



PHNOM PENH WATER SUPPLY
AUTHORITY

ANNUAL REPORT 2021



**MAJOR STRATEGIC GOALS OF THE PHNOM PENH WATER SUPPLY AUTHORITY ARE
AS FOLLOW:**

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



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VISION & MISSION

VISION

PPWSA has committed to continue to grow its water supply services in a sustainable manner and to act as a consultant as a facilitator for people who are living in towns, provinces, and the cities throughout the Kingdom of Cambodia and residents in the developing countries of the world, there is access to clean water.

MISSION

PPWSA mission is keep supplying of clean water 24 hours a day, 7 days a week with sufficient pressure and at a reasonable price to the people in Phnom Penh and the town of Kandal province adjacent to Phnom Penh, and low-income residents. In addition, PPWSA has been sharing its work experiences to a number of provincial and municipal water utilities in the Kingdom of Cambodia, as well as regional and global water to achieve the SDGs.

FINANCIAL HIGHLIGHTS

Financial Position	2021	2020	2019
Total assets (KHR'000)	2,306,806,174	1,864,618,140	1,604,343,922
Total liabilities (KHR'000)	1,140,177,961	882,565,483	690,639,283
Total shareholders'equity (KHR'000)	1,166,628,213	982,052,657	913,704,639

Profit/(Loss)	2021	2020	2019
Total Revenue(KHR'000)	369,145,257	324,367,856	216,469,816
Profit/(Loss) before tax (KHR'000)	165,856,586	120,746,477	49,290,530
Profit/(Loss) after tax (KHR'000)	129,273,917	88,351,845	33,291,913
Total comprehensive income (KHR'000)	129,273,917	88,351,845	33,291,913

Financial Ratio	2021	2020	2019
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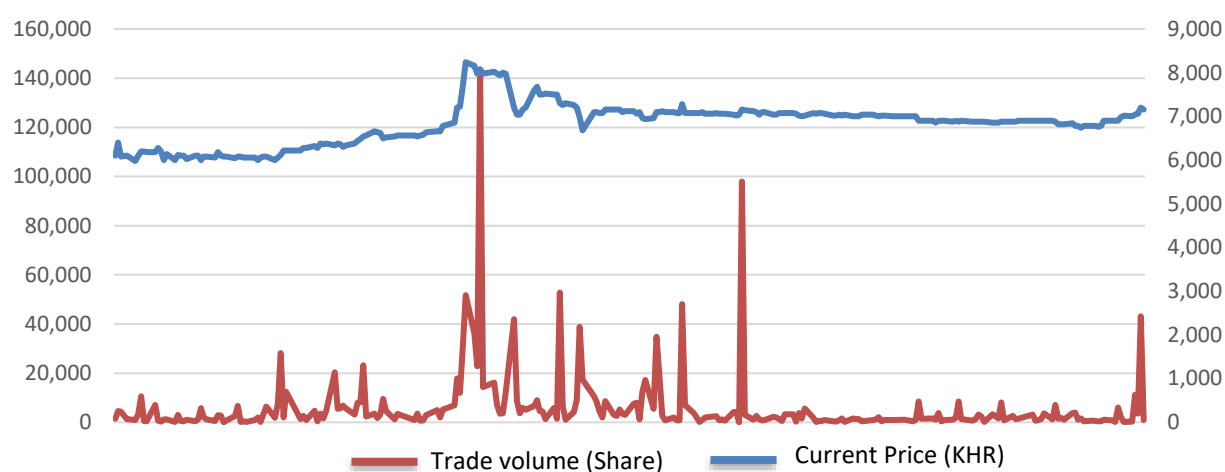
Liquidity Ratio	Current Ratio (Times)	1.65	1.08	1.15
	Quick Ratio(Times)	1.11	0.68	0.62

		2021	2020	2019
Profitabilities Ratio	Return on Assets (%)	6.20	5.09	2.18
	Return on Equity (%)	12.03	9.32	3.67
	Gross Profit margin (%)	42.56	39.95	24.17
	Profit Margin (%)	35.02	27.24	15.38
	Earning Per Share (KHR)	1,486.37	1,015.85	382.78
Interest Coverage Ratio (Times)		32.76	10.25	4.52

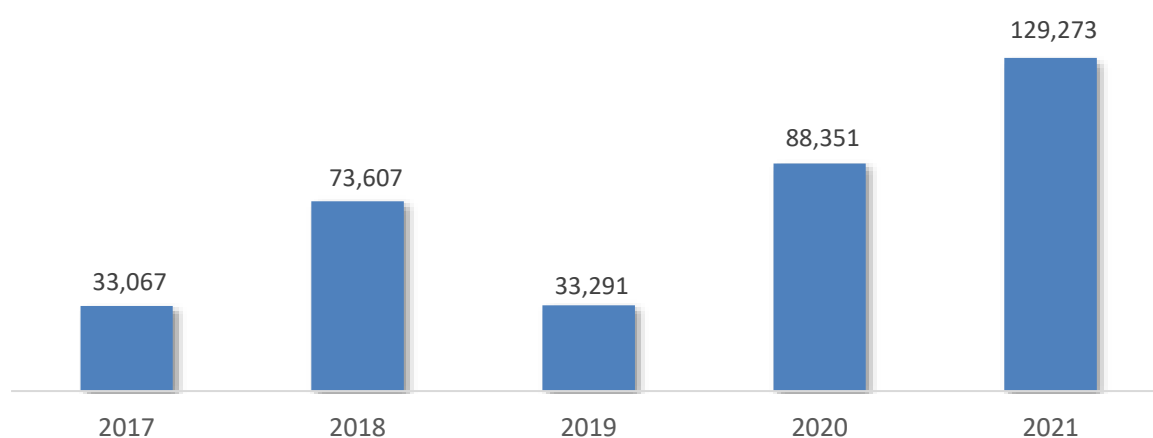
Financial Summary Charts

Summary Charts

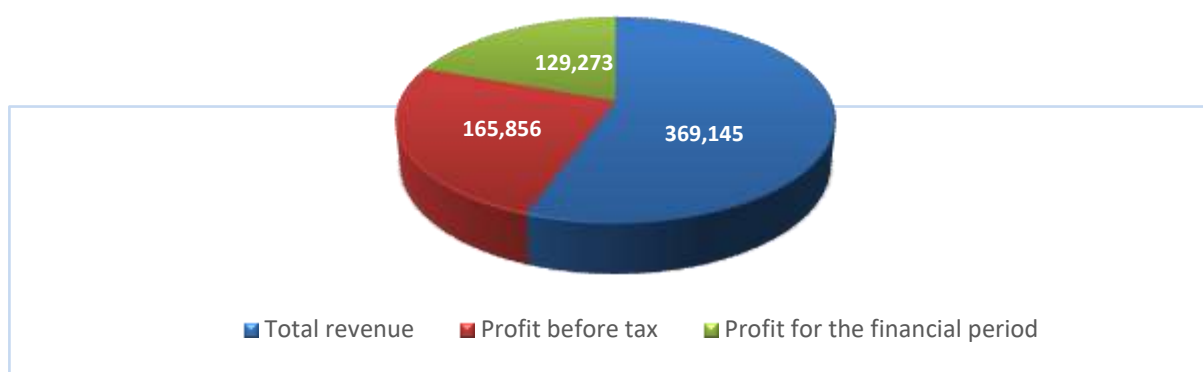
Changes in stock price (in KHR) and trading volume



Profit for each year (In Million KHR)



Profit for the year ended of 2021 (In million KHR)



BOARD OF DIRECTORS



H.E. Oum Sotha

Secretary of State, Ministry of Industry
Science Technology and Innovation

Chairman



H.E. Long Naro

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
Representative of Private
Shareholder

Member



Mr. Om Sengbora

Independent Director

Member

MESSAGE FROM CHAIMAN OF THE BOARD



H.E. Oum Sotha

Secretary of State, Ministry of Industry
Science Technology and Innovation

Chairman

In 2021

“ 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 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 two municipalities.”

This year, PPWSA reported total revenues of KHR 369,145,257,000, and profit before tax of KHR 165,856,586,000 Net income was KHR 129,273,917,000 while the basic earnings per share was KHR 1,486.37.

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 2021, we produced 231,871,531m³ of clean water. We have also replaced alum by polychloride aluminum (PAC) to improve water quality and reduce raw materials cost.

As a result, in this quarter, we laid the mains and distribution pipes of 297.03km and installed 25,884 new house connections, of which 1,162 connections were for the low-income whom we always care for. Furthermore, the water loss accounted for 9.70% due to pipe leakage caused by the development and repair of many road infrastructures.

Performance of the Board of Directors

In 2021, the Board of Directors organized the 5 following meetings:

A. Outcomes of the 6th ordinary meeting of the Board of Directors

The meeting was held online via Zoom on March 26, 2021 at 8:30 AM with the following agendas:

1. Request for approval on Annual Report 2020 and on distribution of profit and dividend.

The Board of Directors decided:

- a) Unanimously adopted the proposed allocations of net income in 2020, where:

▪ Reward to staff (3months)	:KHR 7,418,941,887
▪ Social Fund (5%)	:KHR 2,328,556,305.33
▪ Mandatory reserved fund (5%)	:KHR 4,417,592,250.00
▪ Voluntary reserved fund (5%)	:KHR 4,417,592,250.00
 - b) Unanimously adopted the retained earnings :KHR 56,729,692,056
 - c) Total dividend to be distributed :KHR 22,786,868,444

▪ Dividend yield	:4.10%
▪ Dividend per share	:KHR 262/share
▪ Dividend payout ratio	:25.79%
▪ Record date	:21 April 2021
▪ Payment date	:01 to 07 June 2021
2. Request for approval on the organization of the 9th General Meeting of Shareholders.

The Board adopted the following settings:

 - Date of the 9th General Meeting of Shareholders (GMS): JUNE 21, 2021 at 8:00 AM
 - The 9th GMS including the voting session will be organized via Online meeting
 - The proposed agendas of the GMS are:

▪ Registration (possibly online)
▪ Opening call
▪ Presentation on the Annual Business
▪ Voting on the approval on dividend
▪ Voting of bonus of Board Director
▪ Closing remarks
 - Authorize Mr. Ros Kimleang, Deputy Director, deliver the presentation on the Annual Business Report 2020 and Business Plan
 - Authorize the Director General to organize and conduct the 9th GMS.
 3. Request for approval on the outcome of the survey among shareholder employees of PPWSA who subscribed PPWSA's shares during IPO stage.

The Board decided:

- The solution shall be based on each employee's request – NOT based on the majority voices.
 - The resolution shall be implemented at PPWSA level, requesting for recommendations from the Ministry of Economy and Finance. If necessary, PPWSA can request for comments and confirmations from the Securities Exchange Regulator of Cambodia.
4. Request for approval on the budget for backfilling land property of 25 hectares at Tamoak Lake.

The Board agreed in principle to the proposed backfilling to construct the dam border surrounding the land taking into account the procurement procedure, possible budget and the request for the land title.

5. Request for comments on the SECC's recommendation regarding the nomination of an additional company secretary as set out in SECC's Prakas No. 011/18 SECC.

The Board approved in principle to allow PPWSA to nominate an additional company secretary.

6. Business Report for the 1st quarter of 2021 and Business Plan for the 2nd quarter of 2021

The Board acknowledged the Business Report for the 1st quarter of 2021 and Business Plan for the 2nd quarter of 2021.

7. Internal Audit Report for the 1st quarter of 2021

The Board acknowledged and agreed to the internal Audit Report for the 1st quarter of 2021.

8. Procurement Report for the end of 2020 and for the 1st quarter of 2021

The Board approved the Procurement Report for the end of 2020 and for the 1st quarter of 2021.

9. Report on the Social Fund for the end of 2020 and for the 1st quarter of 2021

The Board acknowledge the Social Fund Report for the end of 2020 and for the 1st quarter of 2021 as well as approved 5 requests for expenses.

10. Others:

- a) Report on negotiation of terms and conditions of the employment contract with Dr. Chea Visoth

The Board approved to nullify the decision of the Board for the 7th mandate in its 5th meeting, on Dec 18, 2020, adopting Dr. Chea Visoth as advisor to PPWSA's Board of Director due to the following reasons:

- 1) The negotiation did not reach an agreement.
- 2) Based on the PPWSA Personnel statue, there is no such position of advisor to the Board.
- 3) The Board approved in principle to allow PPWSA to nominate an additional Company Secretary as mentioned in Agenda 5 above.

- b) Request for review and discussion on the composition of the Nomination and Remuneration Committee created under the Board decision No. 004

ក្រុំប្រឹក្សា ស.ស.វ

The Board requested PPWSA to have further study in order to collect comprehensive information as a basic for giving comments in the next meeting to amendment the above decision No. 004 ក្រុំប្រឹក្សា ស.ស.វ.

B. Outcomes of the 7th ordinary meeting of the Board of Directors

The meeting was held online via Zoom on June 25, 2021 at 9:30 AM with the following agendas:

1. Request for approval on nomination of one company secretary and three senior staff.

The Board approved on the Nomination and Remuneration Committee's request for nominating two senior staff:

- 1) Mr. CHOU Phalla as Department Director of Water and Sanitation
Service Branch
- 2) Mr. DENG Polyden as Director of Accounting and Finance

2. Request for approval on the revision of the Nomination and Remuneration Committee in accordance with SECC's PRAKAS No.011/18 SECC.

The Board approved to abrogate Decisions No.004 ព្រឹត្តិ.ប្រ.ក/ស.ស.វ and No.009 ព្រឹត្តិ.ប្រ.ក/ស.ស.វ

.ព្រឹត្តិ as well as to establish the Nomination Remuneration Committee with 5 members as follow:

1)	H.E OUM Sotha	Board Chairman	Chair
2)	H.E MEY Vann	Board Member	Member
3)	H.E NUON Pharoeth	Board Member	Member
4)	H.E SIM Sitha	Director General of PPWSA	Member
5)	Company Secretary		Secretary

3. Report on the Social Fund for the 2nd quarter and request for approval on the budget expenditure for the 3rd quarter of 2021

The Board totally agreed to the Social Fund Report for the 2nd quarter of 2021 as well as approved 2 requests for an estimated expense of USD87,497.95.

4. Procurement Report for the 2nd quarter of 2021 and request for approval on the revision of procurement plan for the 2nd semester of 2021

The Board totally agreed to the Procurement Report for the 2nd quarter of 2021, and approved the revision of the Procurement Plan for the 2nd Semester of 2021.

5. Request for the recommendation on the action plan for recruiting the Independent Director and Non-Executive Director representing private shareholders.

The Board agreed in principle to the proposed Action Plan for recruiting the directors and recommended PPWSA to make a request for SECC's understanding in case of any delay due to the realistic and material implications as well as keep striving to follow the prescribed procedures.

6. Report on the impact of backfilling undertaken by OCIC for Koh Norea development project on PPWSA's water supply system and water service to Phnom Penh residents.

The Board agreed to the report and advised PPWSA to make a separate report to the parent ministries on the outcome of the project implementation for the construction of Koh Norea's water intake in accordance with the proposed recommendation.

7. Business Report for the 2nd quarter of 2021 and Business Plan for the 3rd quarter of 2021

The Board totally agreed to the Business Report for the 2nd quarter of 2021 and Business Plan for the 3rd quarter of 2021.

8. Internal Audit Report for the 2nd quarter of 2021

The Board acknowledged the Internal Audit Report for the 2nd quarter of 2021 and agreed to the audit team's request for postponing the surprise audit to next year.

9. Others:

- a) Guideline on the dividend allocation to the shareholder
- b) Case of implementation on the record date of dividend allocation in 2020 of PPWSA
- c) Report of annual dividend allocation in 2020 of PPWSA
- d) Case of PPWSA Exemption for Dividend Payment for 2019 and 2020 to the Ministry of Economy and Finance

The Board acknowledged all the above reports.

C. Outcomes of the first extraordinary meeting (the 8th meeting) of the Board of Directors

The meeting was held online via Zoom on August 03, 2021 at 16:00 with the following agendas:

1. Request for in-principle approval on the feasibility study for the water supply of Prey Kub Construction Co., Ltd at 3 Sangkats in Khan Prek Phnov, Phnom Penh and 8 communes in Ponhea Leu district, Kandal province.

The Board agreed in principle to allow PPWSA to conduct a feasibility study for the water supply of Prey Kub Construction Co., Ltd. at 3 Sangkats in Khan Prek Pnov, Phnom Penh and 8 communes in Ponhea Leu district, Kandal province.

2. The update on the request for in-principle approval on the nomination of one company secretary and one senior staff.

The Board unanimously agreed to nominate:

- 1) Mr. CHEA Satephoat as Company Secretary with equal rank to Deputy Director General
- 2) Mr. OU Kunavath as Director of Project and Planning
3. Progress Report on the construction project for Takmao Water Treatment Plant, under the Japanese grant in the form of Special Purpose Company (SPC).

The Board acknowledged the report.

D. Outcomes of the 9th ordinary meeting of the Board of Directors

The meeting was held online via Zoom on September 27, 2021 at 8:30 AM with the following agendas:

1. Request for approval on the update of composition of various committees of PPWSA.

The Board of Director approved to:

- 1) Update the composition of the Procurement Committee by nominating:
 - H.E. LONG Naro as the Chair
 - Mrs. SIM Voleka, Head of Procurement Unit, as Secretary
- 2) Update the composition of the Commission for Liquidation and Sales of State-Owned Property by nominating H.E. LONG Naro as the Chair.
2. Request for in-principle approval on the disposal of damaged fixed assets and provision of obsolete or damaged inventory in 2021, to be submitted to the Ministry of Economy and Finance for in-principle approval on write-off.

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

3. Business Report 2021 (8 months actual and 4 months estimate) and request for approval on Business and Investment Plan 2022.

The Board totally agreed to the result of Business Report 2021 (8 months actual and 4 months estimate) and unanimously adopted all the requests raised in the 2022 plan, and approved one-step salary increase for PPWSA's staff of the 4 cadres.

4. Procurement Report for the 3rd quarter of 2021 and request for approval on Procurement Plan 2022.

The Board totally adopted the Procurement Report for the 3rd quarter of 2021 and the Procurement Plan 2022.

5. Report on Social Fund for the 3rd quarter of 2021 and request for approval on the Social Fund Plan 2022.

The Board adopted the Social Fund Report for the 3rd quarter of 2021 and the 2 requests of the expenditure plan for the 4th quarter of 2021 as well as the Social Fund Budget Plan 2022.

6. Report on the feasibility study for Phum Prek Water Supply Rehabilitation and Expansion Project, and request for approval on the take-off price for bulk water sales to PPWSA.

The Board backed up the outcome of the study and approved the proposed off-take price of KHR350/m³.

7. Report on Internal Audit for the 3rd quarter of 2021.

The Board totally agreed to the Internal Audit Report for the 3rd quarter of 2021.

8. Report on the feasibility study for the water supply of Prey Kub Construction Co., Ltd. at 3 Sangkats in Khan Prek Phnov, Phnom Penh and 8 communes in Ponhea Leu district, Kandal province.

The Board acknowledged the report and are ready to ask for recommendations from the 2 parent ministries' leaders; and PPWSA shall prepare documents and aid memoires for a possible high-level meeting in the future.

9. Report on the discussion and recommendations from Securities and Exchange Regulator of Cambodia (SERC) on the guideline and procedure for recruitment of Independent Director and Non-Executive Director representing private shareholders.

The Board principally backed up the 3rd option (at least 0.3% of the total ordinary shares) as a requirement for the candidacy of Non-Executive Director representing private shareholders, but this ratio may be revised due to SERC's recommendations, and approved the planned schedule for director recruitment as well as authorized PPWSA to conduct the recruitment successfully.

10. Other

- a) Request for recommendations on the inconsistency between Prakas on permanent water licensing to be asked for, and the relevant legal documents of PPWSA.

The Board agreed in principle that PPWSA should propose an amendment to Sub-decree No.52 អនក្រឹត្យលេខ ៥២ និង ធ្វើការសុំដល់ក្រសួងឧស្សាហកម្ម រ៉ែ និងថាមពល ប្រចាំការចេញក្រាស់អនុញ្ញាតប្រើប្រាស់ទឹកប្រចាំរយៈពេលវែង ឱ្យស្របតាមក្របខណ្ឌអនុក្រឹត្យលេខ ៥២ អនក្រឹត្យលេខ ៥២.

- b) Request for water supply at the new Phnom Penh International Airport.

The Board backed up all the 3 items declared by the Chairman, and agreed to authorize PPWSA to keep working with Cambodia Airport Investment Co., Ltd (CAIC) in conformity with the procedure as well as to speed up this work and quickly hold a technical meeting, which leads to a study; and then report to the Board in a next meeting.

