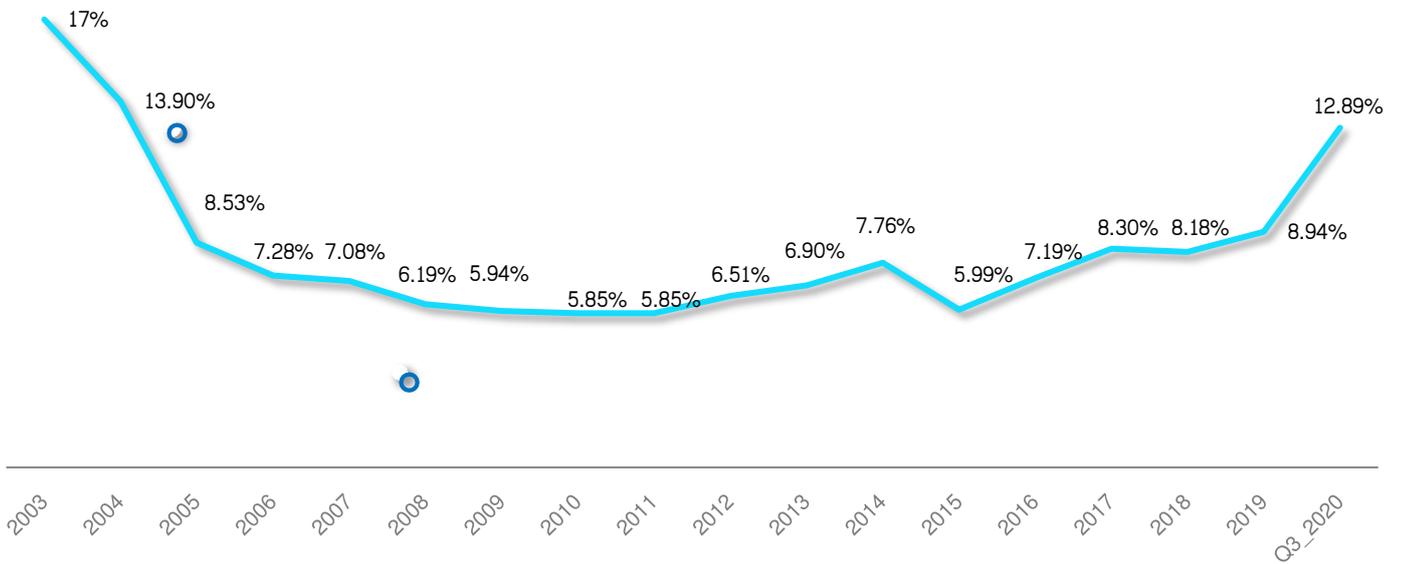
A. Business Operation Performance including business segments information (con't)

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

A.1.2- Water Loss Reduction

In this quarter, PPWSA's water loss rate was kept in single digits – 12.89%, as shown in the graph below.

NRW trend from 2003 to the 3rd Quarter of 2020 (in percent)



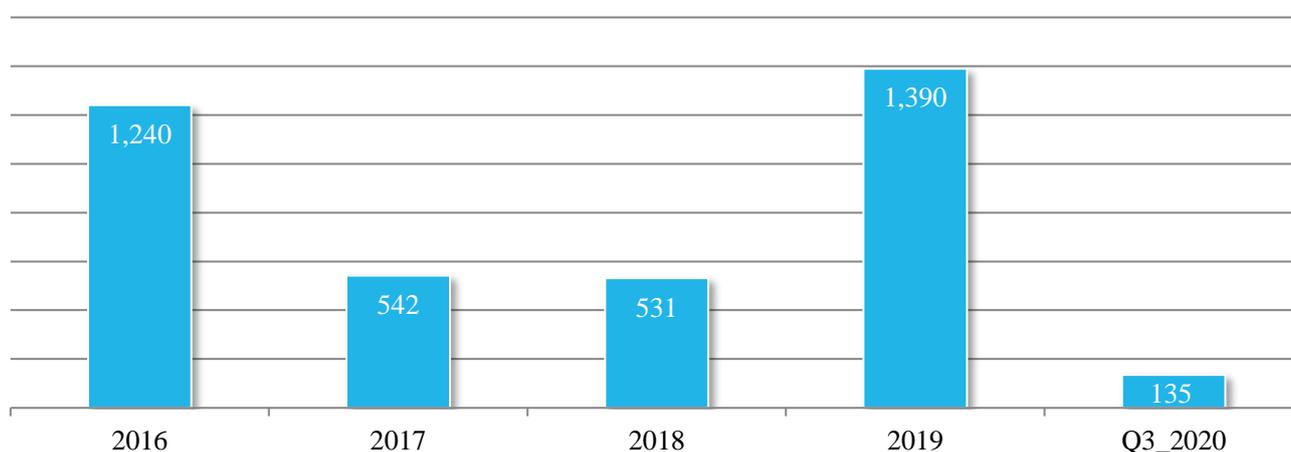
A. Business Operation Performance including business segments information (con't)

A.2- Business Activities and Results

A.2.1 - Water for All Program

From the inception of “Water for All” program till the end of the 3rd quarter of 2020, PPWSA has supplied clean water to 36,829 low-income families. In this quarter, a total of 135 connections were subsidized.

Increase in low-income household connections



Evaluation

The provision of clean water service to the low-income, particularly those living in communities that have never had direct access to PPWSA’s clean water at an affordable tariff cheaper than private vendors, with 24/7 supply, assured quality and subsidy, made the low-income happy and very grateful to the Royal Government and donors for the care of their livings.

Connections for the low-income		TOTAL (Households)	URBAN (Households)	SUBURBAN (Households)
	12-month installment payments	-	-	-
Subsidy 30%	with 12-month installment payments	01	-	01
Subsidy 50%	with 12-month installment payments	38	-	38
Subsidy 70%	with 12-month installment payments	18	01	17
Subsidy 100%	with 12-month installment payments	78	04	74
	TOTAL	135	05	130

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

A.2- Business activities and results

A.2.2- House Connection and Customer Management

- House Connection

House connection work is carried out based on a simple Standard Operating Procedure (SOP) for both PPWSA employees and customers. PPWSA's is to help people quickly apply for house connections with down payment of connection fees on site, that reduces their travel costs.

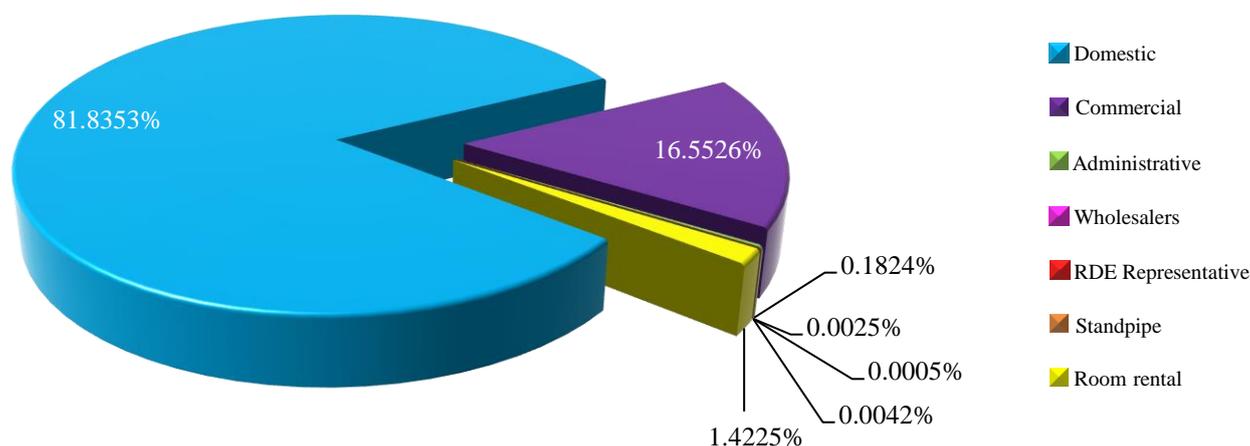
- Customer Management

PPWSA manages its customers well and effectively by:

- ◆ Recording new data of new connections and newly replaced meters into the customer database accurately and timely – **No more than three working days after the installation and replacement date.**
- ◆ Recording all the requests for customer data change into the system in a timely manner.
- ◆ Securing customer data with daily and weekly backups to be checked at the end of each quarter.
- ◆ Maintenance of the computers and hardwares in the whole PPWSA based on the fixed schedule.