E. Outcomes of the 10th ordinary meeting of the Board of Directors

The meeting was held online via Zoom on December 24, 2021 at 9:30 AM with the following agendas:

1. Request for approval on the requirements and qualifications for the recruitment of Independent Director, and Non-Executive Director representing private shareholders.

The Board totally agreed to the Nomination and Remuneration Committee's recommendations, and requested PPWSA to revise the requirements and qualifications of director candidacies based on the recommendations.

2. Request for in-principle approval on recording as equity increase the inventory received from Preah Sihanouk Waterworks, Department of Industry, Science, Technology and Innovation, and disposing of the obsolete or damaged inventory.

The Board decided to:

- 1) Accept the inventory of Preah Sihanouk Waterworks, worth over KHR1,800 million, which the Ministry of Economic and Finance had agreed in principle to hand over to PPWSA.
 - 2) Approve a re-inspection of the inventory PPWSA received from Preah Sihanouk Waterworks by inviting the inter-ministerial working group to participate as well as to make a minute to be submitted to the Board for approval on capital increase based on the applicable procedures.
 - 3) Agree in principle to the recording of the actual inventory as capital increase, and to propose the rest for write-off at PPWSA's request.
3. Request for approval the revision of the organizational chart of PPWSA.

The Board approved on the proposed revision of PPWSA's organizational chart.

4. Request for approval on the Board meeting calendar in 2022.

The Board approved the following dates for the Board meetings in 2022:

- March 18, 2022 is for the 1st quarter's meeting.
 - June 24, 2022 is for the 2nd quarter's meeting.
 - September 23, 2022 is for the 3rd quarter's meeting.
 - December 23, 2022 is for the 4th quarter's meeting.
5. Request for approval on resumption of the implementation of Boeng Thom water supply project under the Japanese grant aid.

The Board backed up and approved the resumption of the implementation of Boeng Thom water supply project under the Japanese grant aid, suggesting that PPWSA manage to quickly carry on the procedure to get the grant aid, and make a separate report to the Ministry of Industry, Science, Technology and Innovation.

6. Business Report 2021 (10 months actual and 2 months estimate), and plan for the 1st quarter of 2022

The Board totally agreed to the Business Report 2021 (10 months actual and 2 months estimate), and plan for the 1st quarter of 2022.

7. Procurement Report for the 4th quarter of 2021.

The Board totally agreed to the Procurement Report for the 4th quarter of 2021.

8. Report on Social Fund for the 4th quarter of 2021.

The Board totally agreed to the Report on Social Fund for the 4th quarter of 2021, and approved the 1st and 2nd proposals worth KHR 541,500,000. For the 3rd proposal, the Board approved a donation of KHR100,000,000 instead of the request for a temporary loan, which did not comply with the applicable procedure.

9. Report on Internal Audit for the 4th quarter of 2021

The Board acknowledged the report and suggested the Internal Audit follow the recommendations raised.

10. Report on the Study for the 3rd Master Plan (2021-2030) Updates under the Japanese grant aid.

The Board acknowledged the report.

11. Preliminary report on the request for water supply at the new Phnom Penh International Airport and the surrounding development areas of a sub-city.

The Board backed PPWSA up on the preparation for bulk water supply to Cambodia Airport Investment Co., Ltd (CAIC) covering the cost for investment in network installation from water meter to the project site; and PPWSA shall ask in advance for more recommendations from the tutelary ministries' leaders. In case there is any change in the approved principles, the Board will follow it.

12. Others

- a) Request for recommendations on how to request for the land lot at Boeng Thom for the construction of a water treatment plant (WTP).

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

- b) Backfilling PPWSA's land property at Tamoak Lake.

The Board agreed and backed up the proposed enlargement of crest width of the dike fencing the land property at Tamoak Lake using the existing investment budget as well as allowed PPWSA to backfill there.

- c) Report on the survey of house owners reselling water to tenant workers and students in Phnom Penh and Takmao.

The Boards acknowledged the report, and advised PPWSA to carry on this work as planned.

- d) Request for recommendations on the exchange of land portion at Niroth WTP.

The Board acknowledged the report, and advised PPWSA to reconsider and re-submit this matter in a Board meeting later if necessary.

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 year 2022, PPWSA plans to produce 228,735,614 m³ of clean water, expand 280,000m of additional distribution network, and generate total revenues of KHR332,034,002,000 with total expenses of KHR216,150,353,000 as approved by the Board and the two 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, 18 Mar 2022

CHAIRMAN

MESSAGE FROM DIRECTOR GENERAL



H.E. Long Naro

Director General

In 2021

“ On behalf of PPWSA, I am honored and pleased to present the Annual Report 2021 and the financial statements of PPWSA. For the year ended December 31, 2021, PPWSA earned total revenue by KHR 369 billion and profit before tax by KHR 120 billion and total comprehensive income for the financial year by KHR 88 billion.”

The significant activities in 2021

With the support of the Royal Government, the Ministry of Guardians and the Board of Director during this year, PPWSA remains strong with better risk management, efficient use of financial resources and throughout management of expenditures, especially with a focus on reducing water loss rates, despite road repair and widening activities. Across Phnom Penh, this is one of the many reasons for the leakage of water pipes, as shown in the financial report audited by an independent auditor in 2021. PPWSA earned total revenue by KHR 369,145,257,000, the profit before tax by KHR 165,856,586,000 and basic earning per share by KHR 1,486.37. At the end of this period, the total assets increased 2,306,806,174,000, the capital increased 1,166,628,213,000. This increase is due to PPWSA achieving great success in reducing the rate of water loss to the single digit. The rate in 2021 is only 9.70%. Reducing water loss as a life-and-death factor for PPWSA in the course of its operations and business and to adjust to the fluctuations of inflation, we have adjusted the selling price of clean water from January 1, 2021 to the present, which allows us to thousands of families, including low-income residents, at a reasonable price to contribute to the government's poverty reduction policy. Phnom Penh Water Supply Authority has the capacity to supply water 24 hours/day and 7 days/week, this year we can produce 231,971,531 m³. Water treatment practices are in line with National and World Health Organization (WHO) water quality standards, with 53 water quality laboratories analyzed from (Singapore and Shanghai laboratories). Paying attention to the water quality makes PPWSA guarantee customers to drink directly from the faucet to contribute to society responsibly in order to encourage people to have access to clean water, which is a clean water program (Water for All). Proper sanitation services for healthy living, a better life and environment.

The goal of expanding the water distribution network is to areas with economic potential, and low-income residents. In 2021, PPWSA were installed pipes 297,030.38m, making the total length of the main pipe and the current distribution pipe equal to about 3,849km, and maintaining an average pressure of 20 meters in the entire distribution network with the pipes size 160mm to 1600mm were laid by PPWSA. We have been working to improve the quality of customer services to find and increase the number of large customers with high water demand to ensure efficient collection of water bills, which this year maintains maximum rates and network growth. The year ended 31 December 2021, the number of customers increased by 431,401 connections.

Expectations for 2021

For the year 2021, we will make more efforts to improve the corporate government of PPWSA, and still adhere to the vision and mission of the previous years. As a destination for next year, PPWSA estimated to earn profit for the financial year about KHR 88,706,919,000 that was approved by the Board of Directors, and the two parent ministries.

Acknowledgement

We would like to express our deep gratitude to the Royal Government, the two tutelary ministries the Ministry of Industry, Science, Technology, and Innovation, and the Ministry of Economic and Finance, and the Board of Directors for their support and good leadership for 2021, and all the customers who made PPWSA succeeded as today.

Phnom Penh, 18 Mar 2022

DIRECTOR GENERAL OF PPWSA

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Appendix: Annual Corporate Governance Report 2020	

PART 1. GENERAL INFORMATION OF PPWSA

A. IDENTITY OF 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: #45, St. 106, Sangkat Srah Chak, Khan Doun Penh, Phnom Penh, Cambodia
- ◆ Phone number: +855(0)23 6358080/724046
- ◆ Website: www.ppwsa.com.kh Email: ir@ppwsa.com.kh
- ◆ Company registration number: Co.០៨៣៩៩៤/២០១២

Date: 27 March 2012

- ◆ License number: Sub-decree No. 52អនក្រឹត្យ.បក

Issued by: Royal Government of Cambodia

Date: 19 December 1996

- ◆ Disclosure Document approved and registered by
SECC's Resolution No.: 012/12គ.ម.ក/ស.ស.វ.

Date: 23 March 2012

- ◆ Representative of the listed entity: **H.E. Long Naro**

B. NATURE OF BUSINESS

- ◆ Invest in, build, expand, operate, repair and maintain water supply and sanitation facilities.
- ◆ Take all the means to improve its production and service, and assure clean water quality to satisfy the requirements for living, businesses, services and industries.
- ◆ Engage in domestic or overseas business and services related to water and sanitation sectors due to the Board of Directors's resolutions and the existing laws.
- ◆ Enhance technical, commercial and financial corporations with local and international development partners to develop PPWSA in accordance with the Royal Government's policies.
- ◆ Maintain financial and operational sustainability pertaining to social interests.

C. GROUP STRUCTURE OF THE LISTED ENTITY

There are no such listed entities.

D. THE PPWSA'S MILSTONES

None

E. MARKET SITUATION

Phnom Penh Water Supply Market is a "**service area**" managed by Phnom Penh Water Supply Authority to supply clean water to the people in Phnom Penh and the area around Phnom Penh.

F. COMPETITIVE SITUATION

Phnom Penh Water Supply Authority is the only water supplier (monopoly) in Phnom Penh and does not compete on market prices at any stage.

G. FUTURE PLAN

- Accelerating the implementation of Master Plan (2016-2030) in the field of clean water supply throughout Phnom Penh and Takhmau City (Funded by AFD, EIB, EU and JICA) to finish in 2025, especially, the construction completion schedule of Bakheng Water Supply Facilities Phase 1 will be on the first quarter of 2023 and Bakheng Water Supply Facilities Phase 2 will be on the fourth quarter of 2023.
- Asking support from local authorities to avoid the impact on production and distribution processes considered the priority factors.
- Continuing to improve efficiency and effectiveness of the maintenance and repair of the Water production Facilities system.
- Reduce unnecessary expenses and increase the efficiency of collecting water bills as well as strive to earn revenue from services and other revenues as planned.
- Enhancement of Non-revenue water management in suburbs of Phnom Penh step by step.
- To promote the employees to broaden their knowledge through extra skills in the form of on job training in the organization and external training with high efficiency aiming at responding to the current working environment.
- To provide with additional training in leadership and management skills for senior-level employees intending for building the sustainable and effective organization.

H. RISK FACTORS (Analyst, Management Opinion and Risk Mitigation)

Phnom Penh Water Supply Authority is responsible for the production and distribution of water for general use for the public service in an administrative and technical manner, with the guarantee of both quantity and quality of clean, sterile water and drinking water directly from the network. However, there are still some risk factors that are facing and the following preventive measures:

H.1- Planning and Project Department

➤ Risk factors

1. Covid-19 pandemic:

- Decreasing in water consumption from big customers affected the water tariff and customers' delay in payment of water bills has brought about the effect on the cash flow of PPWSA.
- Covid-19 crisis led the government of the Czech Republic to suspend the implementation of the Boeung Thom Water Supply Project with a capacity of 5,000m³/day.
- The supply for equipment and machinery served for the construction of Bakheng water supply project has been delayed due to the difficulty in sea transportation for some suppliers' countries.
- The installation of the Transmission Main did not go as planned.

2. Water shortage:

- The growth in the economy of Phnom Penh and Takhmau City has led to the convergence of people into the city that brought the considerable increase in water demand. This has constituted the challenge to water shortage for distribution to suburb areas of the city, especially in Peak hours.
- Water level at Mekong River Sap River and Bassak River has experienced significant dropped for five consecutive years due to climate change which affected the insufficient pumping
- capacity as well as the cost of electricity to increase when pumping.

3. Kosh Norea development Project:

- Impact on the water treatment process of Niroth Water Treatment Plant which makes it impossible for the production process to reach a full capacity of 260,000m³/day.

➤ Preventive Measures

- Continue increased cooperation with Development Partners and concerned ministries aiming at moving forward the expansion of water production and distribution projects.
- Increase the efficiency in repairing and maintenance of water production and distribution systems intending to last long life service with high effectiveness to ensure the supply of clean water to people 24 hours/day and 7days/week.
- Reduce unnecessary expenses and increase the efficiency of collecting water bills as well as strive to earn revenue from services and other revenues as planned.
- improve non-revenue water Management in the suburb of Phnom Penh as planned.
- The dissemination of information has been conducted to promote people in both Phnom Penh and Takhmao to save water and distribute clean water to show compassion and share water with other people, especially people living in the suburbs.
- Continue to cooperate with OCIC to mitigate the impact on raw water intake and speed up the construction activities of a new intake at Norea island.

H.2- Production and Distribution Department

➤ Risk factors

- The network is expanding at the suburbs and the water supply coverage area of PPWSA is expanding day by day with insufficient water pressure due to customer complaints.
- The leakage under reinforced concrete make it difficult to find the leak point and take long time to repair.
- The number of leakages is largely attributable to the material factor on the house connection with the diameter from 25mm to 32mm which was installed in 1998 to 2000.

- Infrastructure development in the city like sewerage system installation, road reconstruction, telephone and electrical cable laying with timely notification that make our water pipe broken.

➤ Analysis

- In the circumstances of the Covid-19 disease outbreak, the Production System Management Department considered and decided to implement in this difficult time: “Must produce water adequately and safely”.

➤ Preventive Measures

- Based on the above considerations, the Production System Management Department has observed and paid attention to the water plant operation system in many aspects, including :
 - a. People (Operator) : Employees operating Water Treatment Plant must be protected and kept safe.
 - b. Facilities (Machine and Spare part): Machinery in each Water Treatment Plant must be inactive and have adequate spare parts for repair, replacement in case of any damage.
 - c. Raw materials (PAC, Salt, Chlorine and Reagent) : The water produced from each Water Treatment Plant must be highly safe, so the raw materials used must have sufficient quantity in the warehouse.
- Suspend new meter connection at the suburb area is temporarily applied until when we have enough water.
- Try to carry out working at night to detect the leak and require the suitable equipment for repairing.
- Review the quality of this material and change high quality new materials to reduce further leakage.
- Continue to have good cooperation with the local authority to deliver the timely delivery and provides the heavy penalty affect to our water supply. Network system and has the staff standby all the sites of infrastructures to avoid all the water pipe impacts as low as possible.

H.3- Commercial Department

➤ Risk factors

1. Revenue Offices

- In case of illness or accidents, there are no substitute collectors.
- Collectors may face a loss of their means of transport (motobike) while executing the work.

2. Customer Relation Office

- Water disconnection team had some trouble with the customers on their duties.
- There were some challenges in water meter relocation due to development of the infrastructure.

- Water meter relocation and water supply suspension face challenges as the distribution pipe and water meter were installed inside the fence of the customer's house.
 - Test bench can test water meters of less than 150mm diameter only.
3. House Connection Office
- Mobilization of the workforce from Phnom Penh to Tboung Khmum for work execution caused an obstruction to some office work, and may risk their travels.
 - House connection works in Tboung Khmum did not meet the plan due to the recent water injection into the newly installed distribution pipes at the end of 2021.
 - Number of low-income connections did not meet the plan since PPWSA did not lay distribution pipes.
 - Low water pressure at the pipe ends
- ❖ All the offices of the Commercial Department are also facing the to Covid-19 pandemic.

➤ Preventive Measures

1. Revenue Offices

- Set up a workforce plan.
- Allocate the number of customers based on the workforce by the revenue office.
- More precautions of protecting their means of transport should be taken.

2. Customer Relation Office

- Try to communicate with, and explain to the customers about PPWSA's policies.
- Continue to collaborate with relevant offices to implement the work timely.
- Before the installation of a distribution pipeline in an apartment block, an additional contract should be made with the owner to avoid any construction or expansion of their property over PPWSA's water distribution pipes.
- A test bench that can test water meters of all sizes should be procured.

3. House Connection Office

- There should be a team to stand by at Tboung Khmum WTP.
- PPWSA has been installing the main pipes to enlarge its coverage and get more customers including the low-income households as planned.
- Additional WTPs have been built to increase the production capacity and water pressure.

All the office of Commercial Department are continue to disseminate to all officials and employees to maintain good hygiene by practicing consistently under the high guidance of Samdech Akka Moha Sena Padei Techo Hun Sen, Prime Minister of Kingdom of Cambodia and the guidelines of the Ministry of Health 3 protect 3 do not in the rules prevention of communicable disease 19.

H.4- Information Technology Center

➤ Risk factors

- Some daily transactions cannot be complete in time.

- Electricity in the Data Center was cut off for more than 2 hours.

➤ Analysis

- System slow or hang:
 - Tables locked because of too many transactions were posted at the same time.
 - Posting not allowed because the Allowed Posting Date was not enabled by the Accounting and Financial Department.
- All servers and devices must be turned off if the electricity was cut off for more than 2 hours, because the smart UPS device can support only 2 hours max.

➤ Preventive Measures

- Cooperate with vendors to identify the root of cause and provide the most sustainable solutions.
- Daily check all the automatic job queues on working hours (8:30, 12:00, and 16:30).
- Request for notification about the electricity maintenance activity beforehand.

H.6- Legislation and Inspection Unit

➤ Risk factors

- Calculations on reminders and compensation have not yet been documented as clear principles.
- Lack of resources to cooperate with relevant departments.

➤ Preventive Measures

- Request to update some settings
 - Some legal document related to the law
 - Procedure on reminder and compensation
- Must have proper training program in clear legal knowledge
- Must establish procedures on work legislation and inspection

➤ Requirement

- Request for cooperation from the relevant departments
- Request extra resources

H.5- Procurement Units

➤ Risk factors

Delay in delivering Primary commodities as below:

- Poly Aluminum Chloride (PAC)
- Refined Salt for production of Hypochlorite for Disinfection of Drinking Water

➤ Analysis

- For External Factors: Poly Aluminum Chloride (PAC) and Refined Salt for production of Hypochlorite for Disinfection of Drinking Water are originally made in China. Due to the cause in 2021, there is a global epidemic of covid-19 which raised production concerns and delivery have been delayed, these cases are affecting to the production process of PPWSA.

- For the processing of procurement plan 2021 we have our bidding opened on 11th August 2021 and Samples have to be sent to SGS Laboratories in China. Due to covid-19 spreaded to worldwide all packages which are chemistry products including PAC's samples had been blocked by General Administration of Customs China. This policy affecting procurement contract's signing and goods's supply delayed.

➤ **Preventive Measures**

- Poly Aluminum Chloride (PAC):
 - In this context, the Procurement Unit has cooperated with the Department of Water Production and Supply to study the speeding of daily use, storage condition of PAC and requested the principle of additional direct purchase to reserve and research the possibility of purchasing from other countries in case of emergency.
- Refined Salt for Production of Hypochlorite for Disinfection of Drinking Water:
 - As a global epidemic of Covid-19, Refined Salt for Production which shipped from China has been delayed due to reducing the freights Transport Companies . In solving this problem, the suppliers requested changing the source of refined salt from China to Thailand.

➤ **Requirement**

- For the 2022 Procurement plan, due to the Chinese Customs' restrictions on the import of chemical goods, PAC and refined salt samples from Bidder are originally made from China factories. In order to have sample tested and process contract on time, procurement unit willing to ask for permission from the Director General to directly send the sample of PAC and refined salt of Bidder from factory in China to the same China SGS laboratory and test results of SGS Laboratory are sent directly to Phnom Penh Water Supply Authority.