Types of Customers	2016	2017	2018	2019	Third Quarter 2020
Domestic	251,067	271,317	301,834	321,212	331,946
Commercial	54,228	55,891	58,789	62,366	67,142
Administrative	655	655	664	696	740
Wholesalers	11	08	07	07	10
RDE Representative	22	20	21	17	02
Standpipe	-	-	14	17	17
Room rental	4,852	5,397	5,703	5,752	5,770
Total	310,835	333,288	367,032	390,067	405,627

Distribution of customers by type at end of the third quarter of 2020 (Total connections: 405,627)



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

A.3- Human Resource Management

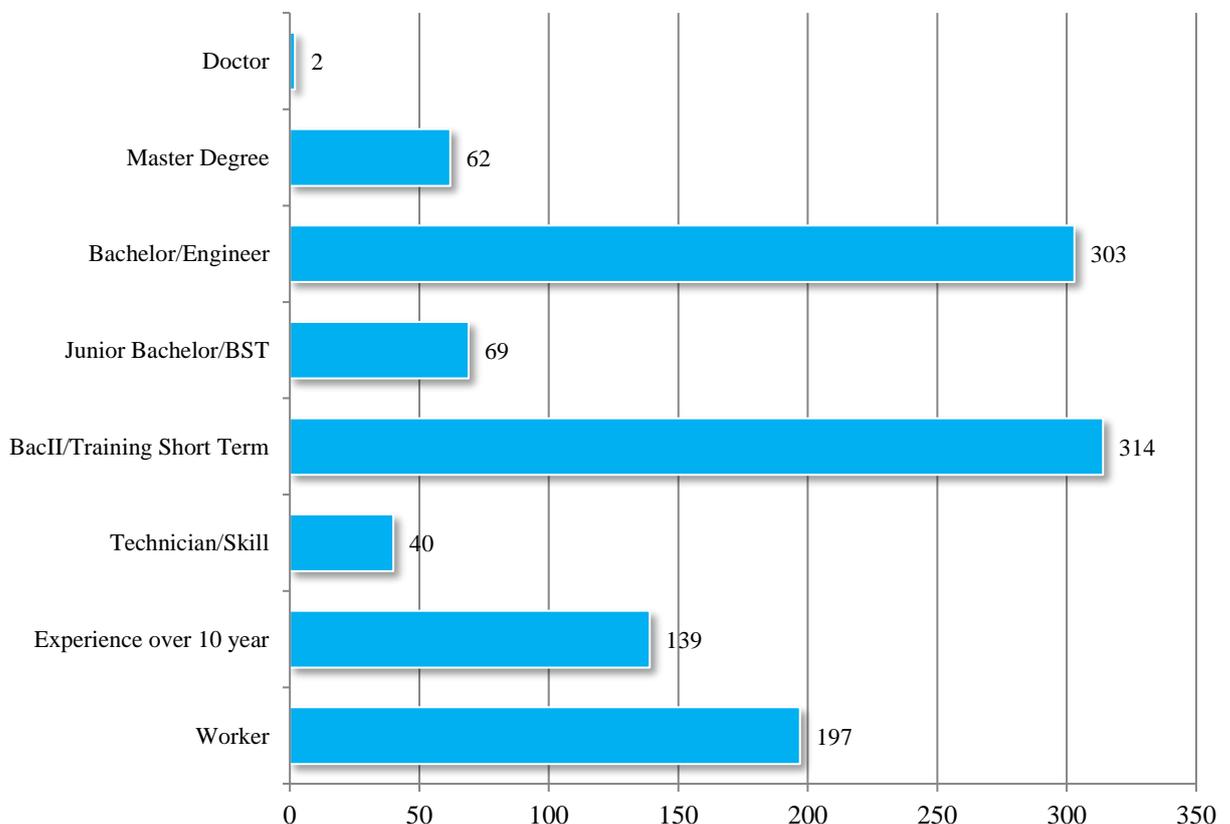
In this quarter, PPWSA employs a total of 1,126 staffs (including 195 females) which is categorized as follows:

- ◆ 2 government officials – Director General and Deputy Director General in charge of Finance and Securities Exchange.
- ◆ Permanent Employees 1,067 (193 females)
- ◆ Probation Employees 11
- ◆ Contractual Employees 46 (02 females)

A.3.1- Enforcement of Personnel Statute and Internal Regulation

- ◆ Staff ratio was 2.78 per 1000 connections (while the total connections as of 30 September 2020 were 405,627).
- ◆ Enforcement of duties, work discipline, and employee punctuality, uniform and safety protection have been improved.

A.3.2- Skill Levels of Employees



PART 2.- Information on Business Operation Performance (cont)

B- Revenue Structure

N°	Source of Revenue	Q3 2020		Q3 2019		Q3 2018	
		Amount (KHR'000)	Percent	Amount (KHR'000)	Percent	Amount (KHR'000)	Percent
1	Water sales	71,053,789	82.06%	55,762,111	87.22%	53,619,684	93.39%
2	Construction service fee	7,838,120	9.05%	1,857,667	2.91%	990,775	1.71%
3	Foreign exchange gains - net	-	-	1,858,558	2.91%	-	-
4	Other incomes	7,693,162	8.89%	4,452,863	6.97%	3,424,441	5.90%
	Total revenues	<u>86,585,071</u>		<u>63,931,199</u>		<u>58,034,900</u>	





PART 3.- FINANCIAL STATEMENTS REVIEWED BY THE EXTERNAL AUDITOR

FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2020



**PHNOM PENH WATER SUPPLY AUTHORITY
(INCORPORATED IN CAMBODIA)**

**CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2020**

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

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PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

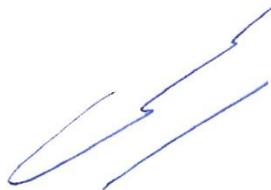
STATEMENT BY THE DIRECTORS

In the opinion of Directors, the accompanying condensed statement of financial position of Phnom Penh Water Supply Authority (“PPWSA”) as at 30 September 2020, and the related condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the nine-month period then ended, and condensed notes to the interim financial information (collectively known as “Condensed Interim Financial Information”) are presented fairly, in all material respects, in accordance with Cambodia International Accounting Standard 34 *Interim Financial Reporting*. ✓

Signed on behalf of the Board of Directors,



Oum Sotha
Chairman of the Board of Directors



Sim Sitha
Director General



Ros Kimleang
Deputy Director General in
charge of Finance & Stock Exchange

Phnom Penh, Cambodia
Date: 10 November 2020

**REPORT ON THE REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION TO THE SHAREHOLDERS OF PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)
(Registration No: Co.0839 Et/2012)**

Introduction

We have reviewed the accompanying condensed statement of financial position of Phnom Penh Water Supply Authority (“PPWSA”) as at 30 September 2020, and the related condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the nine-month period then ended, and condensed notes to the interim financial information (collectively known as “Condensed Interim Financial Information”). The Directors of the PPWSA are responsible for the preparation of and presentation of the Condensed Interim Financial Information. Our responsibility is to express a conclusion on this Condensed Interim Financial Information 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*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with 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 audit 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 the PPWSA are not presented fairly, in all material respects, in accordance with Cambodian International Accounting Standard 34 *Interim Financial Reporting*.

BDO 


BDO (Cambodia) Limited

Phnom Penh, Cambodia
Date: 10 November 2020



PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020

	Note	Unaudited 30.9.2020 KHR'000	Audited 31.12.2019 KHR'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	1,497,930,330	1,374,031,554
Intangible assets		<u>13,412,949</u>	<u>13,411,013</u>
		<u>1,511,343,279</u>	<u>1,387,442,567</u>
Current assets			
Inventories		82,015,876	103,755,868
Trade and other receivables		44,101,179	13,564,801
Contract assets	10	37,114,466	13,321,083
Loan to employees		7,956,651	7,826,214
Short-term investments	5	35,995,507	17,909,267
Other tax receivables		5,312,052	5,312,052
Cash and bank balances		<u>61,387,519</u>	<u>55,212,070</u>
		<u>273,883,250</u>	<u>216,901,355</u>
TOTAL ASSETS		<u><u>1,785,226,529</u></u>	<u><u>1,604,343,922</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital		541,227,282	541,227,282
Reserves	6	352,473,533	339,185,444
Retained earnings		<u>69,566,032</u>	<u>33,291,913</u>
TOTAL EQUITY		<u>963,266,847</u>	<u>913,704,639</u>
LIABILITIES			
Non-current liabilities			
Borrowings	7	439,642,384	303,948,144
Deferred government and other grants	8	19,324,571	20,959,838
Deferred tax liabilities		64,666,311	59,526,828
Other payables	9	<u>64,276,920</u>	<u>65,398,879</u>
		<u>587,910,186</u>	<u>449,833,689</u>
Current liabilities			
Trade and other payables	9	183,605,736	196,661,333
Borrowings	7	34,214,069	33,136,698
Contract liabilities	10	4,616,435	2,876,260
Current tax liabilities		<u>11,613,256</u>	<u>8,131,303</u>
		<u>234,049,496</u>	<u>240,805,594</u>
TOTAL LIABILITIES		<u>821,959,682</u>	<u>690,639,283</u>
TOTAL EQUITY AND LIABILITIES		<u><u>1,785,226,529</u></u>	<u><u>1,604,343,922</u></u>

The Condensed Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to this interim financial report.

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2020

	Note	Unaudited			
		Three-month period ended 30.9.2020 ⁽¹⁾ KHR'000	30.9.2019 ⁽²⁾ KHR'000	Nine-month period ended 30.9.2020 ⁽¹⁾ KHR'000	30.9.2019 ⁽²⁾ KHR'000
Revenue:					
Sales		71,053,789	55,762,111	205,059,058	159,810,884
Construction service fee		7,838,120	1,857,667	14,990,924	3,218,042
Foreign exchange gains - net		-	1,858,558	-	1,679,581
Other income		7,693,162	4,452,863	17,433,746	11,556,991
		<u>86,585,071</u>	<u>63,931,199</u>	<u>237,483,728</u>	<u>176,265,498</u>
Expenses:					
Depreciation and amortisation charges		(12,525,310)	(12,510,210)	(37,934,845)	(37,119,078)
Electricity costs		(8,667,841)	(9,957,062)	(27,559,300)	(27,293,260)
Salaries, wages and related expenses		(13,628,675)	(11,804,148)	(41,584,059)	(35,989,400)
Raw materials for water treatment		(3,177,958)	(2,339,931)	(7,173,780)	(5,499,582)
Raw materials for household water connections		(635,570)	(757,832)	(1,816,410)	(2,439,004)
Repairs and maintenance		(2,165,583)	(1,727,860)	(7,403,898)	(4,917,958)
Construction service expense		(6,278,884)	(1,275,613)	(11,570,151)	(2,172,402)
Reversal of impairment on loan to employees		313,049	208,699	130,437	2,556,563
Other operating expenses		(1,329,912)	(1,575,718)	(5,719,134)	(5,751,096)
Foreign exchange losses - net		(592,162)	-	(636,862)	-
		<u>37,896,225</u>	<u>22,191,524</u>	<u>96,215,726</u>	<u>57,640,281</u>
Operating profit		37,896,225	22,191,524	96,215,726	57,640,281
Finance income	12	246,544	4,434,097	3,170,288	7,371,505
Finance costs	12	(7,067,485)	447,298	(12,577,004)	(8,645,512)
		<u>31,075,284</u>	<u>27,072,919</u>	<u>86,809,010</u>	<u>56,366,274</u>
Profit before tax		31,075,284	27,072,919	86,809,010	56,366,274
Tax expense	13	(3,934,442)	(5,405,040)	(17,242,975)	(17,041,928)
		<u>27,140,842</u>	<u>21,667,879</u>	<u>69,566,035</u>	<u>39,324,346</u>
Profit for the financial period		27,140,842	21,667,879	69,566,035	39,324,346
Other comprehensive income, net of tax					
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the financial period					
		<u>27,140,842</u>	<u>21,667,879</u>	<u>69,566,035</u>	<u>39,324,346</u>
Earnings per share attributable to equity holders:					
Basic earnings per share	14	312.06	249.13	799.86	452.14
Diluted earnings per share	14	312.06	249.13	799.86	452.14

Notes:

(1) *The Condensed 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 2019 and the accompanying explanatory notes attached to this interim financial report.*

(2) *The comparative figures for the corresponding period were reviewed but no audited.*



PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2020

	Note	Share capital KHR'000	Reserves KHR'000	Retained earnings KHR'000	Total KHR'000
Unaudited					
Balance as at 1.1.2020		541,227,282	339,185,444	33,291,913	913,704,639
Profit for the financial period, representing total comprehensive income for the period		-	-	69,566,035	69,566,035
Transactions with owners					
Transfer to reserves	6	-	13,288,089	(13,288,089)	-
Dividend		-	-	(20,003,827)	(20,003,827)
Total transactions with owners		-	13,288,089	(33,291,916)	(20,003,827)
Balance as at 30.9.2020⁽¹⁾		541,227,282	352,473,533	69,566,032	963,266,847
Balance as at 1.1.2019		541,227,282	284,503,636	73,607,168	899,338,086
Profit for the financial period, representing total comprehensive income for the period		-	-	39,324,346	39,324,346
Transactions with owners					
Transfer to reserves	6	-	54,681,808	(54,681,808)	-
Dividend		-	-	(18,925,360)	(18,925,360)
Total transactions with owners		-	54,681,808	(73,607,168)	(18,925,360)
Balance as at 30.9.2019⁽²⁾		541,227,282	339,185,444	39,324,346	919,737,072

Notes:

(1) *The Condensed Statement of Change in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to this interim financial report.*

(2) *The comparative figures for the corresponding period were reviewed but no audited.*