PART 2. Information on Business Operation Performance

A. Business Operation Performance including business segments information

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

A.1.1. Water Treatment

The water treatment in 2021 as follows:

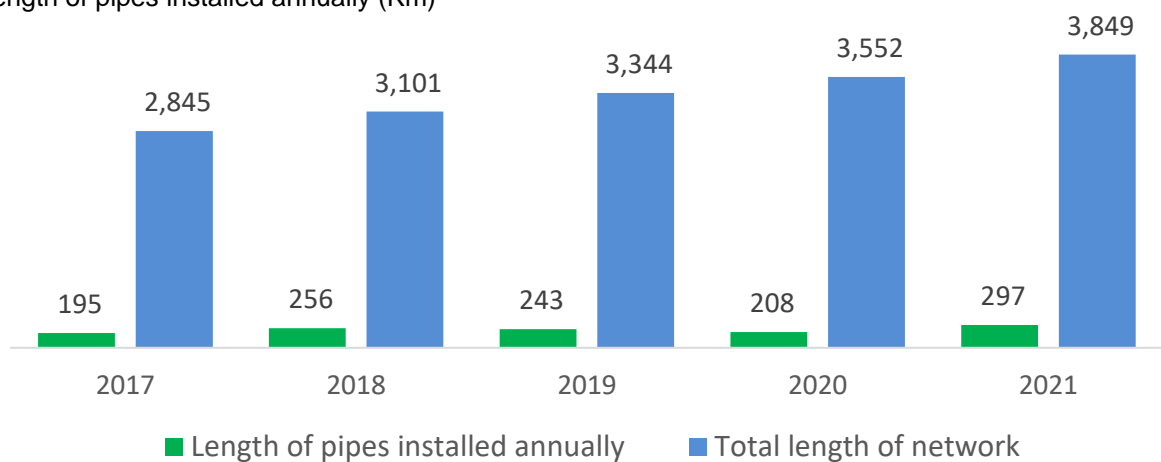
Description (water treatment plant)	PLAN (m ³)	ACTUAL (m ³)	RATE (%)
Phum Prek	57,597,295	58,366,089	101
Chruoy Chang War	59,492,800	59,981,409	101
Chamkar Morn	19,025,212	19,802,536	104
Niroth	90,439,351	93,137,064	103
Mlech	579,100	353,431	61
Thbong Khmom	826,600	231,002	28
TOTAL	227,960,358	231,871,531	102

The quality of treated water at the 6 water treatment plants (WTPs) and distribution networks

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	0.61	0.54	0.19	0.50	0.56	1.88	0.84
pH Value		6.50-8.50	7.79	7.82	7.46	7.66	7.49	7.86	7.42
Free Available	mg/l	0.10-1.0	1.46	0.96	1.02	1.16	1.00	0.58	0.36
Total Available	mg/l	<2	1.69	1.08	1.19	1.32	1.21	0.70	0.48
Total coliforms	cfu/100ml	0	0	0	0	0	0	0	0
E. Coli	cfu/100ml	0	0	0	0	0	0	0	0

A.1.2. Pipes Laying

Length of pipes installed annually (Km)



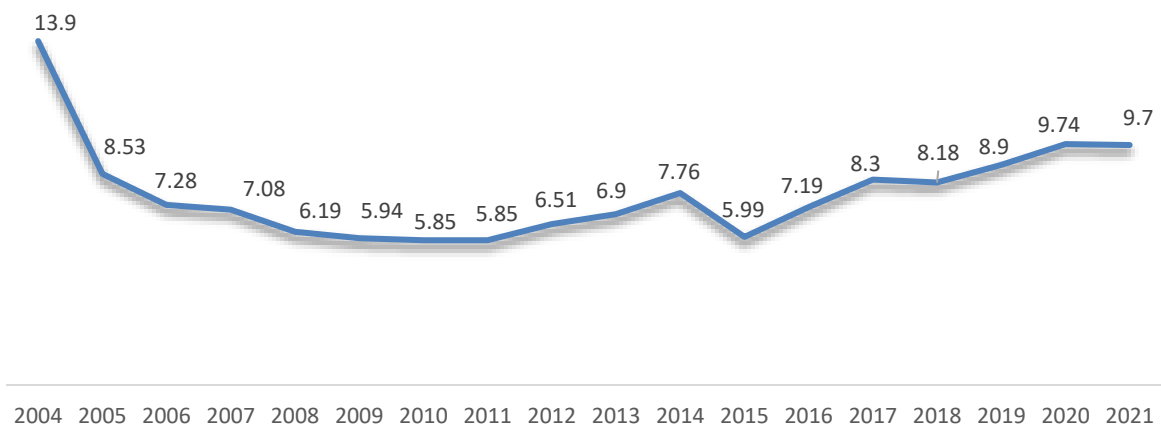
A. Business Operation Performance including business segments information (con't)

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

A.1.3. Water Loss Reduction

In 2021, PPWSA's water loss rate was kept in single digits 9.70%, as shown in the graph below.

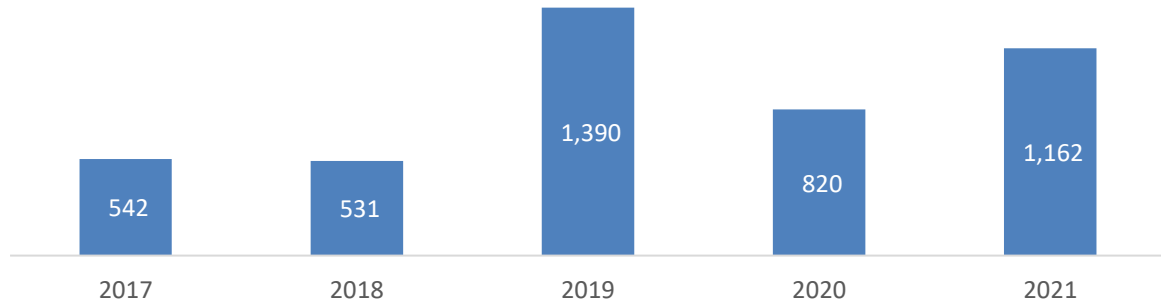
NRW trend from 2004 to 2021 (in percent)



A.2. Business Activities and Results

A.2.1. Water for All Program

Increase in low-income household connections

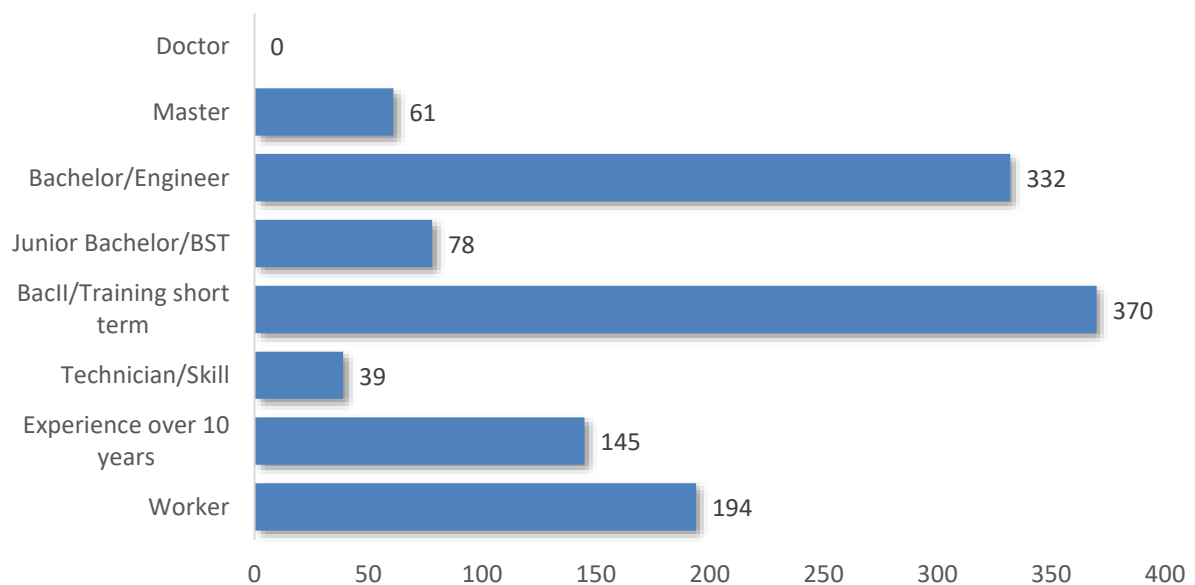


A.2.2. House Connection and Customer Management

Type of Customers	2017	2018	2019	2020	2021	
	(connection)	(connection)	(connection)	(connection)	(connection)	(%)
Domestic	271,317	301,834	321,212	333,099	350,463	81.2383
Commercial	55,891	58,789	62,366	68,136	74,344	17.2331
Administrative	655	664	696	744	823	0.1908
Wholesalers	08	07	07	10	11	0.0025
RDE Representative	20	21	17	14	16	0.0037
Standpipe	-	14	17	17	16	0.0037
Room rental	5,397	5,703	5,752	5,759	5,728	1.3278
Total	<u>333,288</u>	<u>367,032</u>	<u>390,067</u>	<u>407,779</u>	<u>431,401</u>	

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

A.3- Human Resource Management



PART 2. Information on Business Operation Performance (con't)

B. Revenue Structure

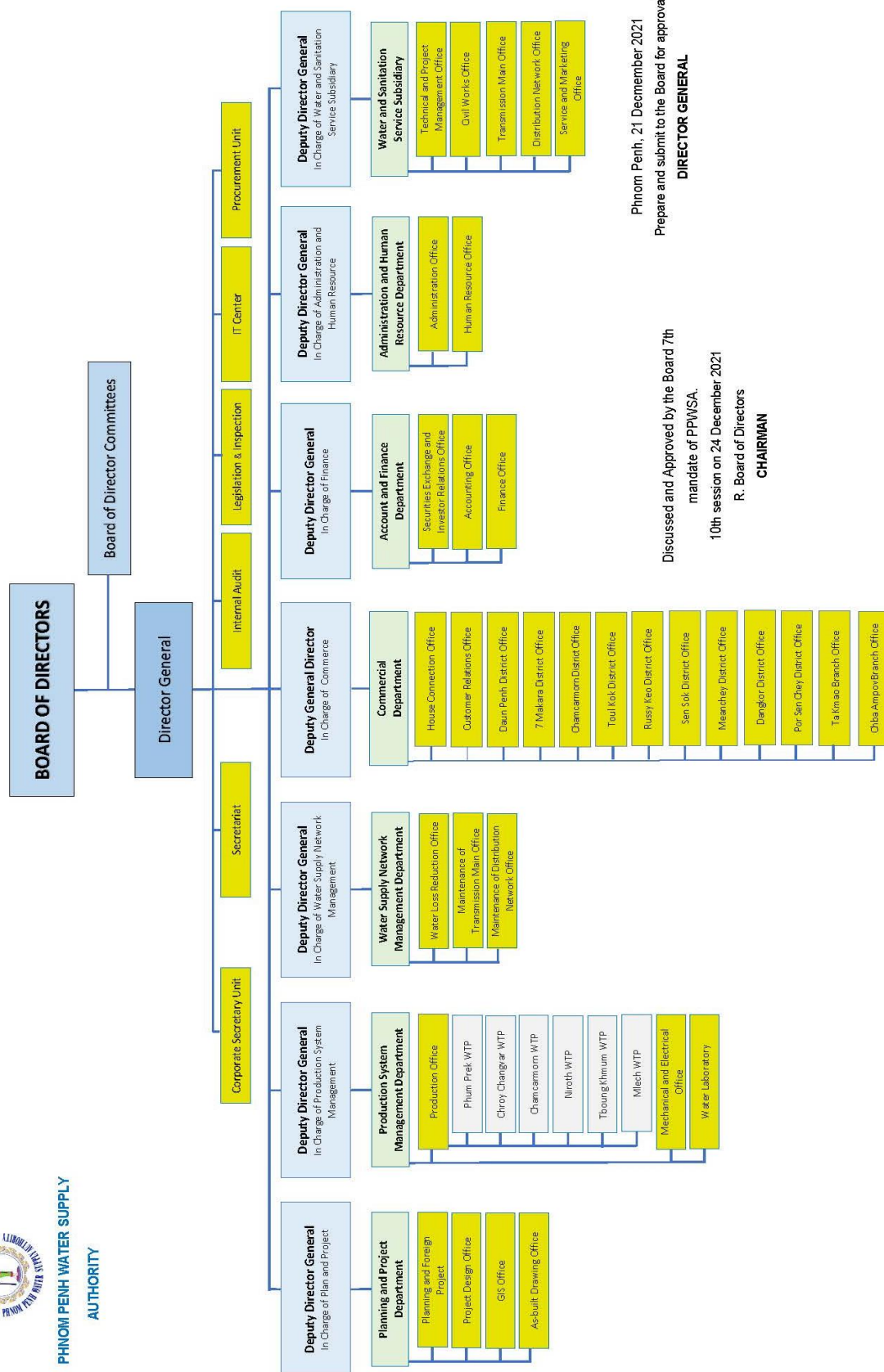
N°	Source of Revenue	2021		2020		2019	
		Amount	Percent	Amount	Percent	Amount	Percent
		(KHR'000)		(KHR'000)		(KHR'000)	
1	Sales	282,369,797	76.49%	281,649,338	86.83%	194,272,261	89.73%
2	Construction service fees	26,241,989	7.11%	23,324,228	7.91%	3,359,827	1.54%
3	Foreign exchange gain – net	2,273,984	0.62%	-	-	1,461,237	0.67%
4	Other income	58,259,487	15.78%	19,394,290	5.98%	17,403,491	8.04%
Total revenues		<u>369,145,257</u>		<u>324,367,856</u>		<u>216,496,816</u>	

PART 3. Information on Corporate Governance

A. Organization Structure

KINGDOM OF CAMBODIA
NATION RELIGION KING

ORGANIZATIONAL CHART OF PHNOM PENH WATER SUPPLY AUTHORITY



Phnom Penh, 21 December 2021
Prepare and submit to the Board for approval
DIRECTOR GENERAL

Discussed and Approved by the Board 7th
mandate of PPWSA.

10th session on 24 December 2021

R. Board of Directors

CHAIRMAN

PART3. Information on Corporate Governance (con't)

B. Board of Directors

No.	Name	Position	Date of being a governor	Deadline of current mandate
1	H.E. OUM Sotha	Board Director	25 February 2020	25 February 2023
2	H.E. Long Naro	Member	12 August 2021	25 February 2023
3	H.E. MEY Van	Member	25 February 2020	25 February 2023
4	H.E. NOUN Pharoeth	Member	25 February 2020	25 February 2023
5	Mr. Ma Noravin	Member	25 February 2020	24 February 2023
6	Mr. Zhang Yun Feng	Non-Executive Director representing private shareholders	20 February 2013	20 February 2022
7	Mr. OM Seng Bora	Independent Director	20 February 2013	20 February 2022

PPWSA Secretary

- Mr. Chea Satiphoit
- Mr. HUOT Sok Heng

C. Senior Officers

Senior staff composition

No.	Name	Sex	Position at PPWSA
1	H.E Long Naro	Male	Director General
2	H.E. Dr. Neth Mony	Male	State Controller
3	Mr. Ros Kim Leang	Male	Deputy Director General
4	Mr. Samreth Sovithia	Male	Deputy Director General
5	Mr. Chan Piseth	Male	Deputy Director General
6	Mr. Ma Noravin	Male	Deputy Director General
7	Mrs. Roeun Nary	Female	Deputy Director General
8	Mr. Chea Satiphoth	Male	Corporate Secretary
9	Mr. Hout Sokheng	Male	Corporate Secretary
10	Mr. Som Sovann	Male	Head of Commercial Dept.
11	Mr. Pheng Ty	Male	Head of Production and Distribution Dept.
12	Mrs. Seng Keadara	Female	Head of Internal Audit
13	Mr. Savuth Vathana	Male	Head of Information Technology Center
14	Mr. Deng Polyden	Male	Head of Accounting and Finance Dept.
15	Mr. Heng Sophanarath	Male	Head of Admin and HR Dept.
16	Mr. Ou Kunawath	Male	Head of Planning and Project Dept.
17	Mr. Chou Phalla	Male	Head Department of Water sanitation and Branch

Note: Details related to corporate governance are attached in annex.

PART4. Information on Securities' Trading and Shareholder

A. Information on Securities

1. Information on Equity Securities

- Name of equity securities: Ordinary Share
- Equity securities' symbol: PWSA
- Class of equity securities: Voting Share
- Par value per equity securities: KHR 1,000
- IPO Price: KHR 6,300
- The total number of outstanding Shares: 13,045,975 shares
- Market capitalization: KHR 622,727,839,920 (as at 31 December 2021)
- Permitted Securities Market: Cambodia Securities Exchange (CSX)
- Listing Date: April 18th, 2012

B. Securities' Price and Trading Volume

Share		Jan	Feb	Mar	Apr	May	Jun
Trading Price (KHR)	Maximum	6,400	6,180	6,480	6,780	8,240	7,680
	Average	6,131	6,073	6,289	6,595	7,631	7,247
	Minimum	5,980	6,000	6,000	6,500	6,860	6,680
Trading Volume(Share)	Maximum	10,514	6,670	28,200	23,175	142,044	52,743
	Average	2,269	2,014	6,291	4,339	23,301	9,584
	Minimum	164	10	372	735	3,502	1,066

Share		Jul	Aug	Sep	Oct	Nov	Dec
Trading Price (KHR)	Maximum	7,280	7,160	7,080	7,020	6,900	7,200
	Average	7,082	7,075	7,031	6,928	6,885	6,893
	Minimum	6,940	7,020	7,000	6,860	6,860	6,740
Trading Volume(Share)	Maximum	48,006	97,936	5,582	8,491	8,160	43,125
	Average	8,341	6,200	1,311	2,164	2,367	3,763
	Minimum	206	68	122	427	212	91

C. Controlling Shareholder

No.	Name	Nationality	Number of Shares	Percentage
1	The State represented by the Ministry of Economy and Finance	Khmer	73,927,187	85%
Total			73,927,187	85%

PART 4. Information on Securities' Trading and Shareholder (con't)

D. Substantial Shareholder

As of December 31st, 2021, there were no substantial shareholders who held PPWSA's shares.

E. Information on Dividend Distribution in the last 3 (three) years

Details of dividend distribution	2020	2019	2018
Net Comprehensive incom (KHR'000)	88,351,845	33,291,913	73,607,168
Total cash dividend (KHR'000)	22,786,968	20,003,827	18,925,360
Total share dividend	N/A	N/A	N/A
Other dividend	N/A	N/A	N/A
Dividend payout ratio	25.79%	60.09%	25.71%
Dividend yield	*4.30%	*3.83%	**5.18%
Dividend per share	KHR 262	KHR 230	KHR 217.60

*Closing price as at 31 December 2020: KHR 6,100

**Closing price as at 31 December 2019: KHR 6,000

***Closing price as at 31 December 2018: KHR 4,200

PART 5:
INTERNAL CONTROL
AUDITOR REPORT
BY INTERNAL AUDITOR

operate with all the departments in-charge to implement on the process of pipe installation and pressure's test in accordance with the standards which set in the technical standard of pipe installation.	water pressure, but for pipe 63 mm had tested since delivered. We will request for amendment on the technical standards of pipe installation in accordance with the real practice.	plan and project have to finish the amendment on the technical standards of pipe installation ASAP.	
2- Some modifying and laying projects not in correction Payment's modifying and laying project doesn't comply with principles on : <ul style="list-style-type: none"> - The cost of chief of labor - The cost of employee Freelander - The cost of pressure team The Officer in-charge must pay attention and cooperation with other department in-charge to implement on the modifying and laying process in accordance with the principles as defined in the Definition Letter on the technical of pipe installation standards.	Fully implemented		
3- The actual implementations are not compliance with the proposal projects Some projects are not properly implemented in using of connecting materials : <ul style="list-style-type: none"> - Project plan End cap size 63 mm - Implementation used reducer (63x32mm) and End cap 32 mm The officer must to monitor and inspect on the materials as shown in plan and actual material usages, in case any changes or addition must be approval from Planning and Project Department.	Fully implemented		
II. Accounting and Finance Department (year 2018)			
1- Payment request of Electric's repair and maintenance not compliance with Accounting and Finance principle Electric's repair and maintenance at each water treatment plans attached with the minute meeting of committee control's copy document not in accordance with standards of accounting and finance (All the request expenses have to attach with the original document).	Fully completed Base on Director General's advice the digital implementation through industry revolution 4.0 and Covid-19 expansion the minute meeting of committee's attachment have to submit through on-		

<p>Finance Office have to pay attention for checking and monitoring properly in which the attachment of request payment (Original) before accepting to make payment and have to prepare the SOP for implementing in the payment work with the attachment of the original for reference.</p>	<p>line system.</p>		
<p>2- The completion project's request payment on the laying of main pipes are not clearly described in the minute of committees control</p> <p>The attachment of documents with request payment of Main pipe installation in the minute of committee control has not shown the clear description such as : population compensation, guard and others... etc.</p> <p>To be effectiveness on work, committee control has to do minute meeting on evaluation of main pipe installation base on proposed project in case of opposition of original project, the committee must describe its in the minute meeting or make request approval on expense form Director General.</p>	<p>Fully implemented (Committee's minute meeting had descriptions on the technical and actual expense).</p>		
<p>3- Provision for payment request on Modifying and Laying Distribution for Production and Water Supply Department not cleared</p> <p>Project's payment request of Production and Water Supply Department in which implementing instead of Water Supply and Sanitation Branch on modifying and laying distribution pipes are not proper as below :</p> <ol style="list-style-type: none"> 1. The cost of chief of labor 2. The cost of employee 3. The cost of labor by excavator 4. The cost of pressure <p>To be effectiveness on work, Production and Water Supply Department have to make the request via Sanitation Branch and the Branch makes the request payment to Accounting and Finance Department instead.</p> <p>Accounting office have to cooperate with relevant Department to be revising the Definition Letter No 014 S.K.N on technical of pipe installation standards for PPWSA'S implementation and Director General's check and seen.</p>	<p>Accounting and finance department and relevant departments are cooperating of revising Definition Letter No 014 S.K.N It will be completed at the end of 2021.</p>	<p>Department have to continue to push this amendment on time.</p>	<p>Medium</p>