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

CONDENSED STATEMENT OF CASH FLOWS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2020

	Note	Unaudited	
		Nine-month period ended 30.9.2020 ⁽¹⁾ KHR'000	30.9.2019 ⁽²⁾ KHR'000
Cash flows from operating activities			
Profit before tax		86,809,010	56,366,274
Adjustments for:			
Amortisation of intangible assets		1,805,957	1,615,153
Amortisation of deferred government and other grants	8	(1,635,267)	(1,604,795)
Depreciation of property, plant and equipment	4	36,128,888	35,503,925
Finance income	12	(3,170,288)	(7,371,505)
Finance costs	12	12,577,004	8,645,512
Property, plant and equipment written off	4	1,483,673	479,548
Reversal of impairment on loans to employees		(130,437)	(2,556,563)
		<u>133,868,540</u>	<u>91,077,549</u>
Operating profit before working capital changes			
Changes in working capital:			
Inventories		21,739,992	(9,750,920)
Trade and other receivables		(30,657,398)	(1,249,551)
Trade and other payables		(92,560,943)	(8,953,505)
Contract assets		(23,793,383)	(11,746,607)
Contract liabilities		1,740,175	3,033,434
Refundable water deposits		3,462,658	4,855,209
		<u>13,799,641</u>	<u>67,265,609</u>
Cash generated from operations			
Income tax paid		(8,621,539)	(7,739,518)
		<u>5,178,102</u>	<u>59,526,091</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(90,610,582)	(65,042,469)
Purchase of intangible assets		(256,739)	(101,734)
Interest capitalised on qualifying assets		(2,649,646)	(1,995,370)
Loan repayments from Pursat Water Supply (Placements)/Proceeds from disposal of short-term investments		-	112,365
Interest received		(18,086,240)	15,625,252
		879,034	1,170,511
		<u>(110,724,173)</u>	<u>(50,231,445)</u>
Cash flows from financing activities			
Dividend paid		(14,885,360)	(2,838,804)
Drawdown of borrowings		155,152,537	35,288,041
Interest paid		(1,573,645)	(5,294,709)
Repayments of borrowings		(26,972,012)	(32,116,170)
		<u>111,721,520</u>	<u>(4,961,642)</u>
Net cash from/(used in) financing activities			



PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

CONDENSED STATEMENT OF CASH FLOWS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2020 (continued)

	Unaudited	
	Nine-month period ended	Nine-month period ended
	30.9.2020⁽¹⁾	30.9.2019⁽²⁾
	KHR'000	KHR'000
Net increase cash and cash equivalents	6,175,449	4,333,004
Cash and cash equivalents at the beginning of financial period	<u>55,212,070</u>	<u>13,353,758</u>
Cash and cash equivalents at the end of financial period	<u><u>61,387,519</u></u>	<u><u>17,686,762</u></u>

Notes:

- (1) *The Condensed Statement of Change in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to this interim financial report.*
- (2) *The comparative figures for the corresponding period were reviewed but no audited.*

**PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)**

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
30 SEPTEMBER 2020**

1. CORPORATE INFORMATION

The Phnom Penh Water Supply Authority (“PPWSA”) is under the technical supervision of the Ministry of Industry and Handicraft (“MIH”) and the financial supervision of the Ministry of the Economy and Finance (“MoEF”), and has its headquarter in Phnom Penh. The PPWSA is acknowledged as having the economic characteristics 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 Office 45, Street 106, Sangkat Srah Chork, Khan Daun Penh, Phnom Penh, the Kingdom of Cambodia.

This condensed interim financial information are presented in Khmer Riel (“KHR”), which is also the functional currency of the PPWSA.

The condensed interim financial information was authorised for issue by the Board of Directors on 10 November 2020.

2. PRINCIPAL ACTIVITIES

The principal activities of the PPWSA are to process and distribute water for general use 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 productions, 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.

3. BASIS OF PREPARATION

The interim financial report is unaudited and has been prepared in accordance with Cambodian International Accounting Standard 34 *Interim Financial Reporting*. The interim financial report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached herein.

The explanatory notes provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the PPWSA since the financial year ended 31 December 2019.

The accounting policies and methods of computation adopted are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2019 except for the adoption of the following amendments:

	Effective Date
Amendmentsto <i>References to the Conceptual Framework in CIFRS Standards</i>	1 January 2020
Amendments to CIFRS 3 <i>Definition of a Business</i>	1 January 2020
Amendments to CIAS 1 and CIAS 8 <i>Definition of Material</i>	1 January 2020
Amendments to CIFRS 9, CIAS 39 and CIFRS 7 <i>Interest Rate Benchmark Reform</i>	1 January 2020
Amendment to CIFRS 16 <i>Covid-19-Related Rent Concessions</i>	1 June 2020 (early adopted)



3. BASIS OF PREPARATION (continued)

Amendments to References to the Conceptual Framework in CIFRS Standards

Together with the revised *Conceptual Framework*, the IASB issued *Amendments to References to the Conceptual Framework in CIFRS Standards*, which contains amendments to CIFRS 2, CIFRS 6, CIFRS 14, CIAS 1, CIAS 8, CIAS 34, CIAS 37, CIAS 38, IC Interpretations 12, 19, 20 and 22 as well Standard Interpretations Committee-32.

Amendments to CIFRS 3 Definition of a Business

The amendments change the definition of a business to help companies determine whether an acquisition made is of a business or a group of assets.

The new definition of business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities.

This emphasises that the output of a business is to provide goods and services to customers. This contrasts with the previous definition which focused on economic benefits to investors and others.

The amendments also clarify that, to be considered a business, an acquisition must include an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include a framework to assist when evaluating when an input and substantive process are present – including for early stage companies that have not yet generated outputs.

In addition, the amendments introduced an optional “concentration test” to permit a simplified assessment of whether or not an acquired set of activities and assets is a business. The test can be applied by choice on a transaction by transaction basis. A transaction will be treated as an acquisition of assets (ie not a business) if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or groups of similar identifiable assets.

Amendments to CIAS 1 and CIAS 8 Definition of Material

The amendments clarify the definition of material in the context of applying CIFRS. As the concept of what is and is not material is crucial in preparing financial statements in accordance with CIFRS, a change in the definition may fundamentally affect how preparers make judgments in preparing financial statements.

The new definition of material is information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Amendments to CIFRS 9, CIAS 39 and CIFRS 7 Interest Rate Benchmark Reform

The amendments affect entities that apply the hedge accounting requirements of CIFRS 9 or CIAS 39 to hedging relationships affected by the interest rate benchmark reform.

Pursuant to the amendments, entities would apply hedge accounting requirements assuming that the interest rate benchmark is not altered as a result of the interest rate benchmark reform.

The amendments apply to all hedging relationships that are directly affected by the interest rate benchmark reform.

3. BASIS OF PREPARATION (continued)

Amendment to CIFRS 16 Covid-19-Related Rent Concessions

CIFRS 16 has been amended to:

- (a) Provide lessees with an exemption from the requirement to determine whether a COVID-19-related rent concession is a lease modification; and
- (b) Require lessees that apply the exemption to account for COVID-19-related rent concessions as if they were not lease modifications.

The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- (i) Changes in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (ii) Any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (iii) There is no substantive change to other terms and conditions of the lease.