<p>4- Expenditure on material storage and import materials of Accounting Office exceed the yearly planning expenditure 2018</p> <p>Accounting office has proposed the yearly planning expenditure for material storage arrangement and import materials not appropriate with actual practice.</p> <p>For work efficiency the employee in-charge have to propose planning expenditure which is similar to the actual expense in case the actual expense more than the annual plan have to request approval from Director General.</p>	Fully implemented		
<p>III. Administration and Human Resource (year 2018)</p>			
<p>1- Employee's recruitment in 2015 exceed the annual plan</p> <p>In 2015, employee's recruitment had 150, in which as 94 employees exceed the annual plan equivalent to 63%.</p> <p>In order to arrange the annual plan effectiveness, the office in-charge have to cooperate with the relevant departments in which had the actual needs of employees before submitting the annual plan to management in order to avoid the gap from the plan.</p>	<p>Fully completed</p> <p>Employee's recruitment, in 2020 exceed annual plan was 29.6% :</p> <ul style="list-style-type: none"> - Recruitment plan 54 employees - Actual implementation 70 employees <p>Due to actual needs from relevant departments with Director General's approval.</p>		
<p>2- Employee's role changes not appropriated which no Director General's Decision Letter</p> <p>Role change requested for the 2 employees of Commercial Department has started in note of finding only which is not approval by Director General.</p> <p>Human Reassure Office have to comply with the employee manual.</p>	<p>Fully completed</p> <p>Presently, the Office implemented properly with Director General's decision letter.</p>		
<p>3- Overtime compensation in weekend and holiday are not appropriated</p> <p>The request payment in providing overtime for holiday of public holidays from 25 hours to 48 hours are not well reviewed.</p> <p>Human Resources Office have to review the overtime request for all departments those start from 20 hours to 48 hours per week properly before making the overtime request letter.</p>	<p>Fully completed</p> <p>The Officer monitored and verified on the overtime request properly.</p>		

<p>4- Training request forms arrangement are not in Administration standard</p> <p>The employee training request form from departments not comply with administrative standard.</p> <p>Please amend on the employees training request form for work efficiency and meet the standards.</p>	<p>Fully completed</p> <p>The Office revised the training form properly.</p>		
<p>5- PPWSA'S Garbage disposals location are not good</p> <p>The garbage disposal's location in PPWSA not in a good arrangement especially behind Phum Prek treatment plan.</p> <p>The Office in-charge have to select or re-arrange the garbage disposal's location to make it better.</p>	<p>Fully completed</p> <p>Now, the Office in-charge arranged the garbage disposal in a good condition.</p>		
<p>6- The request letter's arrangement are not properly</p> <p>There have duplicated registration number on requested letter.</p> <p>In order to make easier on the requested letter's management, the Office in-charge have to register the number in order (countable number) properly.</p>	<p>Fully completed</p> <p>Now, the Office in-charge fully implemented with number registration in order (countable number).</p>		
<p>IV. Commercial Department (year 2019)</p>			
<p>1- Late providing new connections not compliance with SOP</p> <p>House Connection Office provided new connection with 26,845 connections compared with annual plan 22,000 connection equivalent to 122%. Auditor's review, new connection's document of 698 connections in which 437 connections equal 63% late in providing new connection.</p> <p>House Connection have to arrange the implementation schedule properly in accordance with SOP.</p> <p>The Officer have to be revision the SOP with the actual implementation.</p>	<p>Presently, the Office are revising connection's SOP with actual situation and try the best to provide the better service to customers and on time, will be completed on March 2022 on ward.</p>	<p>In order to comply with the actual implementation, the department must be completed revision on time.</p>	<p>Medium</p>
<p>2- Water supply suspension and connection report not properly implemented as duplicated records</p> <p>Customer Relations Office's water supply suspension and reconnection report, audit reviewed 6 districts (Don Penh, 7 Makara, Sen Sok, Porsen Chey, Chbar Om Pov and Ta Krao) in total of 12,519 connections in which 1,349 duplicated connection :</p> <ul style="list-style-type: none"> - 2 times duplicated 1,148 Connections - 3 times duplicated 177 Connections - 4 times duplicated 24 Connections 	<p>Fully implemented</p>		

The Officer have to inspect, verify and monitor on the report to be properly and high efficiency.															
3- Payment on meter location's movement report (Lift/scroll) less than the actual number of connections In 2019, Customer Relations Office moved meter location (Lift/scroll) are not proper : <table> <tr> <th>Discription</th><th>Actual Implementation</th><th>Cashier</th><th>Bias</th></tr> <tr> <td>Meter lifing</td><td>221 c/t</td><td>165 c/t</td><td>56 c/t</td></tr> <tr> <td>Meter scroiling</td><td>434 c/t</td><td>260 c/t</td><td>174 c/t</td></tr> </table> The officer in-charge must carefully review and verify the connections which has finished with connections paid to cashier.	Discription	Actual Implementation	Cashier	Bias	Meter lifing	221 c/t	165 c/t	56 c/t	Meter scroiling	434 c/t	260 c/t	174 c/t	Fully implemented		
Discription	Actual Implementation	Cashier	Bias												
Meter lifing	221 c/t	165 c/t	56 c/t												
Meter scroiling	434 c/t	260 c/t	174 c/t												

B. Audit's result

I. Planning and Project Department

In 2020, planning and project department implemented :

- Water service area projects has expended 253,085 meters
- Civil contractive project:
 - Proposed projects was 04
 - + Implemented 01 project
 - + Implementing 03 projects
 - + Project out of planning and approval from the Director General's has 01 project.

Planning and Project department operates their tasks smoothly and good cooperation; otherwise, there have some weakness points that need to be improved :

- 1- Expended clean water service's proposed plans exceeded annual plan

Planning and Project Department has expended water service area exceeded the 2020 plans :

Planning	200,000 meters
Proposal project	<u>253,085 meters</u>
Excess	53,085 meters equivalent to 26.54%

It's not correction with the PP'S infrastructure changes.

This case affects the material requirement.

The Officer in-charge need to cooperate with private sector and Phnom Penh municipality for being easy proposal projects and to request approval to buy the reserve materials from Director General. **Level of risk Medium.**

Auditee's Response : PPWSA received the other revenues from client's Quotation project, in addition to water sale revenue. In 2020, our Project Office got the proposal from contraction's private sector equivalent to 160 km, not pre-alert the project plan due to affect the

price property. We have to cooperate with private sector in order to mitigate the planning gap to be effectiveness.

It will be rectified in 6 months after report issuance.

2. Procedures for quotation project not efficient

In 2020, Planning and Project Department had the Quotation 626 projects. Auditor selected 273 Projects to review, as the resulted 37 projects equivalent to 13.55% late implementation after Director General's approval.

It doesn't comply with standard of procedure (SOP) of technical and project in pointed **"For distribution pipe project planning in and out investment project must be started to be implementing the project after Director General's approval"**.

This case has let to delays in project implementation.

The Officer in-charge need to revise SOP in accordance with the actual works. **Level of Risk Low.**

Auditee's response: The most of late projects had been the Director General's approval and proposed the projects; Otherwise, the clients don't pay the cost of quotation on time and the projects is postponed till next years. We will revise the SOP in accordance with the actual implementation.

We will be improved in 6 months after the audit report issuance.

Auditee have submitted the constructive report all rectify on the above finding on 06 September 2021.

II. Accounting and Finance Department

In 2020 Accounting and Finance Department implemented :

- Other payments for 6 months (April, May, June, Junly, August and September) had 888 requests.
- Expenditure and debt settlement for pipe installation project have 369 projects (2016-2020).

The Department operate their tasks smoothly and good cooperation; Otherwise, there have the weakness points needed to be improved :

Modifying and laying pipe's request payment of Distribution and Maintenance Office no representative or Freelander worker's signature

In 2020, after reviewed on the payment documents to 6 months (April, May, June, Junly, August and September) had 888 request, in which the Distribution Maintenance Office's modifying and laying pipes payment request had 8 equals to 100% doesn't have the representative or Freelander worker's signature, only with the signature of the site manager and office manager.

It doesn't comply with the payment procedures.

This case affects to the effectiveness of payment process.

The Officer in-charge need to have the Freelander worker's signature on the payment voucher before making payment. **Level of risk Low.**

Auditee's response: Distribution Maintenance Office had given and received cash signature on the payment voucher by site manager according to the actual implementation. To be more detailed and transparency, Accounting office will accept the audit's recommendation; it will be rectified from July 2021.

Auditee have submitted the constructive report all rectify on the above finding on 30 September 2021.

III. Administration and Human Resource Department

In 2020 Administration and Human Resource Department implemented :

- ❖ Administration Office
 - Receipt Letter 982 Requires
 - Requested Letter 848 Requires
 - Mission Letter 83 Requires
- ❖ Human Resource Office
 - Recruitment 70 Employees
 - Internal training 17 Subjects and Participants 888 Employees (55 Females)
 - Abroad training 01 Employee (Japan)

Administration and Human Resource Department operates their tasks smoothly and good cooperation; Otherwise, there have some points that need to be improved :

Overtime's tracking for employees no keeping for reference

After reviewed on employee's overtime payment request (overtime on working day, holiday and National holiday) PPWSA'S employees must to work for 40 hours per week, in case some employees don't complete it, it must be deducted the overtime hours to complete the core working hours. The Officer in charge monitored it but no keeping the document for reference.

This affected to the administrative procedures.

This case affects the efficiency of daily works.

The Officer in-charge should keep the record of their work properly. **Level of risk Low.**

Auditee's Response: accepted the audit's recommendation and pay more attention to this work. The Officer will further follow the recommendation and will be rectified from October 2021 onward.

Auditee have submitted the constructive report all rectify on the above finding on 31 December 2021.

IV. Commercial Department

- ❖ As of 2020 Commercial Department
 - House connection and customer management had 407,779 connections :

• Domestic	333,099	connections
• Commercial	68,136	connections
• Government Institutions	744	connections
• Resellers	10	connections
• Distributors	14	connections
• Standpipe	17	connections
• Rental Rooms	5,759	connections

❖ Implementation in 2020

- House connection	23,015	connections
- Clean water supply for low-income residents	820	connections
- Water meter replacement	10,406	connections
• Water meter 15 mm to 25 mm	10,280	
+ Collector's request	9,395	
+ Customer request	885	
• Water meter 40 mm up to	126	
- Monitored-measured of water meter from 40 mm up to are	1,719	water meters.

Commercial Department operates their tasks smoothly and good cooperation; Otherwise, these have some weakness points that need to be improve :

1- Water meter reading not comply with the schedule

Commercial Department set schedule for reading book, invoice distribution year end closing balance for collectors reading, point and download the consumer's previous month/period usage. Internal audit found that collector's reading is faster than the consumer actual usage that remain using balance in water meter.

Invoice issuance	Reading schedule	duration of usage
01-02/2021	25/12/2020-02/01/2021 – 22/02/2021	19/11/2020 - 14/01/2021
03-04/2021	25/02-01/03/2021 – 23/04/2021	15/01/2021 - 17/03/2021
05-06/2021	26/04-03/05/2021 – 25/06/2021	18/03/2021 - 28/05/2021
07-08/2021	28/06-01/07/2021 – 20/08/2021	29/05/2021 - 14/07/2021
09-10/2021	25/08-01/09/2021 – 22/10/2021	15/07/2021 - 13/09/2021
11-12/2021	25/10-01/11/2021 – 24/12/2021	14/09/2021 - 08/11/2021

This affect to the program was set out in the above result.

This case the amount of customers usages remained in the water meter. It affected to the average of water sales.

The Officer in-charge prefer on the task in accordance with program in order to keep the disance away. **Level of risk Medium.**

Auditee's response: The 2 Offices accepted the audit's recommendation. The Revenue Office has implemented the task faster than reading schedule and will be gradually redefined. The officer will be rectified as of April 2020 on ward.

2. Consumers not payment the water usage's deposit

House connection requires the customer to pay the deposit of clean water usage on audit's reviewed the 2 Revenue Office (7Makara and Meanchey), some customers don't pay the deposit of clean water usage 960,400,440 R a total of 699,869,940 R as Domestic type and Commercial type 260,530,500R as shown detail below :

- 7 Makara Office (total consumers are 18,347 and 11,484 at 62.6% consumers have not deposited)

Size	Domestic			Commercial		
	Customers	Deposit of clean water	Total	Customer	Deposit of clean water	Total
15	8,721	75,480 R	658,261,080 R	2,747	85,500 R	234,868,500 R
20	7	631,380 R	4,419,660 R	6	561,000 R	3,366,000 R
25	2	4,517,580 R	9,035,160 R	0	4,890,000 R	-
40	0	11,375,580 R	-	1	12,720,000 R	12,720,000 R
Total			671,715,900 R	Total		250,954,500 R

- Meanchey Office (total consumers are 46,885 and 485 at 1% consumers have not deposited)

Size	Domestic			Commercial		
	Customers	Deposit of clean water	Total	Customers	Deposit of clean water	Total
15	373	75,480 R	28,154,040 R	112	85,500 R	9,576,000 R

It doesn't comply with the regulation No 633 S.S on water supply and usage in Phnom Penh. Date 3/Nov/1993 **"Customers have to deposit at least 3 months in advance"**.

This case affects the PPWSA'S additional revenue management.

The Officer in-charge must to check, verify and make invitation letter to consumers who have not paid the deposit of clean water usage in accordance with the above regulation No 633 S.S on Phnom Penh's water supply and usage. **Level of risk Medium.**

Auditee's response: The 2 Offices accepted the audit's recommendation. The above weakness, the Office will arrange the invitation letter for customers to pay the deposit of clean water usage. It will be completed the revision by December 2022.

3. Customer's reconnection request not clarification the date of suspension

In 2020 customer's reconnection request of Revenue Office (7 Makara and Meanchey) as total of 1,215 request in which the form of Meanchey Office's was 600 requests of which 454 requests have not clarified the date of suspension equivalent to 75.6%.

It doesn't comply with filling in the information in the reconnection's form in point at the date of the suspension properly.

This case affected the administrative procedures.

The Office in-charge have to take carefully implemented the task properly. **Level of risk Low.**

Auditee's response: The Office accepted this weakness and will be revision this case. The officer will be completed the revision by January 2022.

4. Inspection-measurement of water meter cleans from 40 mm up to not compliance with SOP

In 2020, customer relation office inspected-measured on water meter cleanse from 40 mm up to as total 1,719 water meter of which the auditors found that it doesn't comply with SOP

- Water meter cleanse 40 mm :
 - Cleanse 02 times per year 159 water meter
 - Cleanse 03 times per year 15 water meter
 - Cleanse 06 times per year 2 water meter
- For Water meter 80 mm up to cleaned only one time per year equal 39 water meters.

It doesn't comply with water meter management in point **4.1- Maintenance and Inspection of water meter's integrity**

A. Principles

2. Must inspect and clean the water meter from 25 mm to 40 mm per one year.
3. Must inspect and clean the water meter from 80 mm up to for 6 months per year.

This case not in accordance with the standard will lead to inappropriate meter water

The Office in-charge must to pay attention on their responsibilities as defined in SOP. In case the over-cleaning that not compliance with the SOP have to justify the reasons or update the (SOP) in accordance with actual implementation. **Level of risk Low.**

Auditee's response: The Office accepted the audit's recommendations and will be revision the SOP in accordance with actual work.

The Office will be completely rectified by January 2022.

C. Conclusion

The above auditing result has shown the good operation process in accordance with SOP and comply with regulations. Employees have carried out their effort in their responsibilities to achieve good result. Auditee accepted the recommendation and will be improve the above finding. Also, clarify on the construction report within 3 months after the audit report issuance.

Internal audit will follow up on the recommendations related to the above finding during the inspection as set in the annual plan.

Read and approved
Phnom Penh,
F. Audit committee
Chairman

Phnom Penh,
Internal Audit

PART 6:
FINANCIAL STATEMENT
AUDITED BY THE
EXTERNAL AUDITOR

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

**DIRECTORS' REPORT
AND
AUDITED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

Registration No. Co.0839 Et/2012

PHNOM PENH WATER SUPPLY AUTHORITY

(Incorporated in Cambodia)

**DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

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PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of PPWSA for the financial year ended 31 December 2021.

PRINCIPAL ACTIVITIES

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 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 Directors' resolution and the laws of Cambodia;
- Cooperate with local and external development partners on technology, trade and finance in order to improve and develop PPWSA in accordance with government policy; and
- Ensure sustainable production processes, business and finance for the public interest.

There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	KHR'000
Profit for the financial year	<u>129,273,917</u>

DIVIDENDS

The amount of dividends declared by PPWSA since the end of the previous financial year were as follows, details of which are disclosed in Note 29 to the financial statements:

	KHR'000
Dividend of KHR262 per ordinary share in respect of the financial year ended 31 December 2020, declared on 26 March 2021	<u>22,786,965</u>

RESERVES OR PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

DIRECTORS' REPORT (CONTINUED)

BAD AND DOUBTFUL DEBTS

Before the financial statements of PPWSA were prepared, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off for bad debts and the making of allowance for doubtful debts and had satisfied themselves that there were no known bad debts and no allowance for doubtful debts was required.

At the date of this report, the directors are not aware of any circumstances which would render it necessary to write off any bad debts or to make any provision for doubtful debts in respect of the financial statements of PPWSA.

CURRENT ASSETS

Before the financial statements of PPWSA were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of PPWSA had been written down to an amount which they might be expected to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of PPWSA misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of PPWSA misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

- (i) any charge on the assets of PPWSA which has arisen since the end of the financial year which secures the liabilities of any other person; and
- (ii) any contingent liabilities in respect of PPWSA which has arisen since the end of the financial year.

In the opinion of the directors, no contingent or other liability of PPWSA has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Authority to meet its obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of PPWSA which would render any amount stated in the financial statements misleading.

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

DIRECTORS' REPORT (CONTINUED)

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

- (i) the results of the operations of PPWSA for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of PPWSA for the financial year in which this report is made.

ISSUE OF SHARES AND DEBENTURES

During the financial year, no new issue of shares or debentures were made by PPWSA, other than those disclosed in Note 13(c) to the financial statements.

DIRECTORS

The directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

H.E. Oum Sotha	
H.E. Mey Vann	
H.E. Sim Sitha	(Resigned on 12 August 2021)
H.E. Long Naro	(Appointed on 12 August 2021)
H.E. Noun Pharath	
Mr. Ma Noravin	
Mr. Om Sengbora	
Mr. Zhang Yun Feng	

SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Details of significant event subsequent to the end of the financial year are disclosed in Note 37 to the financial statements.

AUDITORS

The auditors, Messrs. Baker Tilly (Cambodia) Co., Ltd, have expressed their willingness to continue in office.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors of PPWSA are responsible for ascertaining that the financial statements of PPWSA give a true and fair view of the financial position of PPWSA as at 31 December 2021, and its financial performance and its cash flows for the financial year then ended. In preparing these financial statements, the directors of PPWSA are required to:

- (i) adopt appropriate accounting policies in accordance with Cambodian International Financial Reporting Standards ("CIFRSs"), which are supported by reasonable and prudent judgement and estimates and then apply them consistently;

- (ii) comply with the disclosure requirements of CIFRSs or, if there have been any departures from such standards, in the interest of fair presentation, ensure that this has been appropriately disclosed, explained and quantified in the financial statements;
- (iii) maintain adequate accounting records that enable PPWSA to prepare its financial statements under CIFRSs and an effective system of internal controls;
- (iv) prepare the financial statements on a going-concern basis unless it is inappropriate to assume that PPWSA will continue operations in the reasonable future; and
- (v) effectively control and direct PPWSA and be involved in all material decisions affecting its operations and performance, and ascertain that such matters have been properly reflected in the financial statements.

The directors confirm that PPWSA has complied with the above requirements in preparing its financial statements.

APPROVAL OF THE FINANCIAL STATEMENTS

We, H.E. OUM SOTHA, H.E. LONG NARO and DENG POLYDEN, being the directors and officer of PPWSA, do hereby state that in the opinion of the directors, the accompanying financial statements as set out on pages 5 to 58 are properly drawn up in accordance with the Cambodian International Financial Reporting Standards so as to give a true and fair view of the financial position of PPWSA as at 31 December 2021 and of its financial performance and cash flows for the financial year then ended.


Signed on behalf of the Board of Directors,



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



.....
LONG NARO
Director General



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

Date: Monday, March 14, 2022

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	2021 KHR'000	2020 KHR'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	1,893,864,619	1,573,602,099
Intangible assets	6	12,530,278	13,083,204
Total non-current assets		<u>1,906,394,897</u>	<u>1,586,685,303</u>
Current assets			
Inventories	7	143,731,508	78,612,888
Trade and other receivables	8	24,875,167	25,642,206
Contract assets	9	66,024,580	42,922,547
Loan to employees	10	7,956,651	7,956,651
Short-term investments	11	68,163,833	18,444,714
Current tax receivables		-	4,643,326
Cash and cash equivalents	12	89,659,538	99,710,505
Total current assets		<u>400,411,277</u>	<u>277,932,837</u>
TOTAL ASSETS		<u>2,306,806,174</u>	<u>1,864,618,140</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the PPWSA			
Share capital and share premium	13	619,315,886	541,227,282
Reserves	14	418,038,410	352,473,530
Retained earnings		129,273,917	88,351,845
TOTAL EQUITY		<u>1,166,628,213</u>	<u>982,052,657</u>
Non-current liabilities			
Borrowings	15	790,359,750	517,288,403
Deferred government and other grants	16	16,812,186	18,822,093
Deferred tax liabilities	17	72,307,299	62,506,657
Other payables	18	69,446,073	65,195,836
Total non-current liabilities		<u>948,925,308</u>	<u>663,812,989</u>

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021 (CONTINUED)

	Note	2021 KHR'000	2020 KHR'000
Current liabilities			
Trade and other payables	18	141,969,545	156,599,805
Borrowings	15	23,128,518	30,847,173
Contract liabilities	9	1,788,894	3,616,566
Current tax liabilities		24,365,696	27,688,950
Total current liabilities		<u>191,252,653</u>	<u>218,752,494</u>
TOTAL LIABILITIES		<u>1,140,177,961</u>	<u>882,565,483</u>
TOTAL EQUITY AND LIABILITIES		<u>2,306,806,174</u>	<u>1,864,618,140</u>

The accompanying notes form an integral part of these financial statements.

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

		2021	2020
	Note	KHR'000	KHR'000
Income:			
Sales	19	282,369,797	281,649,338
Construction service fee		26,241,989	23,324,228
Foreign exchange gains - net	20	2,273,984	-
Other income	21	58,259,487	19,394,290
		<u>369,145,257</u>	<u>324,367,856</u>
Expenses:			
Depreciation and amortisation charges		(55,194,412)	(50,402,360)
Electricity costs		(35,791,983)	(37,062,063)
Employee benefits expense	22	(63,631,237)	(56,041,219)
Raw materials for water treatment	23	(9,541,982)	(10,523,255)
Raw materials for household water connections	24	(3,163,768)	(2,520,109)
Repairs and maintenance		(7,050,855)	(8,578,366)
Construction service expense		(22,448,213)	(18,220,555)
Reversal of impairment on loan to employees	10	-	130,437
Other operating expenses		(15,226,506)	(8,259,697)
Foreign exchange losses - net	20	-	(3,303,997)
		<u>(212,048,956)</u>	<u>(194,781,184)</u>
Operating profit		157,096,301	129,586,672
Finance income	25	13,555,064	3,804,118
Finance costs	26	(4,794,779)	(12,644,313)
Profit before tax		165,856,586	120,746,477
Income tax	27	(36,582,669)	(32,394,632)
Profit for the year, representing total comprehensive income for the year		129,273,917	88,351,845
Earnings per share attributable to owners			
Basic earnings per share (KHR)	28	1,486.37	1,015.85
Diluted earnings per share (KHR)	28	1,486.37	1,015.85

The accompanying notes form an integral part of these financial statements.

Registration No. Co.0839 Et/2012

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

	Note	Share capital and share premium KHR'000	Reserves KHR'000	Retained earnings KHR'000	Total KHR'000
As at 1 January 2020		541,227,282	339,185,444	33,291,913	913,704,639
Profit for the financial year, representing total comprehensive income for the year		-	-	88,351,845	88,351,845
Transactions with owners					
Transfer to reserves	14	-	13,288,086	(13,288,086)	-
Dividends	29	-	-	(20,003,827)	(20,003,827)
Total transactions with owners		-	13,288,086	(33,291,913)	(20,003,827)
As at 31 December 2020 / 1 January 2021		541,227,282	352,473,530	88,351,845	982,052,657
Profit for the financial year, representing total comprehensive income for the year		-	-	129,273,917	129,273,917
Transactions with owners					
Capital contribution	13	78,088,604	-	-	78,088,604
Transfer to reserves	14	-	65,564,880	(65,564,880)	-
Dividends	29	-	-	(22,786,965)	(22,786,965)
Total transactions with owners		78,088,604	65,564,880	(88,351,845)	55,301,639
As at 31 December 2021		619,315,886	418,038,410	129,273,917	1,166,628,213

The accompanying notes form an integral part of these financial statements.

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	2021 KHR'000	2020 KHR'000
Cash flows from operating activities		
Profit before tax	165,856,586	120,746,477
Adjustments for:		
Amortisation of intangible assets	1,702,419	2,183,058
Depreciation of property, plant and equipment	53,491,993	48,219,302
Amortisation of deferred government and other grants	(2,009,907)	(2,137,745)
Waiver of dividends payable	(36,372,177)	-
Reversal of impairment on loan to employees	-	(130,437)
Written off of property, plant and equipment	5,749,176	592,041
Finance income	(2,706,044)	(1,164,471)
Finance costs	6,436,677	5,059,682
Net unrealised foreign exchange (gain)/loss	(10,928,248)	9,968,901
Operating profit before changes in working capital	181,220,475	183,336,808
(Increase)/Decrease in inventories	(72,331,066)	20,096,612
Decrease/(Increase) in trade and other receivables	1,376,002	(11,324,167)
Decrease in trade and other payables	5,184,655	(89,001,467)
Increase in contract assets	(23,102,033)	(29,601,464)
(Decrease)/Increase in contract liabilities	(1,827,672)	740,306
Increase in refundable water deposits	4,250,237	4,381,574
Net cash from operations	94,770,598	78,628,202
Income tax paid	(25,473,919)	(9,857,156)
Net cash from operating activities	69,296,679	68,771,046
Cash flows from investing activities		
Purchase of property, plant and equipment	(289,716,945)	(195,872,664)
Purchase of intangible assets	(1,133,062)	(304,095)
Increase in short-term investments	(49,719,119)	(535,447)
Interest capitalised on qualifying assets	(4,398,469)	(3,714,515)
Interest received	2,109,045	1,079,958
Net cash used in investing activities	(342,858,550)	(199,346,763)

PHNOM PENH WATER SUPPLY AUTHORITY
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STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

	2021	2020
	KHR'000	KHR'000
Cash flows from financing activities		
Capital contribution from MoEF, net	(103,656)	-
Dividends paid	(3,418,042)	(25,971,916)
Drawdown of borrowings	303,185,292	234,052,743
Interest paid	(7,556,383)	(1,200,329)
Repayments of borrowings	(28,596,307)	(31,806,346)
Net cash generated from financing activities	263,510,904	175,074,152
Net (decreased)/increase in cash and cash equivalents	(10,050,967)	44,498,435
Cash and cash equivalents at the beginning of the year	99,710,505	55,212,070
Cash and cash equivalents at the end of the year	89,659,538	99,710,505

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

(a) Reconciliation of liabilities arising from financing activities: (continued)

	Borrowings KHR'000	Dividends payable KHR'000	Share capital and share premium KHR'000	Total KHR'000
At 1 January 2021	548,135,576	17,003,254	541,227,282	1,106,366,112
Finance activities				
Capital contribution from MoEF, net	-	-	(103,656)	(103,656)
Dividends paid	-	(3,418,042)	-	(3,418,042)
Drawdown of borrowings	303,185,292	-	-	303,185,292
Interest paid	(7,556,383)	-	-	(7,556,383)
Repayments of borrowings	(28,596,307)	-	-	(28,596,307)
Net cash generated from financing activities	267,032,602	(3,418,042)	(103,656)	263,510,904
Liabilities-related other changes				
Additional dividends	-	22,786,965	-	22,786,965
Accrued interest on borrowings	6,436,677	-	-	6,436,677
Foreign exchange gain on borrowings	(8,116,587)	-	-	(8,116,587)
Waiver of dividends payable	-	(36,372,177)	-	(36,372,177)
Total liabilities-related other changes	(1,679,910)	(13,585,212)	-	(15,265,122)
Equity-related other changes				
Acquisition through capital contribution	-	-	78,192,260	78,192,260
At 31 December 2021	813,488,268	-	619,315,886	1,432,804,154

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

(a) Reconciliation of liabilities arising from financing activities: (continued)

	Borrowings KHR'000	Dividends payable KHR'000	Total KHR'000
At 1 January 2020	337,084,842	22,971,343	360,056,185
Finance activities			
Dividends paid	-	(25,971,916)	(25,971,916)
Drawdown of borrowings	234,052,743	-	234,052,743
Interest paid	(1,200,329)	-	(1,200,329)
Repayments of borrowings	(31,806,346)	-	(31,806,346)
Net cash generated from financing activities	201,046,068	(25,971,916)	175,074,152
Liabilities-related other changes			
Additional dividends	-	20,003,827	20,003,827
Accrued interest on borrowings	1,345,167	-	1,345,167
Foreign exchange loss on borrowings	8,659,499	-	8,659,499
Total liabilities-related other changes	10,004,666	20,003,827	30,008,493
At 31 December 2020	548,135,576	17,003,254	565,138,830

The accompanying notes form an integral part of these financial statements.

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

NOTES TO THE FINANCIAL STATEMENTS

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 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 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 Directors' resolution and the laws of Cambodia;
- Cooperate with local and external development partners on technology, trade and finance in order to improve and develop PPWSA in accordance with government policy; and
- Ensure sustainable production processes, business and finance for the public interest.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of PPWSA have been prepared in accordance with the Cambodian International Financial Reporting Standards ("CIFRSs").

2.2 Adoption of amendments/improvements to CIFRSs

PPWSA has adopted the following amendments/improvements to CIFRSs for the current financial year:

Amendments/Improvements to CIFRSs

CIFRS 4	Insurance Contracts
CIFRS 7	Financial Instruments: Disclosures
CIFRS 9	Financial Instruments
CIFRS 16	Leases*
CIAS 39	Financial Instruments: Recognition and Measurement

* Early adopted the amendments to CIFRS 16 Leases

The adoption of the above-mentioned amendments/improvements to CIFRSs have no significant impact on the financial statements of PPWSA.

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.3 Standards and amendments/improvements that have been issued but not yet effective

PPWSA has not adopted the following new standards and amendments/improvements that have been issued but not yet effective:

		Effective for financial periods beginning on or after
<u>New Standard</u>		
CIFRS 17	Insurance Contracts	1 January 2023
<u>Amendments/Improvements</u>		
CIFRS 1	First-time Adoption of Cambodian International Financial Reporting Standards	1 January 2022 [^] 1 January 2023 [#]
CIFRS 3	Business Combinations	1 January 2022/ 1 January 2023 [#]
CIFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2023 [#]
CIFRS 7	Financial Instruments: Disclosures	1 January 2023 [#]
CIFRS 9	Financial Instruments	1 January 2022 [^] 1 January 2023 [#]
CIFRS 10	Consolidated Financial Statements	Deferred
CIFRS 15	Revenue from Contracts with Customers	1 January 2023 [#]
CIFRS 16	Leases	1 January 2022 [^]
CIFRS 17	Insurance Contracts	1 January 2023
CIAS 1	Presentation of Financial Instruments	1 January 2023/ 1 January 2023 [#]
CIAS 7	Statement of Cash Flows	1 January 2023 [#]
CIAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023
CIAS 12	Income Taxes	1 January 2023
CIAS 16	Property, Plant and Equipment	1 January 2022/ 1 January 2023 [#]
CIAS 19	Employee Benefits	1 January 2023 [#]
CIAS 28	Investments in Associates and Joint Ventures	Deferred/ 1 January 2023 [#]
CIAS 32	Financial Instruments: Presentation	1 January 2023 [#]
CIAS 36	Impairment of Assets	1 January 2023 [#]
CIAS 37	Provisions, Contingent Liabilities and Contingent Assets	1 January 2022/ 1 January 2023 [#]
CIAS 38	Intangible Assets	1 January 2023 [#]
CIAS 40	Investment Property	1 January 2023 [#]
CIAS 41	Agriculture	1 January 2022 [^]

[^] The Annual Improvements to CIFRS Standards 2018-2020

[#] Amendments as to the consequence of effective CIFRS 17 Insurance Contracts

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.3 Standards and amendments/improvements that have been issued but not yet effective (Continued)

PPWSA plans to adopt the above applicable standards and amendments/improvements when they become effective. A brief discussion on the above significant standards and amendments/improvements that may be applicable to PPWSA are summarised below.

Annual Improvements to CIFRS Standards 2018-2020

Annual Improvements to CIFRS Standards 2018-2020 covers amendments to:

- *CIFRS 1 First-time Adoption of Cambodian International Financial Reporting Standards* – simplifies the application of CIFRS 1 by a subsidiary that becomes a first-time adopter after its parent in the relation to the measurement of cumulative translation differences.
- *CIFRS 9 Financial Instruments* – clarifies the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.
- *Illustrative Examples accompanying CIFRS 16 Leases* – deletes from Illustrative Example 13 the reimbursement relating to leasehold improvements in order to remove any potential confusion regarding the treatment of lease incentives.
- *CIAS 41 Agriculture* – removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in CIAS 41 with those in other CIFRS Standards.

Amendments to CIFRS 3 Business Combinations

The amendments update CIFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version.

Amendments to CIFRS 10 Consolidated Financial Statements and CIAS 28 Investments in Associates and Joint Ventures

These amendments address an acknowledged inconsistency between the requirements in CIFRS 10 and those in CIAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business, as defined in CIFRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business.

Amendments to CIAS 1 Presentation of Financial Statements

The amendments include specifying that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period; clarifying that classification of liability is unaffected by the likelihood of the entity to exercise its right to defer settlement of the liability for at least twelve months after the reporting period; clarifying how lending conditions affect classification of a liability; and clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

NOTES TO THE FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (CONTINUED)

2.3 Standards and amendments/improvements that have been issued but not yet effective (continued)

Amendments to IAS 1 Presentation of Financial Statements (continued)

The amendments require an entity to disclose its material accounting policy information rather than significant accounting policies. The amendments, amongst others, also include example of circumstances in which an entity is likely to consider an accounting policy information to be material to its financial statements. To support this amendments, IFRS Practice Statement 2 was also amended to provide guidance on how to apply the concept of materiality to accounting policy information disclosures. The guidance and examples provided in the IFRS 2 Practice Statement 2 highlight the need to focus on entity-specific information and demonstrate how the four-step materiality process can address standardise (or boilerplate) information and duplication of requirements of IFRSs in the accounting policy information disclosures.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

The amendments revise the definition of accounting estimates to clarify how an entity should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because the changes in accounting estimates are applied prospectively to transactions, other events, or conditions from the date of that change, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

Amendments to IAS 12 Income Taxes

The amendments specify how an entity should account for deferred tax on transactions such as leases and decommissioning obligation.

In specified circumstances, IAS 12 exempts an entity from recognising deferred tax when it recognises assets or liabilities for the first time. There had been some uncertainties about whether the exemption from recognising deferred tax applied to transactions such as leases and decommissioning obligations – transactions for which an entity recognises both an assets and liability. The amendments clarify that the exemption does not apply and that entity is required to recognise deferred tax on such transactions.

Amendments to IAS 16 Property, Plant and Equipment

The amendments prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, an entity shall recognise such sales proceeds and related cost in profit or loss.

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

NOTES TO THE FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (CONTINUED)

2.4 Functional and presentation currency

The financial statements are presented in Khmer Riel ("KHR"), which is also PPWSA's functional currency, and has been rounded to the nearest thousand, unless otherwise stated.

2.5 Basis of measurement

The financial statements of PPWSA have been prepared on the historical cost basis, except as otherwise disclosed in Note 3 to the financial statements.

2.6 Use of estimates and judgement

The preparation of financial statements in conformity with the CIFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reporting period. It also requires directors to exercise their judgement in the process of applying PPWSA's accounting policies. Although these estimates and judgment are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates that are significant to the financial statements are disclosed in Note 4 to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial years presented in the financial statements of PPWSA.

3.1 Translation of foreign currency transactions

Foreign currency transactions during the year are translated at the foreign exchange rate ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the foreign exchanges rates ruling at the dates the fair value was determined.

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Financial instruments

Financial instruments are recognised in the statement of financial position when, and only when, PPWSA become a party to the contractual provisions of the financial instrument.

Except for the trade receivables that do not contain a significant financing component or for which PPWSA has applied the practical expedient, the financial instruments are recognised initially at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset and financial liability. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Trade receivables that do not contain a significant financing component or for which PPWSA have applied the practical expedient are measured at the transaction price determined under CIFRS 15.

(a) Subsequent measurement

PPWSA categorises the financial instruments as follows:

(i) Financial assets

Subsequent measurement of debt instruments depends on PPWSA's business model for managing the asset and the cash flow characteristics of the asset. PPWSA classifies its debts instruments as financial assets at amortised cost.

Financial assets at amortised cost

Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.8(a) to the financial statements. Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

(ii) Financial liabilities

PPWSA classifies its financial liabilities at amortised cost.

Financial liabilities at amortised cost

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using effective interest method. Gains and losses are recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Financial instruments (continued)

(b) Derecognition

A financial asset or a part of it is derecognised when, and only when:

- (i) the contractual rights to receive the cash flows from the financial asset expire, or
- (ii) PPWSA has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party and either (a) PPWSA has transferred substantially all the risks and rewards of the asset, or (b) PPWSA has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

PPWSA evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, PPWSA continues to recognise the transferred asset to the extent of its continuing involvement. In that case, PPWSA also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that PPWSA has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that PPWSA could be required to repay.

On derecognition of a financial asset, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability.

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Property, plant and equipment

(a) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.8(b) to the financial statements.

Cost of assets includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the asset to working condition for its intended use. The cost of self-constructed assets also includes cost of materials, direct labour, and any other direct attributable costs but excludes internal profits. For qualifying assets, borrowings costs are capitalised in accordance with the accounting policy on borrowing costs in Note 3.13 to the financial statements.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(b) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to PPWSA and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss as incurred.

(c) Depreciation

Freehold land has an unlimited useful life and therefore is not depreciated. Assets under construction included in property, plant and equipment are not depreciated as those assets are not yet available for use.

All other property, plant and equipment are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives.

	Useful lives (years)
Building	3 - 50
Machinery	3 - 20
Fluid equipment	6 - 50
Laboratory equipment	6 - 7
Office furniture and equipment	2 - 7
Electricity equipment	2 - 20
Motor vehicles	2 - 7
Valves and tools	3 - 35
Water meters	5 - 20
House connection	12

PHNOM PENH WATER SUPPLY AUTHORITY
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Property, plant and equipment (continued)

(c) Depreciation (continued)

The residual values, useful lives and depreciation methods are reviewed at the end of each reporting period and adjusted as appropriate.

(d) Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognised in profit or loss.

3.4 Intangible assets

Intangible assets comprise accounting software as well as network software which are acquired by PPWSA, have finite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.8(b).

The amortisation methods used and the estimated useful lives are as follows:

	Method	Useful lives (years)
Accounting and network software	Straight-line	1 - 7

3.5 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined using the weighted average basis. The cost comprises all costs of purchase plus other cost incurred in bringing the inventories to their present location and condition. Inventories include raw materials, consumable, spare parts and other water supply related inventories and are valued at the actual costs of bringing the inventory to its intended purposes less allowances for damages, obsolete and slow-moving items using the weighted average basis. Spare parts and water supply-related inventories with a useful life of more than one year are capitalised as property, plant and equipment upon being put into use.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sales.

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Contract assets/(liabilities)

Contract asset is the right to consideration in exchange for goods or services transferred to the customers when that right is conditioned on something other than the passage of time (for example, PPWSA's future performance). The policy for the recognition and measurement of impairment losses is in accordance with Note 3.8(a).