The following are accounting standards and amendments that have been issued but have not been early adopted by PPWSA:

	Effective Date
<i>Interest Rate Benchmark Reform - Phase 2</i> (Amendments to CIFRS 9, CIAS 39, CIFRS 7, CIFRS 4 and CIFRS 16)	1 January 2021
Annual Improvements to CIFRS Standards 2018 - 2020	1 January 2022
Amendments to CIFRS 3 <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to CIAS 16 <i>Property, Plant and Equipment - Proceeds before Intended Use</i>	1 January 2022
Amendments to CIAS 37 <i>Onerous Contracts - Cost of Fulfilling a Contract</i>	1 January 2022
Amendments to CIAS 1 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
CIFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to CIFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to CIFRS 4 <i>Insurance Contract - Extension of the Temporary Exemption from Applying CIFRS 9</i>	1 January 2023
Amendments to CIFRS 10 and CIAS 28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

The PPWSA is in the process of making an assessment of the potential impact from the adoption of these accounting standards and amendments hence the Directors are not yet in a position to conclude on the potential impact on the results and the financial position of the PPWSA.

The possible effects from the adoption of the above accounting standards and amendments are as follows:

Interest Rate Benchmark Reform - Phase 2 (Amendments to CIFRS 9, CIAS 39, CIFRS 7, CIFRS 4 and CIFRS 16)

The changes in *Interest Rate Benchmark Reform — Phase 2* (Amendments to CIFRS 9, CIAS 39, CIFRS 7, CIFRS 4 and CIFRS 16) refer to the replacement of interest reference rates, such as London Inter-Bank Offered Rate (“LIBOR”) and Euro Inter-Bank Offered Rate (“EURIBOR”) with alternative benchmark rates. These amendments follow on from the first phase of reliefs relating to Inter-Bank Offered Rate (“IBOR”) Reform issued in September 2019.



3. BASIS OF PREPARATION (continued)

Interest Rate Benchmark Reform - Phase 2 (Amendments to CIFRS 9, CIAS 39, CIFRS 7, CIFRS 4 and CIFRS 16) (continued)

IBOR Reform brings about several potentially significant implications for entities reporting under CIFRS both during the period of uncertainty prior to IBOR being replaced (pre-replacement issues), as well as at the time IBOR is replaced (replacement issues). The first phase of amendments focused solely on pre-replacement issues that relate to hedge accounting requirements. The second phase of reliefs focuses on replacement issues in relation to hedge accounting and other areas of accounting.

Annual Improvements to CIFRS Standards 2018 – 2020

The annual improvements amend the following standards:

- CIFRS 1 *First-time Adoption of International Financial Reporting Standards* to permit a subsidiary that applies paragraph D16(a) of CIFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to CIFRSs;
- CIFRS 9 *Financial Instruments* to clarify the fees included in the "10 per cent" test in paragraph B3.3.6 of CIFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf are included;
- CIFRS 16 *Leases* to amend Illustrative Example 13 to remove the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example; and
- CIAS 41 *Agriculture* to remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

Amendments to CIFRS 3 Reference to the Conceptual Framework

Amendments are made to various accounting standards to reflect the issue of the revised *Conceptual Framework for Financial Reporting* and apply to for-profit sector entities that have public accountability and are required by legislation to comply with CIFRSs and other for-profit entities that elect to apply the *Conceptual Framework*, for annual reporting periods beginning on or after 1 January 2020.

Amendments to CIAS 16 Property, Plant and Equipment - Proceeds before Intended Use

The amendments to CIAS16 *Property, Plant and Equipment* prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

Amendments to CIAS 37 Onerous Contracts - Cost of Fulfilling a Contract

The amendments to CIAS 37 *Provisions, Contingent Liabilities and Contingent Assets* to specify that the "cost of fulfilling" a contract comprises the "costs that relate directly to the contract". Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

3. BASIS OF PREPARATION (continued)

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current*

IAS 1 *Presentation of Financial Statements* has been amended to:

- Clarify that the classification of liabilities as current or non-current is based on rights that in existence at the end of the reporting period;
- Specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability;
- Explain that rights are in existence if covenants are complied with at the end of the reporting period; and
- Introduce a definition of “settlement” to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

CIFRS 17 *Insurance Contracts*

CIFRS 17 replaces CIFRS 4 and requires a current measurement model where estimates are re-measured each reporting period.

Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows;
- an explicit risk adjustment; and
- a contractual service margin (“CSM”) representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the income statement or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under CIFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the “variable fee approach” for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach the entity’s share of the fair value changes of the underlying items is included in the contractual service margin. The results of insurers using this model are therefore likely to be less volatile than under the general model.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

Amendments to CIFRS 17 *Insurance Contracts*

The amendments to CIFRS 17 *Insurance Contracts* defer the effective date from annual periods beginning on or after 1 January 2021 to 1 January 2023. For entities that have elected to defer CIFRS 9 *Financial Instruments*, the mandatory effective date has also been deferred until 1 January 2023.

The IASB has amended CIFRS 17 to:

- Reduce costs (some requirements have been simplified to reduce costs such as systems development costs);
- Make results easier to explain; and
- Ease transition (the deferred application date gives insurers more time to prepare for first-time adoption of CIFRS 17 and in some cases, CIFRS 9 as well, and also provides more transition reliefs to reduce complexity of applying CIFRS 17 for the first time).



3. BASIS OF PREPARATION (continued)

Amendments to CIFRS 4 Insurance Contract - Extension of the Temporary Exemption from Applying CIFRS 9

CIFRS 4 was amended to require insurers applying the temporary exemption from CIFRS 9 (i.e. those insurers that continue to apply CIAS 39) to apply the same practical expedient as those entities applying CIFRS 9.

Amendments to CIFRS 10 and CIAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

4. PROPERTY, PLANT AND EQUIPMENT

	Unaudited 30.9.2020 KHR'000	Audited 31.12.2019 KHR'000
Cost		
Balance at the beginning of financial period/year	1,827,579,498	1,621,720,340
Additions	163,062,491	207,665,634
Transfers to intangible assets	(1,551,154)	(1,077,816)
Written-off	<u>(1,483,673)</u>	<u>(728,660)</u>
Balance at the end of financial period/year	<u>1,987,607,162</u>	<u>1,827,579,498</u>
Accumulated depreciation		
Balance at the beginning of financial period/year	(453,547,944)	(406,040,516)
Depreciation for financial period/year	<u>(36,128,888)</u>	<u>(47,507,428)</u>
Balance at the end of financial period/year	<u>(489,676,832)</u>	<u>(453,547,944)</u>
Carrying amounts		
Balance at the end of financial period/year	<u>1,497,930,330</u>	<u>1,374,031,554</u>

During the financial period, the PPWSA made the following cash payment to purchase property, plant and equipment:

	Unaudited Nine-month period ended	
	30.9.2020 KHR'000	30.9.2019 KHR'000
Additions	163,062,491	76,354,644
Increase in payables and performance guarantee	(69,802,263)	(9,316,805)
Interest capitalised on qualifying assets	<u>(2,649,646)</u>	<u>(1,995,370)</u>
Cash payment for purchase of property, plant and equipment	<u>90,610,582</u>	<u>65,042,469</u>

5. SHORT-TERM INVESTMENTS

These represent fixed deposits placed with financial institutions for a period of between three and twelve months and earn interest at rates 2.00% to 4.00% (2019: 4.00%) per annum.

Short-term investments include deposits amounting to KHR35.9 billion (2019: KHR17.9 billion) set up specifically for the purpose of paying retirement benefits to retirees who are entitled to retirement benefits under the pension scheme.

6. RESERVES

	Capital reserve KHR'000	Legal reserve KHR'000	General reserve KHR'000	Development reserve KHR'000	Total KHR'000
As at 1.1.2020	1,648,435	26,035,789	26,035,789	285,465,431	339,185,444
Transfer from retained earnings	-	1,664,596	1,664,596	9,958,897	13,288,089
As at 30.9.2020 (Unaudited)	<u>1,648,435</u>	<u>27,700,385</u>	<u>27,700,385</u>	<u>295,424,328</u>	<u>352,473,533</u>
As at 1.1.2019	1,648,435	22,355,433	22,355,433	238,144,335	284,503,636
Transfer from retained earnings	-	3,680,356	3,680,356	47,321,096	54,681,808
As at 31.12.2019 (Audited)	<u>1,648,435</u>	<u>26,035,789</u>	<u>26,035,789</u>	<u>285,465,431</u>	<u>339,185,444</u>

On 26 June 2020, the Board of Directors approved the transfer of retained earnings to reserves amounting to KHR13.2 million.

In accordance with the PPWSA's Articles of Incorporation, article 44, dated 27 June 2012, the PPWSA's profit, after offsetting with losses carried forward (if any), can be used as follows:

- for management and staff bonus
- for legal reserve – 5%
- for general reserve – 5%
- the remaining balance for development reserve

7. BORROWINGS

	Unaudited 30.9.2020 KHR'000	Audited 31.12.2019 KHR'000
Non-current		
Agence Francaise De Development (“Afd”) – Credit No.1075 03 S	-	4,582,604
MoEF – Japanese International Cooperation Agency (“JICA”)	49,408,599	49,425,079
MoEF – Asian Development Bank (“ADB”)	36,787,526	38,242,500
Afd – Credit No. 1121 01 F	67,701,718	82,512,499
Afd - Credit No. 1174 01 P	139,950,955	129,185,462
Afd - Credit No. 1176 01 S	67,535,281	-
European Investment Bank (“EIB”)	78,258,305	-
	<u>439,642,384</u>	<u>303,948,144</u>



7. BORROWINGS (continued)

	Unaudited 30.9.2020 KHR'000	Audited 31.12.2019 KHR'000
Current		
AfD – Credit No. 1075 03 S	9,697,503	9,175,626
MoEF – JICA	1,805,935	1,827,646
MoEF – ADB	2,373,389	2,485,038
AfD – Credit No. 1121 01F	19,352,415	18,411,047
AfD - Credit No. 1174 01 P	567,218	1,237,341
AfD - Credit No. 1176 01 S	209,699	-
EIB	207,910	-
	<u>34,214,069</u>	<u>33,136,698</u>
	<u>473,856,453</u>	<u>337,084,842</u>

The maturity dates of these borrowings are as follows:

	Unaudited 30.9.2020 KHR'000	Audited 31.12.2019 KHR'000
Current		
- Not later than one year	<u>34,214,069</u>	<u>33,136,698</u>
Non-current		
- Later than one year but not later than two years	23,513,413	26,970,655
- Later than two year but not later than five years	69,381,626	67,164,155
- Later than five years	<u>346,747,345</u>	<u>209,813,334</u>
	<u>439,642,384</u>	<u>303,948,144</u>
	<u>473,856,453</u>	<u>337,084,842</u>

8. DEFERRED GOVERNMENT AND OTHER GRANTS

	Government grant KHR'000	JICA grant KHR'000	Other grants KHR'000	Total KHR'000
Balance at 1.1.2020	4,373,148	15,878,382	708,308	20,959,838
Amortisation charges	<u>(99,380)</u>	<u>(1,517,591)</u>	<u>(18,296)</u>	<u>(1,635,267)</u>
alance at 30.9.2020 (Unaudited)	<u>4,273,768</u>	<u>14,360,791</u>	<u>690,012</u>	<u>19,324,571</u>
Balance at 1.1.2019	4,411,265	17,987,061	732,703	23,131,029
Amortisation charges	<u>(38,117)</u>	<u>(2,108,679)</u>	<u>(24,395)</u>	<u>(2,171,191)</u>
alance at 31.12.2019 (Audited)	<u>4,373,148</u>	<u>15,878,382</u>	<u>708,308</u>	<u>20,959,838</u>

9. TRADE AND OTHER PAYABLES

	Unaudited 30.9.2020 KHR'000	Audited 31.12.2019 KHR'000
Other payables-non-current		
Refundable water deposits	64,276,920	60,814,262
Performance guarantee	-	4,584,617
	<u>64,276,920</u>	<u>65,398,879</u>
Trade payable - current		
Third parties	<u>100,029,271</u>	<u>13,401,766</u>
Other payables-current		
Accrued staff incentive	7,434,068	8,261,680
Amount due to Phnom Penh Municipality	35,011,678	25,294,747
Amount due to employees	333,373	1,295,107
Performance guarantee	67,372	67,345
Dividend payable	28,089,810	22,971,343
Amount owing to contractor	-	113,066,885
Other tax payable	205,858	162,468
Other accruals	6,093,712	7,457,465
Other payables	<u>6,340,594</u>	<u>4,682,527</u>
	<u>83,576,465</u>	<u>183,259,567</u>
	<u>183,605,736</u>	<u>196,661,333</u>
	<u>247,882,656</u>	<u>262,060,212</u>

10. CONTRACT ASSETS AND LIABILITIES

	Unaudited 30.9.2020 KHR'000	Audited 31.12.2019 KHR'000
Contract assets		
Construction service receivable	4,758,673	2,916,716
Accrued water revenue	<u>32,355,793</u>	<u>10,404,367</u>
	<u>37,114,466</u>	<u>13,321,083</u>
Contract liabilities		
Deferred income	(5,278)	(5,278)
Unearned income	<u>(4,611,157)</u>	<u>(2,870,982)</u>
	<u>(4,616,435)</u>	<u>(2,876,260)</u>
	<u>32,498,031</u>	<u>10,444,823</u>

11. DIVIDEND

On 26 June 2020, the Board of Directors proposed and approved the dividend in respect of the financial year ended 31 December 2019 of KHR230 per share, amounting to a total dividend of KHR20 billion.



12. FINANCE INCOME/(COSTS)

	Unaudited			
	Three-month period ended 30.9.2020 KHR'000	30.9.2019 KHR'000	Nine-month period ended 30.9.2020 KHR'000	30.9.2019 KHR'000
Finance income:				
- Interest income on bank deposits (a)	246,544	181,274	758,015	488,908
- Net foreign exchange gains on borrowings	-	4,252,669	2,412,273	6,880,722
- Interest income on loans to Pursat Water Supply	-	154	-	1,875
	<u>246,544</u>	<u>4,434,097</u>	<u>3,170,288</u>	<u>7,371,505</u>
Finance costs:				
- Interest expense on borrowings (b)	(1,351,537)	819,340	(3,671,838)	(4,217,350)
- Net foreign exchange losses on borrowings	(6,720,275)	(1,050,100)	(11,554,812)	(6,423,532)
- Interest expense capitalised on qualifying assets	<u>1,004,327</u>	<u>678,058</u>	<u>2,649,646</u>	<u>1,995,370</u>
	<u>(7,067,485)</u>	<u>447,298</u>	<u>(12,577,004)</u>	<u>(8,645,512)</u>
	<u>(6,820,941)</u>	<u>4,881,395</u>	<u>(9,406,716)</u>	<u>(1,274,007)</u>

(a) Interest income represents interest earned from savings and deposit accounts held at local banks during the period.