Contract liability is the obligation to transfer goods or services to customers for which PPWSA has received the consideration or have billed the customers.

3.7 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, bank balances and cash deposited and managed by the General Department of National Treasury, Treasury of Phnom Penh Municipality, Treasury of Tboung Khmum Provincial and Treasury of Kandal Provincial that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

3.8 Impairment of assets

(a) Impairment of financial assets

PPWSA assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost. The impairment methodology applied is disclosed in Note 31(b) to the financial statements.

For trade receivables, PPWSA applies the simplified approach permitted by the CIFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(b) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, PPWSA makes an estimate of the asset's recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of non-financial assets or cash-generating units ("CGUs").

The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Impairment of assets (continued)

(b) Impairment of non-financial assets (continued)

Where the carrying amount of an asset exceeds its recoverable amount, the carrying amount of asset is reduced to its recoverable amount.

Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

3.9 Share capital

(a) Ordinary shares

Ordinary shares are equity instruments. An equity instrument is a contract that evidences a residual interest in the assets of PPWSA after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(b) Preference shares

Preference shares are classified as equity if it is non-redeemable, or is redeemable but only at PPWSA's option, and any dividend payments are discretionary. Dividends thereon are recognised as distributions within equity.

Preference shares are classified as financial liability if it is redeemable on a specific date or at the option of the equity holders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

(c) Capital contribution

Non-reciprocal contributions from owners are equity and are recorded as capital contribution. Net assets arising from the capital contribution are generally measured at fair value as at the date of the capital contribution and are recorded based on the nature of such assets contributed by owners.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Employee benefits

Short-term employee benefits obligations in respect of wages, salaries, social security contributions, annual bonuses, paid annual leave, sick leave and non-monetary benefits are recognised as an expense in the financial year where the employees have rendered their services to PPWSA.

3.11 Revenue and other income

PPWSA recognises revenue that depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which PPWSA expect to be entitled in exchange for those goods or services.

Revenue recognition of PPWSA is applied for each contract with a customer or a combination of contracts with the same customer (or related parties of a customer). For practical expedient, PPWSA applied revenue recognition to a portfolio of contracts (or performance obligations) with similar characteristics if PPWSA reasonably expects that the effects on the financial statements would not differ materially from recognising revenue on the individual contracts (or performance obligations) within that portfolio.

PPWSA measures revenue from sale of goods or services at its transaction price, being the amount of consideration to which PPWSA expect to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties such as service tax, adjusted for the effects of any variable considerations, constraining estimates of variable consideration, significant financing components, non-cash consideration and consideration payable to customer. If the transaction price includes variable consideration, PPWSA uses the expected value method by estimating the sum of probability-weighted amounts in a range or possible consideration amounts, or the most likely outcome method, depending on which method PPWSA expects to better predict the amount of consideration to which it is entitled.

For contract with separate performance obligations, the transactions price is allocated to the separate performance obligations on the relative stand-alone selling price basis. If the stand-alone selling price is not directly observable, PPWSA estimates it by using the expected cost plus margin approach.

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer, i.e. when or as a performance obligation in the contract with customer is satisfied. A performance obligation is satisfied when or as the customer obtains control of the good or services underlying the particular performance obligations, which the performance obligation may be satisfied at a point in time or over time.

A contract modification is a change in the scope or price (or both) of a contract that is approved by the parties to the contract. A modification exists when the change either creates new or changes existing enforceable rights and obligations of the parties to the contract. PPWSA has assessed the type of modification and accounted for as either creates a separate new contract, terminates the existing contract and creation of a new contract; or forms a part of the existing contracts.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Revenue and other income (continued)

(a) Revenue from water sales

Revenue from water sales are recognised at a point in time when PPWSA satisfies its performance obligations based on customer's consumption of water and when the water has been supplied by PPWSA.

(b) Water connection revenue

Revenue from household water connection is recognised at a point in time when the water connection is completed.

(c) Water meter replacement charge

Revenue from water meter replacement is recognised at a point in time based on an amount of KHR50 per 1mm of water meter is charged each month during the billing cycle.

(d) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

(e) Construction service fees

Construction service fees represent fees from construction service provided in relation to the expansion of the water distribution system to a water supply distributor in the province.

Revenue from construction contracts is measured at the fixed transaction price agreed under the agreement.

Revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. The progress towards complete satisfaction of a performance obligation is determined based on estimated margins prior. PPWSA also estimated total contract costs in applying the input method to recognise revenue over time.

3.12 Government grants

Grants from the governments and other development agencies are recognised at a nominal amount where there is reasonable assurance that the grant will be received and PPWSA will comply with all attached conditions. Grants are deferred and recognised in the statement of profit or loss and other comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Deferred grants relating to the cost of property, plant and equipment granted by donors are recognised at cost upon receipt. Deferred grants are included in non-current liabilities and are credited to the statement of profit or loss and other comprehensive income on a straight-line basis to match the expected lives of the related assets.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Government grants (continued)

The benefit of a government loan at a below market foreign exchange rate, i.e., favourable fluctuations between the value of the currency of the loan (Special Drawing Right) and the currency of its repayment by PPWSA ("KHR"), is treated as a government grant.

3.13 Borrowing costs

Borrowing costs are interest and other costs that PPWSA incur in connection with borrowing of funds.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use.

PPWSA begins capitalising borrowing costs when PPWSA has incurred the expenditures for the asset, incurred related borrowing costs and undertaken activities that the necessary to prepare the asset for its intended use.

3.14 Income tax

Income tax expense in profit or loss comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

(a) Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the financial year, using the tax rates that have been enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

(b) Deferred tax

Deferred tax is recognised using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the statements of financial position. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unutilised tax losses and unused tax credits, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Income tax (continued)

(b) Deferred tax (continued)

Deferred tax is not recognised if the temporary differences arise from the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation Authority on the same taxable entity, or on different tax entities, but they intend to settle their income tax recoverable and income tax payable on a net basis or their tax assets and liabilities will be realised simultaneously.

3.15 Earnings per share

PPWSA presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basis EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of PPWSA by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

3.16 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The director general of PPWSA, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief operating decision-maker that makes strategic decisions.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Fair value measurements

Fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For a non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, PPWSA uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that PPWSA can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

PPWSA recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amounts recognised in the financial statements include the following:

4.1 Determining the functional currency

PPWSA operates in Cambodia and conduct purchases and other transactions in multiple currencies. Judgment is applied in determining the functional currency wherever the indications are mixed. PPWSA uses, in hierarchy, sale indicators as the primary basis, followed by purchased and operating expenses indicators, and in the event that those indicators are no conclusive, the currency in which borrowings and other funds are raised for financing the operations.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

4.2 Depreciation and useful lives of property, plant and equipment

As disclosed in Notes 3.3 to the financial statements, PPWSA review the residual values, useful lives and depreciation methods at the end of each reporting period. Estimates are applied in the selection of the depreciation method, the useful lives and the residual values. The actual consumption of the economic benefits of the property, plant and equipment may differ from the estimates applies and therefore, future depreciation charges could be revised.

The carrying amounts of PPWSA's property, plant and equipment are disclosed in Note 5 to the financial statements.

4.3 Capital contribution from owners

When the owner contributed the assets, liabilities and equity of Tbong Khmum Province Water Treatment Plant Operation ("the Tbong Khmum Project") into PPWSA, a judgement was made as to whether the transaction should be accounted for as a business combination or separate assets contributed by the owners. In making this judgement, PPWSA assessed the assets, liabilities, operations and processes that were the subject of the transaction against the definition of a business in CIFRS 3 Business Combination.

In accounting for the Tbong Khmum Project, the fair values of the identifiable assets and liabilities consumed are recognised. The determination of the fair values of contributed assets and liabilities assumed is based on the Ministry of Industry, Science, Technology and Innovation's judgement. Any changes in these assumptions will have impact of the carrying amounts of the contributed assets and liabilities assumed.

The fair values of the contributed assets and liabilities assumed are disclosed in Note 13(c) to the financial statements.

4.4 Impairment of financial assets and contract assets

The impairment provisions for financial assets and contract assets are based on assumptions about risk of default and expected credit loss rate. PPWSA use judgement in making these assumptions and selecting inputs to the impairment calculation, based on PPWSA's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The information about the impairment losses on PPWSA's financial assets and contract assets are disclosed in Note 31(b)(i) to the financial statements.

4.5 Revenue recognition in relation to accrued water revenue

Accrued water revenue is recognised based on the water volume produced, the water volume billed, the average water loss and the average tariff by type of customers. The Board of Directors uses statistics on the water loss rate and the average tariff based on past experience, which may not properly reflect the actual rates and the current situation.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

4.6 Revenue recognition in relation to construction service revenues

PPWSA recognised construction service revenue and expenses in profit or loss by using the progress towards complete satisfaction of performance obligation. The progress towards complete satisfaction of performance obligation is determined by the proportion that construction costs incurred for work performed to date bear to the estimated total constructions costs.

Significant judgment is required in determining the progress towards complete satisfaction of performance obligation, the extent of the construction costs incurred, the estimates total construction revenue and expenses, as well as the recoverability of the construction projects. In making the judgement, PPWSA evaluates based on past experience.

4.7 Measurement of income tax

Significant judgement is required in determining PPWSA's estimation for current, deferred taxes because the ultimate tax liability for PPWSA as a whole is uncertain. When the final outcome of its taxes are determined with the tax authorities, the amounts might be different from the initial estimates of its taxes. Such differences may impact the current, deferred and indirect taxes in the period when such determination is made. PPWSA will make adjustments for current, deferred taxes in respect of prior years in the current period on those differences arise.

The income tax expense of PPWSA is disclosed in Note 27 to the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT

	Freehold land KHR'000	Building KHR'000	Machinery KHR'000	Fluid equipment KHR'000	Laboratory equipment KHR'000	Office furniture and equipment KHR'000	Electricity equipment KHR'000	Motor vehicles KHR'000	Valves and tools KHR'000	Water meters KHR'000	House connection KHR'000	Construction in progress KHR'000	Total KHR'000
Cost													
At 1 January 2021	174,238,381	333,453,102	105,753,743	645,820,010	849,387	23,115,032	151,256,071	45,878,922	27,637,594	9,526,779	17,474,630	540,365,694	2,075,368,345
Additions	-	117,898	2,404,355	-	348,294	2,801,563	1,377,482	3,277,517	2,036,000	15,235	-	281,737,070	294,115,414
Acquisition through capital contribution (Note 13(c))	2,337,774	31,149,140	5,188,089	28,900,330	1,007,433	128,276	3,253,207	-	6,196,254	5,774	25,983	-	78,192,260
Transfer from inventory	-	-	-	-	-	-	-	-	-	-	-	7,212,446	7,212,446
Transfer	-	59,800,036	23,450,598	26,600,962	765,789	66,013	10,190,978	1,079,124	3,976,955	3,256,214	6,614,418	(135,801,077)	-
Transfer to intangible assets	-	-	-	-	-	-	-	-	-	-	-	(16,431)	(16,431)
Written-off	-	(9,767,946)	(2,009,554)	(224,517)	(32,399)	(818,666)	(2,484,058)	(485,173)	(73,535)	-	-	(154,178)	(16,050,026)
At 31 December 2021	176,576,155	414,752,230	134,787,221	701,086,785	2,938,504	25,282,218	163,583,680	49,750,390	39,773,268	12,804,002	24,115,031	693,343,524	2,438,823,008
Accumulated depreciation													
At 1 January 2021	-	81,595,636	60,193,579	191,178,138	670,866	15,261,758	94,386,235	34,837,130	15,359,648	6,098,179	2,186,077	-	501,767,246
Depreciation charge for the financial year	-	8,064,294	6,761,483	18,322,184	204,931	2,376,858	7,364,047	3,933,633	3,152,125	1,635,874	1,676,564	-	53,491,993
Written-off	-	(4,744,688)	(1,733,016)	(104,284)	(32,399)	(800,893)	(2,346,723)	(485,173)	(53,672)	-	-	-	(10,300,850)
At 31 December 2021	-	84,915,242	65,222,044	208,396,038	843,398	16,837,723	99,403,559	38,285,590	18,458,101	7,734,053	3,862,641	-	544,958,389
Net carrying amount													
At 31 December 2021	176,576,155	329,836,988	69,565,177	491,700,747	2,095,106	8,454,495	64,190,121	11,464,800	21,315,167	5,069,949	20,252,390	693,343,524	1,893,864,619

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land KHR'000	Building KHR'000	Machinery KHR'000	Fluid equipment KHR'000	Laboratory equipment KHR'000	Office furniture and equipment KHR'000	Electricity equipment KHR'000	Motor vehicles KHR'000	Valves and tools KHR'000	Water meters KHR'000	House connection KHR'000	Construction in progress KHR'000	Total KHR'000
Cost													
At 1 January 2020	174,238,381	327,907,700	103,913,070	634,623,152	777,729	22,709,528	149,736,536	44,443,594	28,078,847	8,368,721	11,978,880	322,805,360	1,827,579,498
Additions	-	76,349	1,678,760	6,683	71,658	405,504	1,133,585	1,435,328	258,800	273,732	-	238,545,275	244,886,674
Transfer from inventory	-	-	-	-	-	-	-	-	-	-	-	5,046,368	5,046,368
Transfer	-	5,468,053	161,913	11,190,175	-	-	385,950	-	1,300,947	884,326	5,495,750	(24,888,114)	-
Transfer to intangible assets	-	-	-	-	-	-	-	-	-	-	-	(1,551,154)	(1,551,154)
Written-off	-	-	-	-	-	-	-	-	-	-	-	(592,041)	(592,041)
At 31 December 2020	174,238,381	333,453,102	105,753,743	645,820,010	849,387	23,115,032	151,256,071	45,878,922	27,637,594	9,526,779	17,474,630	540,365,694	2,075,369,345
Accumulated depreciation													
At 1 January 2020	-	74,700,336	54,309,009	173,900,478	639,918	12,637,794	87,607,618	30,880,322	13,070,408	4,867,991	934,070	-	453,547,944
Depreciation charge for the financial year	-	6,895,300	5,894,570	17,277,660	30,948	2,623,964	6,778,617	3,956,808	2,289,240	1,230,188	1,252,007	-	48,219,302
At 31 December 2020	-	81,595,636	60,193,579	191,178,138	670,866	15,261,758	94,386,235	34,837,130	15,359,648	6,098,179	2,186,077	-	501,767,246
Net carrying amount													
At 31 December 2020	174,238,381	251,857,466	45,560,164	454,641,872	178,521	7,853,274	56,869,836	11,041,792	12,277,946	3,428,600	15,288,553	540,365,694	1,573,602,099

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During the financial year, PPWSA made the following cash payments to purchase property, plant and equipment:

	2021 KHR'000	2020 KHR'000
Additions	294,115,414	244,886,674
Increase in payables and performance guarantee	-	(45,299,495)
Interest capitalised on qualifying assets	(4,398,469)	(3,714,515)
Cash payment for purchase of property, plant and equipment	<u>289,716,945</u>	<u>195,872,664</u>

6. INTANGIBLE ASSETS

	Note	2021 KHR'000	2020 KHR'000
Software			
Cost			
At 1 January		23,858,407	22,003,158
Additions		1,133,062	304,095
Transfer from property, plant and equipment	5	16,431	1,551,154
At 31 December		<u>25,007,900</u>	<u>23,858,407</u>
Accumulated amortisation			
At 1 January		10,775,203	8,592,145
Amortisation charge for the financial year		1,702,419	2,183,058
At 31 December		<u>12,477,622</u>	<u>10,775,203</u>
Carrying amount			
At 31 December		<u>12,530,278</u>	<u>13,083,204</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
7. INVENTORIES

	2021 KHR'000	2020 KHR'000
Distribution pipes and fittings	114,788,867	50,690,955
Water meters	8,813,130	12,568,912
Spare parts and tools	9,694,291	6,228,854
Chemicals	348,528	366,878
Drums and other packages	100,216	100,216
Inventories in transit*	624,829	45,729
Other materials	9,361,647	8,611,344
	<u>143,731,508</u>	<u>78,612,888</u>

* Inventories in transit are main pipes which arrived at the port of Cambodia.

The cost of inventories of PPWSA recognised as an expense during the financial year was KHR12,705 million (2020: KHR13,043 million)

8. TRADE AND OTHER RECEIVABLES

	2021 KHR'000	2020 KHR'000
Trade		
Household receivables	1,541,393	3,075,176
Commercial receivables	1,062,903	4,409,685
Public administration receivables	12,209,947	9,336,767
Water wholesalers	44,215	167,257
Less: Impairment loss (household receivables)	(5,553)	(5,553)
	<u>14,852,905</u>	<u>16,983,332</u>
Non-trade		
Performance guarantee	2,887,769	2,887,769
Interest receivables	1,009,298	809,887
Advances to suppliers	208,665	234,326
VAT receivables - net	624,271	936,550
Other receivables	5,292,259	3,790,342
	<u>10,022,262</u>	<u>8,658,874</u>
	<u>24,875,167</u>	<u>25,642,206</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. TRADE AND OTHER RECEIVABLES (CONTINUED)

- (a) Trade receivables are non-interest bearing and normal credit terms offered by PPWSA is one month (2020: one month) and to public administration is one year (2020: one year) from the date of invoices. Other credit terms are assessed and approved on a case by case basis.

Receivables that are impaired

PPWSA's trade receivables that are impaired at the reporting date and the reconciliation of movement in the impairment of trade receivables are as follows:

	2021 KHR'000	2020 KHR'000
At 1 January / 31 December	5,553	5,553

- (b) Public administration receivables are receivables from government-related entities with whom there is no recent history of default.

9. CONTRACT ASSETS/LIABILITIES

	2021 KHR'000	2020 KHR'000
Contract assets		
Contract assets relating to construction service contracts	(a) 536,051	4,861,270
Contract assets relating to water revenue	(b) 65,488,529	38,061,277
	<u>66,024,580</u>	<u>42,922,547</u>
Contract liabilities		
Contract liabilities relating to construction service contracts	(c) 1,788,894	3,616,566

- (a) Construction assets relating to construction service contracts represent the timing differences in revenue recognition and the milestone billings. The milestone billings are structured and/or negotiated with customers to reflect physical completion of the contracts.
- (b) Contract assets relating to water revenue represents water supplied to customers but not billed at the year end. These contract assets are transferred to receivables when the right to economic benefits becomes unconditional, which occurs when PPWSA issues the bill.
- (c) Contract liabilities relating to construction service contracts represent the cash received in advance for the construction services provided in relation to the expansion of the water distribution system to water supply distributor in the provinces. It is recognised as revenue when performance obligations are satisfied.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. CONTRACT ASSETS/LIABILITIES (CONTINUED)

(d) Significant changes in contract balances

	2021 KHR'000	2020 KHR'000
At 1 January	3,616,566	2,876,260
Increase due to advance received from customers, but revenue not recognised	1,751,256	2,198,187
Decrease due to revenue recognised for unbilled goods or services transferred to customers	(3,578,928)	(1,457,881)
At 31 December	<u>1,788,894</u>	<u>3,616,566</u>

10. LOAN TO EMPLOYEES

	2021 KHR'000	2020 KHR'000
Receivables from employees	8,217,525	8,217,525
Less: Impairment loss	(260,874)	(260,874)
	<u>7,956,651</u>	<u>7,956,651</u>

On 15 February 2012, the Board of Directors approved the motion that 10% of the floating shares be reserved for PPWSA's staff. The number of shares to be allotted to each employee was finalized on 3 April 2012. This date is therefore regarded as the grant date for the employee share option plan. The total loans, paid on 6 April 2012, amounted to KHR8,218 million. PPWSA provided interest-free loans with a term of three years to employees and senior officers to purchase these shares. On the due date the loans must be repaid in full to PPWSA. According to the minutes of the Board of Directors meeting dated 20 December 2012, the employees are allowed to trade their shares if the loans have been paid.

This loan is due in April 2015. However, due to decline in share prices, management had decided to make an allowance for impairment to the level of the share prices as at reporting date, based on management's expectation on the amount to be realised if the employees dispose these shares to settle this amount.

The Board of Directors is still in the process of awaiting advice from the Securities and Exchange Regulator of Cambodia on its employee share option scheme as at the date of these financial statements.

PHNOM PENH WATER SUPPLY AUTHORITY
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. LOAN TO EMPLOYEES (CONTINUED)

Loan to employees that are impaired

PPWSA's loan to employees that are impaired at the reporting date and the reconciliation of movement in the impairment of loan to employees are as follows:

	2021 KHR'000	2020 KHR'000
At 1 January	260,874	391,311
Reversal of impairment loss	-	(130,437)
At 31 December	<u>260,874</u>	<u>260,874</u>

11. SHORT-TERM INVESTMENTS

These represent fixed deposit placed with financial institutions for a period of between nine to twelve months (2020: nine to twelve months) and earn interest at rates ranging from 3.50% to 4.75% (2020: 3.50% to 4.00%) per annum.