(b) Interest expense represents the interest charges on the loan obtained from AfD and the subsidiary loans obtained from the MoEF, which are funded through loans obtained from the ADB and JICA.

13. TAX EXPENSE

Under the Cambodian Law on Taxation, the Company has an obligation to pay tax on profit at 20% (2019: 20%) of the taxable profit or a minimum tax at 1% (2019: 1%) of total revenue, whichever is higher. It represents the minimum amount of tax that the Company will pay to tax authorities. The Company has a tax on profit liability that exceeds the minimum tax liability, thus, no minimum tax will be payable. Tax is payable even if the Company is in a tax loss position.

14. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the PPWSA by the weighted average number of ordinary shares in issue during the period.

	Unaudited			
	Three-month period ended		Nine-month period ended	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
Profit attributable to equity holders (KHR'000)	27,140,842	21,667,879	69,566,035	39,324,346
Weighted average number of shares	<u>86,973,162</u>	<u>86,973,162</u>	<u>86,973,162</u>	<u>86,973,162</u>
Basic earnings per share (KHR)	<u>312.06</u>	<u>249.13</u>	<u>799.86</u>	<u>452.14</u>

(b) Diluted earnings per share

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

The PPWSA had no dilutive potential ordinary shares as at the period end. As such, the diluted earnings per share were equivalent to the basic earnings per share.

15. RELATED PARTY TRANSACTIONS

(a) The PPWSA had the following transactions with related parties during the financial period.

	Unaudited	
	Nine-month period ended	Nine-month period ended
	30.9.2020	30.9.2019
	KHR'000	KHR'000
<u>Common control</u>		
MoEF		
Interest on borrowings paid	3,915,222	9,288,407
Pursat Water Supply		
Interest on loans received	<u>-</u>	<u>1,876</u>

(b) Compensation of key management personnel

Key management compensation during the financial period is as follows:

	Unaudited	
	Nine-month period ended	Nine-month period ended
	30.9.2020	30.9.2019
	KHR'000	KHR'000
Salaries and other expenses	1,728,380	1,610,720
Retirement benefits	<u>-</u>	<u>-</u>
	<u>1,728,380</u>	<u>1,610,720</u>



16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Directors are responsible for setting the objectives and underlying principles of financial risk management for the 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 Directors.

(a) Credit risk

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

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

(b) Liquidity and cash flow risk

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

The 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, the PPWSA maintains a level of cash and cash equivalents deemed adequate to finance the 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 the PPWSA would fluctuate because of changes in market interest rates.

The exposure of the PPWSA to interest rate risk arises primarily from borrowings. The 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. The PPWSA does not use derivative financial instruments to hedge any debt obligations.

17. CAPITAL COMMITMENTS

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

	Unaudited 30.9.2020 KHR'000	Audited 31.12.2019 KHR'000
Construction of water treatment plant	612,617,807	715,650,181
Consultation services	11,322,776	699,014
Purchase of iron pipes, fitting and accessories	<u>1,063</u>	<u>1,056</u>
	<u>623,941,646</u>	<u>716,350,251</u>

18. SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

The World Health Organisation declared the 2019 Novel Coronavirus infection (“COVID-19”) a pandemic on 11 March 2020.

Based on the assessment and information available at the date of authorisation of the financial statements, PPWSA has sufficient cash flows and undrawn facilities to meet its liquidity needs in the next 12 months after the end of the reporting period. PPWSA does not anticipate significant supply disruptions and would continuing monitor its fund and operational needs.



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** is the main sourced of revenue consists of 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 earned from the fees of construction services related to the expansion of distribution network out site service coverage.
- **Other revenues/incomes** are earned from water meter maintenance charge, sales of water connection materials, penalty charges for unauthorized water use, and others.
 - **Water meter maintenance revenue** is generated from the monthly meter maintenance charge on a basis of KHR50 per 1mm of water meter diameter. This revenue is used to cover the cost of future replacement of water meters for the customers.
 - **Plumbing material sales revenue** is generated from the sale of water maters, 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.

	Third Quarter 2020	Third Quarter 2019	Changes	
	(KHR’000)	(KHR’000)	(KHR’000)	Percent
Total revenues	86,585,071	63,931,199	22,653,872	35.43%

PPWSA generated total revenues of KHR86,585,071,000 for the period ended September 30, 2020 and KHR63,931,199,000 for the period ended September 30, 2019, reflecting an increase by KHR22 653,872,000 or 35.43%. It is indicated that the main reason for this increase is that, in the third quarter of 2020, PPWSA generated water sales revenue of KHR15,291,678,000 or 27.42%, an increase in construction fees by 21.93%, equivalent to KHR5,980,453,000, and an increase in other incomes by KHR3,240,299,000 or 72.77%.

A- Overview of operations (con't)

2- Revenue analysis by segment

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

	Third Quarter of 2020 (KHR'000)		Third Quarter of 2019 (KHR'000)	
Water sales	71,053,789	82.06%	55,762,111	87.22%
Construction service fee	7,838,120	9.05%	1,857,667	2.91%
Foreign exchange gains - net	-	-	1,858,558	2.91%
Other incomes	7,693,162	8.89%	4,452,863	6.97%

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

	Third Quarter of 2020		Third Quarter of 2019		Change		
	Volume (M ³)	Amount (KHR'000)	Volume (M ³)	Amount (KHR'000)	Volume (M ³)	Amount (KHR'000)	Amount (%)
Water Sales – Household	27,804,400	29,271,793	27,798,265	24,669,519	6,135	4,602,274	18.66%
Water Sales – Commercial	19,388,128	33,335,560	20,031,361	23,836,373	(643,233)	9,499,187	39.85%
Water Sale – Administrative Institution	1,522,875	3,807,184	1,097,931	1,130,872	424,944	2,676,312	236.66%
Other incomes	-	7,693,162	-	4,452,863	-	3,240,299	72.77%

- Revenue from domestic water sales

PPWSA generated this revenue of KHR29,271,793,000 for the period ended 30 September 2020 and KHR24,669,519,000 for the period ended 30 September 2019, reflecting an increase by KHR4,602,274,000 or 18.66%. The number of customers increased by 12,574 connections from 319,372 to 331,946 connections; the water consumption per connection per month increased by 0.2m³ from 27.90 to 28.10m³; and the average tariff increased by KHR165.33/m³ from KHR887.45/m³ to KHR1,052.78/m³.

- Revenue from commercial and industrial water sales

PPWSA generated this revenue of KHR33,335,560,000 for the period ended 30 September 2020 and KHR23,836,373,000 for the period ended 30 September 2019, reflecting an increase by KHR9,499,187,000 or 39.85%. It is shown that this increase is due to an increase in customer base by 6,338 connections from 60,804 to 67,142 connections; and an increase in average tariff by KHR529.43/m³ from KHR1,189.95/m³ to KHR1,719.38/m³, although an decrease in average monthly water consumption per connection by 9.94m³ from 105.94 to 96.00m³.

- Revenue from administrative institution

PPWSA generated this revenue of KHR3,807,184,000 for the period ended 30 September 2020 and KHR1,130,872,000 for the period ended 30 September 2019, reflecting a increase of KHR2,676,312,000 or 236.66%. It is shown that this increase due to the number of customers increased by 51 connections from 689 to 740 connections; the water consumption per connection per month increased by 304.87m³ from 519.62 to 824.49m³.

- Other revenues

PPWSA generated this revenue of KHR7,693,162,000 for the period ended 30 September 2020 and KHR4,452,863,000 for the period ended 30 September 2019, showing an increase by KHR4,452,863,000 or 72.77%. The main reason for this increase is because the special incomes increased by KHR3,444,590,000 or 124.65%, although an decrease in the revenue from penalty decreased by KHR 375,856,000 or 78.28%.



A- Overview of operations (con't)

3- Gross profit margin analysis

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

Details of the operating expenses will be discussed in Item “a-4” below.

4- Profit before tax

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

	Third Quarter 2020 (KHR'000)	Third Quarter 2019 (KHR'000)	Changes (KHR'000 / %)	
Total Revenues	86,585,071	63,931,199	22,653,872	35.43%
Total Expenses	(48,688,846)	(41,739,669)	(6,949,177)	16.65%
Finance income	246,544	4,434,097	(4,187,553)	94.44
Finance costs	(7,067,485)	447,298	(7,514,783)	1,680.04%
Profit before tax	31,075,284	27,072,919	4,002,365	14.78%

PPWSA generated pre-tax profit of KHR31,075,284,000 for the period ended 30 September 2020 and KHR27,072,919,000 for the period ended 30 September 2019, reflecting an increase by KHR4,002,365,000 or 14.78%. the factor of this increase is due to the increase in total revenue of KHR 22,653,872,000 or 35.43%, although the total expenses increased by about 16.65% or KHR6,949,177,000 and finance costs-net also increased by 239.73% or KHR11,702,336,000.

5- Profit-after-tax analysis

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.

	Third Quarter 2020 (KHR'000)	First Quarter 2019 (KHR'000)	Changes	
			(KHR'000)	%
Profit before tax (a)	31,075,284	27,072,919	4,002,359	14.78
Tax expense (b)	(3,934,442)	(5,405,040)	1,470,598	27.21
Profit for the financial period	27,140,842	21,667,879	5,472,957	25.26
Effective tax reate (b)/(a)	12.66%	19.96%		

A- Overview of operations (con't)

5- Profit-after-tax analysis (con't)

PPWSA earned profit after tax of KHR27,140,842,000 in third quarter of 2020 and KHR21,667,879,000 in third quarter of 2019, reflecting an increase of KHR5,472,957,000 or 25.66%. This increase was due to the increase in profit before tax of KHR4,002,359,000 or 14.78%.

In addition, the profit tax expense for this quarter decreased by KHR1,470,598,000 or 27.21%.

6- Comprehensive income analysis

As the Convention on Retirement has been dissolved since the end of 31 December 2018, there was no impacts on the detailed results in the first quarter of 2020.

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

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

- **NRW rate:** PPWSA utilized an effective mechanism to reduce NRW to 12.89% in this quarter. It is a critical factor enabling PPWSA to ensure its financial viability and sustainable enterprise development.
- **Increase in customer base:** To generate revenues from water sales, PPWSA increased its customer base, expanding its service coverage to unserved areas by filling up its coverage with distribution network in Phnom Penh and its surroundings areas, in particular, the economically potential ones.
- **Increase in average water tariff:** Finding new commercial and industrial customers increased PPWSA's average water tariff because the tariff for this customer category is higher than that of other customer categories.
- **Operating expenses management:** PPWSA managed these expenses, especially the electricity consumption cost which is huge and significant in the water treatment process, through the introduction of new technologies such as variable speed distribution pumps. In 2012, PPWSA started using low-cost raw materials for water treatment efficiency – Poly Aluminium Chloride (PAC) instead of alum.
- **Strict practices in procurement process:** The Authority has strictly adhered to applicable laws, regulation and other guidelines in relation to the procurement process for purchases of pipelines, material and raw materials. This process is transparency and encourages market price competition, which allows the Authority to make low cost purchases, without neglecting quality.
- **Collection ratio:** This rate not only gave PPWSA high liquidity but also adequate capability to use the working capital effectively.
- **Cash management:** With the above high collection ratio, PPWSA was capable enough to manage its cash efficiently. With this, PPWSA reserved cash as working capital for 2-3 months, and invested available cash in short-term fixed deposits at commercial banks with high interest rates. PPWSA also scrutinize risks and benefits associated with the high interest rates.
- **Selection of low-rate financiers:** Due to the increasing water demand, PPWSA is in need of finance for its investment projects, such as construction of WTPs, and laying of transmission and distribution pipes. PPWSA has sought international development partners such as AFD to get the low interest rate financing.
- **Economic situation:** Changes in economic circumstances impacted on the average monthly water consumption per connection, which led to fluctuations in the average water tariff.



B- Significant factors affecting profit

1- Demand and supply conditions analysis

According to a study on water demand against the population growth in Phnom Penh due to the expansion of its surrounding areas, PPWSA will construct additional water treatment plants in 2 phases at Bakheng. The investment project for Bakheng WTP Phase 1, with a production capacity of 195,000m³/day, is scheduled to be put into operation in 2022. Bakheng WTP Phase 2 will be constructed soon after 2021, with additional production capacity of 195,000m³/day to meet the clean water demand from 2025 onwards.

2- Variations in prices of raw materials analysis

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

3- Tax analysis

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

4- Exceptional and extraordinary items analysis

At the end of the period ended 30 September 2020, the management learned that PPWSA did not have any exceptional and extraordinary items.

C- Material changes in sales and revenues

PPWSA's main revenues are the sales of safe water which is a basic need of Phnom Penh residents. The water sales represented more than 80% of gross revenue in the first quarter of 2020. PPWSA is also the monopoly water supplier in Phnom Penh and its outskirts. Revenues may grow, subject to the demography including the enlargement of Phnom Penh capital and the migration of provincial residents to Phnom Penh.

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

D.1- Impact of exchange rate

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

D.2- Impact of interest rates

D.2.1- Impact of interest rate on interest income

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

D - Impact of foreign exchange, interest rates and commodity prices (con't)

D.2- Impact of interest rate (con't)

D.2.2- Impact of interest rate on interest expense

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

D.2.3- Impact of raw materials prices

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

E- Impact of inflation

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

F- Economic, fiscal and monetary policies of the Royal Government

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

- **Water tariff:** As clean water is the vital need for the population in Phnom Penh, its tariff is set by the government.
- **Service coverage expansion:** Further expansion of the water service coverage is restricted due to PPWSA's mission that allows water production and distribution to the public in Phnom Penh only. This restriction is stipulated in Sub-decree No. 52 ANKR.BK, dated 19 December 1996, on the Establishment of PPWSA.
- **Enlargement of Phnom Penh area:** The Royal Government had a policy to enlarge Phnom Penh area by integrating 20 additional communes into Phnom Penh, that expanded PPWSA service coverage.
- **Immovable property tax policy:** Ministry of Economy and Finance (MEF) has put into force PRAKAS No. 493 សហវ.ជ្រក, 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.

Despite the restrictions by the above-mentioned policy, the management has been taking all the actions to increase PPWSA's revenues in order to maintain the sustainability of PPWSA as well as to create new business portfolios for PPWSA.



PART 5.- Other Necessary Information for Investor Protection

In the third quarter of 2020, PPWSA did not have any other necessary information to be disclosed.

SIGNATURE OF DIRECTORES OF PHNOM PENH WATER SUPPLY AUTHORITY

Phnom Penh, 10 November 2020
Read and Approved

Signature

Oum Sotha

Chairman of the Board

Phnom Penh, 10 November 2020
Read and Approved

Signature

Sim Sitha

Director



PHNOM PENH WATER SUPPLY AUTHORITY (PPWSA)



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