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

12. CASH AND CASH EQUIVALENTS

	Note	2021 KHR'000	2020 KHR'000
Cash and bank balances	(a)	68,363,538	50,215,505
Short-term deposits (within 3 months)	(b)	<u>21,296,000</u>	<u>49,495,000</u>
		<u>89,659,538</u>	<u>99,710,505</u>

(a) Bank balances earns interest at rates ranging from 0.5% to 2% (2020: 0.5% to 1.75%) per annum. Included in cash and bank balances are KHR2,793,885,000 (2020: KHR4,379,056,000) held by General Department of National Treasury, Treasury of Phnom Penh Municipality, Treasury of Tboung Khmum Provincial and Treasury of Kandal Provincial, this is non-interest bearing.

(b) These represent fixed deposit placed with financial institutions for three months (2020: three months) and earn interest at rates ranging from 1.25% to 2.75% (2020: 1.25% to 2.75%) per annum.

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
13. SHARE CAPITAL AND SHARE PREMIUM

	Note	No. of shares	2021 KHR'000	2020 KHR'000
Ordinary shares	(b)	86,973,162	86,973,162	86,973,162
Class A shares	(a)	391,100,942	391,100,942	391,100,942
Share premium		-	63,153,178	63,153,178
Capital reserve	(c)	-	78,088,604	-
		478,074,104	619,315,886	541,227,282

(a) On 15 February 2012, the Board of Directors approved the split of the existing capital of KHR465,028,000 into 73,927,187 ordinary shares and 391,100,942 Class A shares with a par value of KHR1,000 per share. Class A shares are held by MoEF, not eligible for interest or dividend and have rights and conditions as detailed in Article 12.2 of the Memorandum of Articles and Association of PPWSA dated 27 June 2012.

(b) On 18 April 2012, PPWSA was successfully listed as the first entity listed on the Cambodia Securities Exchange. The total number of ordinary share is 86,973,162 shares with a par value of KHR1,000 per share. The costs of issuance of 13,045,975 new shares amounting to KHR6,000 million have been off-set with the share premium. All issued ordinary shares are fully paid. The ordinary shareholders are as follows:

	Number of shares	%
MoEF	73,927,187	85%
Other shareholders	11,741,606	14%
Employee share option scheme*	1,304,369	1%
	86,973,162	100%

* Based on the minutes of the Board of Directors meeting dated 20 December 2012, the employees are allowed to trade their shares if the corresponding loans have been repaid.

All ordinary shares rank equally with regard to PPWSA's residual assets.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

- (c) On 23 March 2021, the MoEF increased its capital in PPWSA by injecting the assets, liabilities and equity of Tbong Khmum Province Water Treatment Plant Operation ("the Tbong Khmum Project") into PPWSA, totaling to KHR78,088,604,000, without the issuance of any additional shares of PPWSA.

The MoEF had on its letter reference number 6228 S.H.V dated 15 July 2020 instructed PPWSA to reflect this capital contribution as share capital of PPWSA.

Included in the identifiable assets and liabilities contributed by the MoEF at the date of capital contribution, the Tbong Khmum Projects are its input (water treatment plant, production processes and workforce). PPWSA has determined that together the contributed inputs and process contributable to the ability to create revenue. PPWSA has concluded that the contributed set is separate assets.

Taking control of the Tbong Khmum Project will enable to PPWSA to increase its share of the water production market through access to the Tbong Khmum Project's customer base. PPWSA also expects to reduce costs through economies of scale.

During the financial year, Tbong Khmum Project contributed revenue of KHR294,944,000.

The fair value of the capital contribution were based on the net assets of the Tbong Khmum Project valued by Ministry of Industry, Science, Technology and Innovation at the date of the capital contribution.

PPWSA does not incur any contribution-related cost.

The following table summarises the recognised amounts of assets contributed and liabilities assumed at the date of capital contribution.

		2021
	Note	KHR'000
Property, plant and equipment	5	78,192,260
Trade receivables		72,163
Cash and cash equivalents		1,095
Trade payables		(149,714)
Accrued staff incentive		(27,200)
Total identifiable net assets contributed		78,088,604

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. RESERVES

	Capital reserve KHR'000	Legal reserve KHR'000	General reserve KHR'000	Development reserve KHR'000	Total KHR'000
At 1 January 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	9,958,894	13,288,086
At 31 December 2020	1,648,435	27,700,385	27,700,385	295,424,325	352,473,530
Transfer from retained earnings	-	4,417,592	4,417,592	56,729,696	65,564,880
At 31 December 2021	1,648,435	32,117,977	32,117,977	352,154,021	418,038,410

- (a) In accordance with PPWSA's Memorandum of Articles and Association dated 27 June 2012, Article 44 of PPWSA's Memorandum of Articles and Association, the distribution of dividends and reserves shall be as follows:

Retained earnings shall be distributed as follows:

- i. Reward to management and employees as follows:
 - One month's salary for all employees if the net profit is between 5% and 10% of operating expenses
 - Two months' salary for all employees if the net profit is between 10% and 20% of operating expenses
 - Three months' salary for all employees if the net profit is more than 20% of operating expense
- ii. 2% for retirement benefits and disability benefits
- iii. 5% for legal reserve
- iv. 5% for general reserve
- v. 5% for social fund, which shall be recorded as an expense in the year of the transition.

The remaining amount after the above allocations shall be allocated to:

- vi. Reserve for future investments, subject to the Board of Director's approval
 - vii. The remaining balance after investment reserve is allocated to the MoEF and public investors at the ratio of 85% and 15%, respectively.
- (b) The use of reserve to pay for corporate social responsibility is in accordance with letter No. 284 from the Ministry of the Council of Ministers, dated 11 March 2010. Corporate social responsibility represents the development of a water supply system for military teams in several provinces. The work extended into 2011 in accordance with the letter of the Deputy Prime Minister Keat Chhon No. 2210 MEF, dated 22 April 2011.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
15. BORROWINGS

	2021 KHR'000	2020 KHR'000
Non-current liabilities		
Unsecured borrowings	790,359,750	517,288,403
Current liabilities		
Secured borrowing *	-	4,984,952
Unsecured borrowings	23,128,518	25,862,221
	23,128,518	30,847,173
Total borrowings	813,488,268	548,135,576

* Secured borrowing was secured by the comfort letter from MoEF and MISTI.

The terms and conditions of outstanding borrowings are as follows.

	Currency	Nominal Interest rate	Year of maturity	2021 KHR'000	2020 KHR'000
Agence Francaise De Development ("AFD") - Credit No. 1075 03 S *	EUR	0.880%	2021	-	4,984,952
MoEF - Japan International Cooperation Agency	JPY	0.660%	2049	45,200,650	51,694,584
MoEF - Asian Development Bank	SDR	1.650%	2037	36,499,596	39,698,559
AfD - Credit No. 1121 01 F	EUR	0.250%	2025	64,917,065	89,755,707
MoEF - AfD - Credit No. 1174 01 P	USD	1.800%	2037	146,375,548	146,561,834
MoEF - AfD - Credit No. 1176 01 S	USD	0.900%	2038	223,260,652	98,906,243
MoEF - AfD - Credit No. 1244 01 M	USD	0.900%	2039	34,272,146	-
European Investment Bank	USD	0.610% - 0.965%	2048	262,962,611	116,533,697
Total interest-bearing liabilities				813,488,268	548,135,576

Breach of loan covenants

PPWSA has unsecured borrowings with a carrying amount KHR468,825,411,000 as at 31 December 2021 (2020: KHR335,223,784,000). These borrowings bear interest from 0.250% to 1.800% and are repayable ranges from 4 to 18 years. However, these borrowings contained certain covenants which PPWSA has to comply, otherwise MoEF and / or AfD may suspend or cancel the rights of PPWSA to request additional disbursement of the unwithdrawn amount and repayable on demand of its existing outstanding balance, if such covenant breached is material.

PPWSA exceeded its maximum leverage threshold in 2019 and the threshold was still exceeded as at 31 December 2021. However, PPWSA obtained a waiver from the relevant party, extended until 31 December 2021. Accordingly, the borrowings were not payable on demand at 31 December 2021.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. DEFERRED GOVERNMENT AND OTHER GRANTS

	Government grant KHR'000	JICA grant KHR'000	Other grant KHR'000	Total KHR'000
At 1 January 2020	4,373,148	15,878,382	708,308	20,959,838
Amortisation charge for the financial year	(132,508)	(1,980,843)	(24,394)	(2,137,745)
At 31 December 2020 / 1 January 2021	4,240,640	13,897,539	683,914	18,822,093
Amortisation charge for the financial year	(134,069)	(1,853,006)	(22,832)	(2,009,907)
At 31 December 2021	4,106,571	12,044,533	661,082	16,812,186

(a) Government grant

The government grant represents the gain arising from a favourable differences in rates used for a fixed conversion (KHR/SDR) under the Subsidy Loan Agreement between the MoEF and PPWSA on 5 May 1997 at the sum of SDR9,695,000 from the ADB. PPWSA has decided to keep the gain on PPWSA's books as a grant (no refund requirement on the gain) and the gain is to be amortised using the same policy as other deferred grants.

(b) JICA grants

JICA grants represent the project for introduction of clean energy by solar electricity generation system.

(c) Other grants

Other grants represent donations of property, plant and equipment from the Association International des Maires Francophones ("AIMF") and KUNOTA Construction Co., Ltd.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
17. DEFERRED TAX LIABILITIES

	At 1.1.2021	Recognised	At 31.12.2021
	KHR'000	in profit or loss	KHR'000
		KHR'000	KHR'000
Property, plant and equipment and intangible assets	(68,004,090)	(6,211,362)	(74,215,452)
Allowance for inventory obsolescence	50,645	-	50,645
Allowance for doubtful debts	522,858	-	522,858
Staff benefits	2,930,149	22,990	2,953,139
Unrealised foreign exchange	1,993,781	(3,612,271)	(1,618,489)
	<u>(62,506,657)</u>	<u>(9,800,643)</u>	<u>(72,307,299)</u>

	At 1.1.2020	Recognised	At 31.12.2020
	KHR'000	in profit or loss	KHR'000
		KHR'000	KHR'000
Property, plant and equipment and intangible assets	(63,217,773)	(4,786,317)	(68,004,090)
Allowance for inventory obsolescence	50,645	-	50,645
Allowance for doubtful debts	522,858	-	522,858
Staff benefits	2,876,401	53,748	2,930,149
Unrealised foreign exchange	241,041	1,752,740	1,993,781
	<u>(59,526,828)</u>	<u>(2,979,829)</u>	<u>(62,506,657)</u>

18. TRADE AND OTHER PAYABLES

	Note	2021	2020
		KHR'000	KHR'000
Non-current:			
Other payables			
Refundable water deposits	(a)	<u>69,446,073</u>	<u>65,195,836</u>
Current:			
Trade payables			
Third parties	(b)	33,251,064	22,027,681
Accruals construction-in-progress		<u>38,283,099</u>	<u>56,096,252</u>
		<u>71,534,163</u>	<u>78,123,933</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
18. TRADE AND OTHER PAYABLES (CONTINUED)

	Note	2021 KHR'000	2020 KHR'000
Current:			
Other payables			
Accrued staff incentive		9,241,237	8,743,427
Amount due to Phnom Penh Municipality		47,455,958	38,524,322
Performance guarantee		67,344	67,313
Dividends payable	(c)	-	17,003,254
Other tax payable		293,258	584,751
Seniority payment		6,146,076	7,191,258
Other payables		7,231,509	6,361,547
		<u>70,435,382</u>	<u>78,475,872</u>
Total trade and other payables (current)		<u>141,969,545</u>	<u>156,599,805</u>
Total trade and other payables (non-current and current)		<u>211,415,618</u>	<u>221,795,641</u>

- (a) Refundable water deposits are collected from customers based on the size of the water meter prior to connection and are recorded at the received amount as refundable water deposits under non-current liabilities.
- (b) Trade payables are non-interest bearing and the normal credit terms granted to PPWSA is one to three months (2020: one to three months).
- (c) The MoEF had on 9 August 2021 approved the waiver of dividends payable of PPWSA as at 30 June 2021 of KHR36,372,177,000 and reflected as other income as disclosed in Note 21 and Note 29 to the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
19. SALES

	2021 KHR'000	2020 KHR'000
Water sales:		
- households	112,290,774	111,165,503
- commercial	128,582,099	131,475,633
- public administration	21,500,185	19,893,765
- wholesalers	9,333,345	8,603,177
Rounding difference on water sales revenue	66,249	66,287
Less: Invoice cancellations	(3,188,402)	(1,969,455)
	<u>268,584,250</u>	<u>269,234,910</u>
 Water connection revenue	 9,735,973	 8,745,995
Water meter replacement charges	3,871,144	3,512,035
Spare parts and meter sales	178,430	156,398
	<u>282,369,797</u>	<u>281,649,338</u>

20. FOREIGN EXCHANGE GAINS/(LOSSES) - NET

	2021 KHR'000	2020 KHR'000
Gain/(Loss) on foreign exchange		
- realised	(561,815)	(1,994,595)
- unrealised	2,835,799	(1,309,402)
	<u>2,273,984</u>	<u>(3,303,997)</u>

21. OTHER INCOME

	2021 KHR'000	2020 KHR'000
Government and other grants	2,009,907	2,137,745
Spare parts and meter sales	16,414,430	13,102,735
Penalty revenue	165,945	432,810
Waiver of dividends *	36,372,177	-
Other revenue	3,297,028	3,721,000
	<u>58,259,487</u>	<u>19,394,290</u>

* The MoEF had on 9 August 2021 approved the waiver of dividends payable of PPWSA as at 30 June 2021 of KHR36,372,177,000 and reflected as other income as disclosed in Note 18(c) and Note 29 to the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. EMPLOYEE BENEFITS EXPENSE

	2021 KHR'000	2020 KHR'000
Employee salaries	32,767,764	28,054,968
Incentives	10,509,506	9,830,703
Bonuses	8,680,816	7,459,495
Seniority payment	1,193,357	1,226,009
Wages for contractors	1,025,967	785,537
Other employee-related expenses	9,453,827	8,684,507
	<u>63,631,237</u>	<u>56,041,219</u>

23. RAW MATERIALS FOR WATER TREATMENT

	2021 KHR'000	2020 KHR'000
Chlorine	3,283,477	2,864,827
Poly Aluminium Chloride	5,084,947	6,307,192
Salt	802,946	1,035,660
Other materials	370,612	315,576
	<u>9,541,982</u>	<u>10,523,255</u>

24. RAW MATERIALS FOR HOUSEHOLD WATER CONNECTIONS

	2021 KHR'000	2020 KHR'000
Materials for house connection	2,270,227	1,742,688
Consumer water meter replacement	606,540	509,597
Pipe costs	18,972	19,613
Other costs	268,029	248,211
	<u>3,163,768</u>	<u>2,520,109</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. FINANCE INCOME

	2021 KHR'000	2020 KHR'000
Interest income on bank deposits	2,706,044	1,164,471
Unrealised foreign exchange gain on borrowings	10,849,020	2,639,647
	<u>13,555,064</u>	<u>3,804,118</u>

26. FINANCE COST

	2021 KHR'000	2020 KHR'000
Interest expense on borrowings	6,436,677	5,059,682
Unrealised foreign exchange loss on borrowings	2,756,571	11,299,146
Interest capitalised on qualifying assets	(4,398,469)	(3,714,515)
	<u>4,794,779</u>	<u>12,644,313</u>

27. INCOME TAX

	2021 KHR'000	2020 KHR'000
Income tax:		
- current year	24,523,593	21,268,673
- under provision in prior year	2,258,433	8,146,130
	<u>26,782,026</u>	<u>29,414,803</u>
Deferred tax:		
Origination of temporary differences	9,800,643	2,979,829
	<u>36,582,669</u>	<u>32,394,632</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. INCOME TAX (CONTINUED)

The reconciliation of income tax computed at the statutory tax rate to the income tax expense is as follows:

	2021 KHR'000	2020 KHR'000
Profit before tax	165,856,586	120,746,477
Income tax using the applicable tax rates of 20% (2020: 20%)	33,171,317	24,149,295
Tax affects arising from:		
- non-allowable expenses	331,201	326,501
- under provision of income tax in prior year	2,258,433	8,146,130
- temporary differences	821,718	(227,294)
Income tax expense during the financial year	36,582,669	32,394,632

28. EARNINGS PER SHARE

Basic earnings per ordinary share

Basic earnings per share are based on the profit for the financial year attributable to owners of PPWSA and the weighted average number of ordinary shares outstanding during the financial year, calculated as follows:

	2021 KHR'000	2020 KHR'000
Profit attributable to owners of the Authority	129,273,917	88,351,845
Weighted average number of shares	86,973,162	86,973,162
Basic earnings per share	1,486.37	1,015.85
Diluted earnings per share	1,486.37	1,015.85

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.

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

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29. DIVIDENDS

	2021 KHR'000	2020 KHR'000
Recognised during the financial year		
Dividend for the financial year ended 31 December 2020 of KHR262 per ordinary share, declared on 26 March 2021	22,786,965	-
Dividend for the financial period ended 31 December 2019 of KHR230 per ordinary share, declared on 26 June 2020	-	20,003,827

The MoEF had on 9 August 2021 approved the waiver of dividends payable of PPWSA as at 30 June 2021 of KHR36,372,177,000 and reflected as other income as disclosed in Note 18(c) and Note 21 to the financial statements.

30. RELATED PARTIES 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 enter into transactions with many of these bodies, which include but are not limited to purchasing of goods, including the use of public utilities and amenities, and the placing of cash 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 financial statements.

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 financial statements, PPWSA have collectively, but not individually significant transactions with related parties.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30. RELATED PARTIES TRANSACTIONS (CONTINUED)

(b) Key management personnel compensation

Total key management personnel compensation is analysed as below:

	2021 KHR'000	2020 KHR'000
Salaries and other expenses	2,435,463	2,397,823

31. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The following table analyses the financial instruments in the statement of financial position by the classes of financial instruments to which they are assigned:

	Amortised cost KHR'000	Carrying amount KHR'000
At 31 December 2021		
Financial assets		
Short-term investments	68,163,833	68,163,833
Trade and other receivables	24,042,231	24,042,231
Cash and cash equivalents	89,659,538	89,659,538
Loan to employees	7,956,651	7,956,651
	<u>189,822,253</u>	<u>189,822,253</u>
Financial liabilities		
Trade and other payables	204,976,284	204,976,284
Borrowings	813,488,268	813,488,268
	<u>1,018,464,552</u>	<u>1,018,464,552</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

The following table analyses the financial instruments in the statement of financial position by the classes of financial instruments to which they are assigned: (continued)

	Amortised cost	Carrying amount
	KHR'000	KHR'000
At 31 December 2020		
Financial assets		
Short-term investments	18,444,714	18,444,714
Trade and other receivables	24,471,330	24,471,330
Cash and cash equivalents	99,710,505	99,710,505
Loan to employees	7,956,651	7,956,651
	150,583,200	150,583,200
Financial liabilities		
Trade and other payables	221,210,890	221,210,890
Borrowings	548,135,576	548,135,576
	769,346,466	769,346,466

(b) Finance risk management

PPWSA's activities are exposed to a variety of financial risks arising from its operations and the use of financial instruments. The key financial risk include credit risk, liquidity risk, foreign currency risk and interest rate risk. The Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

(i) Credit risk

Credit risk is the risk of financial loss to PPWSA that may arise on outstanding financial instruments should a counterparty default on its obligations. PPWSA is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including cash and cash equivalents. PPWSA has a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

Trade receivables and contract assets

PPWSA's primary exposure to credit risk arises through its trade receivables and contract assets from its customers. The credit period is one month for households and business customers and one year for government departments and PPWSA seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balance are reviewed regularly by the Board of Directors.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Finance risk management (continued)

(i) Credit risk (continued)

Trade receivables and contract assets (continued)

Credit risk concentration profile

PPWSA determines the credit risk concentration of its trade receivables on an ongoing basis. The credit risk concentration profile of PPWSA's trade receivables at the reporting date are as follows:

	2021		2020	
	KHR'000	%	KHR'000	%
Household receivables	1,541,393	10%	3,075,176	18%
Commercial receivables	1,062,903	7%	4,409,685	26%
Public administration receivables	12,209,947	82%	9,336,767	56%
	<u>14,814,243</u>		<u>16,821,628</u>	

PPWSA does not anticipate the carrying amounts recorded at the end of each reporting period to be significantly different from the values that would eventually be received.

To manage the risk on trade receivables, PPWSA requires a deposit before the water meter connection is made. No deposit is required for government departments as PPWSA believes that it can collect from those departments through the MoEF (the source of finance for those departments), which is PPWSA's financial supervisor and shareholder.

A deposit deduction policy is applied to customers who have not settled their debts in accordance with credit terms and conditions.

Cash and cash equivalents and short-term investment

Included in cash and bank balances are KHR2,793,885,000 (2020: KHR4,379,056,000) held by General Department of National Treasury, Treasury of Phnom Penh Municipality, Treasury of Tboung Khmum Provincial, Treasury of Kandal Provincial.

To minimise credit risk on cash and cash equivalents and short-term investments (fixed deposits with financial institutions), PPWSA has diversified its deposits with different financial institutions using a few large and well-known local financial institutions operating in Cambodia.

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31. FINANCIAL INSTRUMENTS (CONTINUED)
(b) Finance risk management (continued)
(ii) Liquidity risk

Liquidity risk is the risk that PPWSA will encounter difficulty in meeting financial obligations when they fall due. PPWSA's exposure to liquidity risk arise primarily from mismatches of the maturities between financial assets and liabilities. PPWSA's exposure to liquidity risk arise principally from trade and other payables and borrowings.

PPWSA's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by facilities. PPWSA maintains sufficient liquidity and available funds to meet daily cash needs, while maintaining controls and security over cash movements. PPWSA uses a series of processes to obtain maximum benefits from its flow of funds, such that they are efficiently managed to maximise income from investment and minimise cost of borrowed funds. PPWSA's treasury department also ensure that there are sufficient unutilized stand-by facilities, funding and liquid assets available to meet both short-term and long-term funding requirements.

Maturity analysis

The maturity analysis of PPWSA's financial liabilities by their relevant maturity at the reporting date are based on contractual undiscounted repayment obligations as follows:

	Carrying amount KHR'000	On demand within 1 year KHR'000	Between 1 and 5 years KHR'000	More than 5 years KHR'000	Total KHR'000
At 31 December 2021					
Financial liabilities					
Trade and other payables	211,122,360	141,676,287	-	69,446,073	211,122,360
Borrowings	813,488,268	23,229,235	169,148,147	629,068,856	821,446,238
	<u>1,024,610,628</u>	<u>164,905,522</u>	<u>169,148,147</u>	<u>698,514,929</u>	<u>1,032,568,598</u>
At 31 December 2020					
Financial liabilities					
Trade and other payables	221,210,890	156,015,054	-	65,195,836	221,210,890
Borrowings	548,135,576	31,019,506	97,359,956	425,673,401	554,052,862
	<u>769,346,466</u>	<u>187,034,560</u>	<u>97,359,956</u>	<u>490,869,237</u>	<u>775,263,752</u>

(iii) Foreign currency risk

Foreign currency risk is the risk of fluctuation in fair value or future cash flows of a financial instrument as a result of changes in foreign exchange rates. PPWSA's exposure to the risk of changes in foreign exchange rates relates primarily to PPWSA's operating activities (when cash and cash equivalents, short-term investments, purchases and borrowings that are denominated in a foreign currency).

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Finance risk management (continued)

(iii) Foreign currency risk (continued)

PPWSA's unhedged financial assets and liabilities that are not denominated in their functional currencies are as follows:

	2021 KHR'000	2020 KHR'000
Financial assets and liabilities not held in functional currencies:		
<u>Cash and cash equivalents</u>		
United States Dollar	26,463,286	47,712,344
<u>Short-term investments</u>		
United States Dollar	68,163,834	18,444,715
<u>Trade and other payables</u>		
United State Dollar	47,618,880	26,907,156
European Euro	21,389,992	39,082,909
	69,008,873	65,990,065
<u>Borrowings</u>		
United States Dollar	666,870,957	362,001,774
European Euro	64,917,065	94,740,659
Special Drawing Right	36,499,596	39,698,559
Japanese Yen	45,200,650	51,694,584
	813,488,268	548,135,576

Sensitivity analysis for foreign currency risk

PPWSA's principal foreign currency exposure relates mainly to United States Dollar ("USD"), European Euro ("EUR"), Special Drawing Right ("SDR") and Japanese Yen ("JPY").

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Finance risk management (continued)

(iii) Foreign currency risk (continued)

Sensitivity analysis for foreign currency risk (continued)

The following table demonstrates the sensitivity to a reasonably possible change in the USD, EUR, SDR and JPY, with all other variables held constant:

	Change in rate %	2021 KHR'000	2020 KHR'000
USD/KHR	+ 3%	(18,585,965)	(9,640,460)
	- 3%	18,585,965	9,640,460
EUR/KHR	+ 3%	(2,587,766)	(4,012,594)
	- 3%	2,587,766	4,012,594
SDR/KHR	+ 3%	(1,090,589)	(1,186,173)
	- 3%	1,090,589	1,186,173
JPY/KHR	+ 3%	(1,353,523)	(1,547,982)
	- 3%	1,353,523	1,547,982

(iv) Interest rate risk

Interest rate risk is the risk of fluctuation in fair value or future cash flows of PPWSA's financial instruments as a result of changes in market interest rates.

Whilst PPWSA's operating results are subject to the effect of change in interest rate, PPWSA's constantly monitors the net effect of its transactions in the same interest to minimise the exposure to interest rate risk. The directors are of the view that there is no material impact from interest rate risk, there is no material impact and hence no sensitivity analysis is presented.

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Finance risk management (continued)

(v) Fair values

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

Trade and other receivables, loan to employees, short-term investments, cash and cash equivalents, trade and other payables and contract liabilities are not included in the table below as their carrying amounts are reasonably approximate to their fair value due to the relatively short-term nature of those financial instruments.

	Carrying amount KHR'000	Fair value of financial instruments not carried at fair value KHR'000
Borrowings		
31.12.2021	813,488,268	821,446,238
31.12.2020	548,135,576	554,052,862

Level 3 fair value

Fair value of financial instruments not carried at fair value

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

32. CAPITAL COMMITMENT

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

	2021 KHR'000	2020 KHR'000
Construction of water treatment plant	393,733,852	560,603,615
Consultation services	7,771,956	10,762,234
Purchase of iron pipes, fitting and accessories	3,405,060	83,993,610
	<u>404,910,868</u>	<u>655,359,459</u>

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33. SEGMENTAL REPORTING

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

34. TAXATION CONTINGENCIES

The taxation system in Cambodia is relatively new and is characterised by numerous taxes and frequently changing legislation, which is often unclear and subject to interpretation. Often different interpretation exists among numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities who are enabled by law to impose severe fines, penalties and interest charges.

These facts may create tax risks in Cambodia, substantially more significant than in other countries. Management believes that the tax liabilities of PPWSA have been adequately provided based on its interpretation of tax legislations. However, the relevant authorities may have differing interpretations and effects could be significant.

35. CAPITAL MANAGEMENT

PPWSA's policy is to ensure that it maintains sufficient capital to carry out its statutory functions. To achieve this, PPWSA reviews its sufficiency of capital as appropriate, taking into consideration its capital expenditure needs, government policies, regulatory requirements and its ability to access capital markets. PPWSA defines capital as its total equity.

There were no changes in PPWSA's approach to capital management during the financial years ended 31 December 2021 and 31 December 2020.

36. COVID-19 PANDEMIC

On 11 March 2020, the World Health Organisation declared the Coronavirus ("COVID-19") outbreak as a pandemic in recognition of its rapid spread across the globe. The COVID-19 outbreak also resulted in travel restriction, lockdown and other precautionary measures imposed in various countries. The emergence of the COVID-19 outbreak since early 2020 has brought significant economic uncertainties in Cambodia and markets in which PPWSA operates.

PPWSA has performed a preliminary assessment of the overall impact of the situation on PPWSA's operations, including the recoverability of the carrying amount of assets and measurements of assets and liabilities and concluded that there are no material adverse effects on the financial statements for the financial year ended 31 December 2021.

Given the fluidity of the situation, PPWSA is unable to reasonably estimate the complete financial impacts of COVID-19 pandemic for the financial year ending 31 December 2022 to be disclosed in the financial statements as impact assessment of the COVID-19 pandemic is a continuing progress. PPWSA will continuously monitor any material changes to future economic conditions that will affect PPWSA.

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

37. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 15 February 2021, the MoEF agreed to transfer the inventory of Sihanouk Province Water Supply Authority ("the Transaction") to PPWSA by increasing the MoEF's capital in PPWSA.

The Transaction is still yet to be completed as at the date of these financial statements pending the valuation of such Transaction.

38. COMPARATIVE FIGURES

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

39. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements of PPWSA for the financial year ended 31 December 2021 were authorised for issue by the Board of Directors on .

Registration No. Co.0839 Et/2012

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
PHNOM PENH WATER SUPPLY AUTHORITY**
(Incorporated in Cambodia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Phnom Penh Water Supply Authority ("PPWSA"), which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of PPWSA for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 5 to 58.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of PPWSA as at 31 December 2021, and of its financial performance and its cash flows for the financial year then ended in accordance with the Cambodian International Financial Reporting Standards ("CIFRSs").

Basis for Opinion

We conducted our audit in accordance with Cambodian International Standards on Auditing ("CISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of PPWSA in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code") and the requirements of Kampuchea Institute of Certified Public Accountant and Auditors' *Code of Ethics for Certified Public Accountants and Auditors* ("KICPAA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of KICPAA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of PPWSA for the current financial year. These matters were addressed in the context of our audit of the financial statements of PPWSA as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
PHNOM PENH WATER SUPPLY AUTHORITY (CONTINUED)**
(Incorporated in Cambodia)

Key Audit Matters (continued)

(a) Carrying values of property, plant and equipment ("PPE") and assessment of useful lives of PPE

Refer to Note 3.3, Note 4.2 and Note 5 to the financial statements

As at 31 December 2021, the carrying values of PPE of PPWSA amounted to KHR1,894 billion.

We focused our audit on the carrying values of PPE because PPE accounts for the majority of PPWSA's total assets and significant management judgement is involved in determining the useful lives of PPE. Given the significance of PPE to PPWSA's financial statements, errors in estimating the useful lives of PPE could result in a material misstatement to the financial statements.

Accordingly, we have identified this as a key audit matter.

Our response:

- We reviewed the appropriateness of the management's estimates of the useful lives of PPE as follows:
 - (i) Discussed with the management on the operational plans of the PPE;
 - (ii) Assessed the management's estimates for the useful lives of new PPE acquired by tracing to underlying documentary support such as project documentation, technical assessment and vendor's specifications;
 - (iii) Reviewed the management's analysis of estimated useful lives of the PPE including the identification of conditions that may indicate significant changes to estimated useful lives such as expected usage of the asset, expected physical wear and tear, technical or commercial obsolescence and legal or similar limits on the use of the asset;
 - (iv) Compared the useful lives of the PPE against entities in the utilities industry based on public information of these entities; and
 - (v) Assessed the adequacy of disclosure in the financial statements.
- We physically sighted to the PPE via our sampling methodology.

Based on the above procedures performed, we did not identify any material exceptions apart from the control weaknesses on the identification of some of its PPE.

(b) Carrying values of borrowings, assessment on its translation of foreign currencies and functional currency

Refer to Note 2.4, Note 3.1, Note 3.2(a)(ii), Note 4.1, Note 15, Note 25 and Note 26 to the financial statements

As at 31 December 2021, the carrying values of borrowings of PPWSA amounted to KHR813 billion; unrealised foreign exchange gain and loss on borrowings amounted to KHR14 billion and KHR6 billion respectively, for the financial year ended 31 December 2021.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
PHNOM PENH WATER SUPPLY AUTHORITY (CONTINUED)**
(Incorporated in Cambodia)

Key Audit Matters (continued)

(b) Carrying values of borrowings, assessment on its translation of foreign currencies and functional currency (continued)

We focused on this area because the foreign currencies denominated borrowings account for the majority of PPWSA's total liabilities and significant management judgement is involved in determining the functional currency of PPWSA. Given the significance of borrowings to PPWSA's financial statements, errors in concluding PPWSA's functional currency and translation of foreign currencies could result in a material misstatement to the financial statements.

Accordingly, we have identified this as a key audit matter.

Our response:

- We reviewed the appropriateness of the management's judgement in determining the functional currency of PPWSA as follows:
 - (i) Discussed with the management on the operations of PPWSA and the legal requirement for entities to prepare their financial statements in Khmer Riel;
 - (ii) Assessed the reasonableness of the management's judgement which include their consideration of primary economic environment in which PPWSA operates, the currency and regulations that mainly influence its sales prices, and the currency in which funds generated from or used in financing activities and operating activities respectively; and
 - (iii) Assessed the adequacy of disclosure in the financial statements.
- We checked the appropriateness of translation of foreign currencies denominated borrowings as at the end of the financial year as follows:
 - (i) Checked the foreign exchange rates used by comparing the rates used to rates published by the National Bank of Cambodia; and
 - (ii) Performed re-computation on the calculation of unrealised foreign exchange differences to ascertain the mathematical accuracy.

Based on the above procedures performed, we did not identify any material exceptions.

(c) Accounting treatment and fair values of capital contribution from owners

Refer to Note 3.9(c), Note 4.3 and Note 13(c) to the financial statements

The Ministry of Economy and Finance ("the MoEF") had on 23 March 2021 provided further capital contribution to PPWSA by injecting the assets, liabilities and equity of Tbong Khnum Province Water Treatment Plant Operation ("the Tbong Khnum Project") into PPWSA, in total amounted to KHR78 billion without the issuance of any additional shares of PPWSA.

We focused on this area because of the complexity involved and the way this capital contribution was injected into PPWSA. The accounting treatment and the fair values of this capital contribution are affected by a variety of estimates which include significant judgement exercised by the management.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
PHNOM PENH WATER SUPPLY AUTHORITY (CONTINUED)**
(Incorporated in Cambodia)

Key Audit Matters (continued)

(c) Accounting treatment and fair values of capital contribution from owners (continued)

Accordingly, we have identified this as a key audit matter.

Our response:

- We reviewed the appropriateness of the management's judgement in determining the accounting treatment of this transaction as follows:
 - (i) Discussed with the management and reviewed the correspondences received from the MoEF for the capital contribution and the MoEF's instruction for classifying the capital contribution as share capital of PPWSA, without the issuance of any additional shares of PPWSA; and
 - (ii) Discussed and challenged the management's judgement on the appropriateness of its accounting treatment by referencing to the relevant accounting standards.
- We agreed the fair values of the capital contribution by reviewing the correspondences from the MoEF and understand that these fair values had been determined by the Ministry of Industry, Science, Technology and Innovation.
- We assessed the adequacy of disclosure in the financial statements.
- We physically sighted to the property, plant and equipment which forms significant portion of the capital contribution, via our sampling methodology.

Based on the above procedures performed, we did not identify any material exceptions.

(d) Classification and fair values of refundable water deposits

Refer to Note 18 to the financial statements

As at 31 December 2021, the carrying values of refundable water deposits of PPWSA amounted to KHR69 billion.

We focused on this area because of the judgement exercised by the management in determining the classification and fair values of the refundable water deposits as non-current liabilities of PPWSA.

Accordingly, we have identified this as a key audit matter.

Our response:

- We discussed with the management on the judgement and assumptions made in determining the classification of the refundable water deposits.
- We discussed with the management on the possible fair value impact of the refundable water deposits considering time value of money.
- We reviewed the accuracy of the carrying values of the refundable water deposits by performing substantive test over movement during the financial year in the refundable water deposits control accounts.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
PHNOM PENH WATER SUPPLY AUTHORITY (CONTINUED)**
(Incorporated in Cambodia)

Key Audit Matters (continued)

(d) Classification and fair values of refundable water deposits (continued)

Based on the above procedures performed, we did not identify any material exceptions apart from the control weaknesses on the identification of legacy refundable water deposits brought forward.

(e) Recognition of accrued water revenue

Refer to Note 3.6, Note 3.11, Note 4.5 and Note 9 to the financial statements

As at 31 December 2021, the carrying values of accrued water revenue included in contract assets and revenue of PPWSA amounted to KHR65 billion.

We focused on this area because the amount of accrued water revenue recognised during the financial year are affected by a variety of estimates which includes judgement exercised by the management, in particular with regards to the determination of water volume produced, water revenue billed, water loss rate and the related tariff rates.

Accordingly, we have identified this as a key audit matter.

Our response:

- We reviewed the appropriateness of the management's judgement in determining the accrued water revenue of PPWSA as follows:
 - (i) Discussed with the management on the methodology used in deriving the accrued water revenue;
 - (ii) Challenged the key assumptions used by the management, in particular, water volume produced, water loss rate and the related tariff rates; and
 - (iii) Performed re-computation on the calculation of accrued water revenue to ascertain the mathematical accuracy.
- We tested controls, assisted by our IT specialists, including, among others, comparing details of revenue amount in the accounting system with the source documents; recording of receipts in the receivables subsystem; reconciling cash register totals with cash receipts; and recording receipts to the general ledger.
- We checked the subsequent billings of the accrued water revenue.

Based on the above procedures performed, we did not identify any material exceptions.

Information Other than the Financial Statements and Auditors' Report Thereon

The management of PPWSA is responsible for the other information. The other information comprises the Directors' Report (but does not include the financial statements of PPWSA and our auditors' report thereon), which we obtained prior to the date of this auditors' report, and other sections included in the annual report, which are expected to be made available to us after that date.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
PHNOM PENH WATER SUPPLY AUTHORITY (CONTINUED)**
(Incorporated in Cambodia)

Information Other than the Financial Statements and Auditors' Report Thereon (continued)

Our opinion on the financial statements of PPWSA does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of PPWSA, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of PPWSA or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The management of PPWSA is responsible for the preparation of financial statements of PPWSA that give a true and fair view in accordance with the Cambodian International Financial Reporting Standards. The management is also responsible for such internal controls as the management determines is necessary to enable the preparation of financial statements of PPWSA that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of PPWSA, the management is responsible for assessing PPWSA's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate PPWSA or to cease operations, or have no realistic alternative but to do so.

Those charged with governance of PPWSA is responsible for overseeing PPWSA's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of PPWSA as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
PHNOM PENH WATER SUPPLY AUTHORITY (CONTINUED)**

(Incorporated in Cambodia)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with CISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements of PPWSA, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PPWSA's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- conclude on the appropriateness of the management's use of going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on PPWSA's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of PPWSA or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause PPWSA to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements of PPWSA, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of PPWSA for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determined that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh public interest benefits of such communication.

Registration No. Co.0839 Et/2012

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
PHNOM PENH WATER SUPPLY AUTHORITY (CONTINUED)**
(Incorporated in Cambodia)

Other Matter

The financial statements of PPWSA for the financial year ended 31 December 2020 were audited by another firm of certified public accountants whose report dated 24 March 2021 expressed an unmodified opinion on those financial statements.



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

Phnom Penh, Kingdom of Cambodia

Date: 14 MAR 2022



Tan Khee Meng
Certified Public Accountant

PART 7. Information on Related Party Transactions and Conflict of Interest

- A. Material Transactions with Shareholder(s) who hold at least 5% or more shares of outstanding equity securities

There are no such transactions.

- B. Material Transactions with Director(s) and Senior Officer(s)

There are no such transactions.

- C. Transactions with Director(s) and Shareholder(s) related to buy/sell asset and service

There are no such transactions.

- D. Material Transactions with Immediate Family Members of the Director(s), Senior Officer(s) and Shareholder(s) who hold at least 5% or more shares

There are no such transactions.

- E. Material Transactions with the Person, who associated with Director(s) of the Listed Entity, its Subsidiary or Holding Company

There are no such transactions.

- F. Material Transactions with Former Director(s) or a Person who involved with Former Director(s)

There are no such transactions.

- G. Material Transactions with Director(s) who is holding any position in a non-profit organization or in any other company other than the listed entity

There are no such transactions.

- H. Material Transactions with Director(s) who get benefit whether finance or non-financial from the listed entity

There are no such transactions.

PART 8. Management's Discussion and Analysis

A. Overview of operations

1. Revenue analysis

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

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

➤ Year ended 31 December 2021 compared to year ended 31 December 2020

Description	2021 (KHR'000)	2020 (KHR'000)	CHANGES (KHR'000/%)	
Total revenues	369,145,257	324,367,856	44,777,410	13.80%

PPWSA has a total revenue KHR 369,145,257,000 for 31 Dec 2021 and KHR 324,367,856,000 at 31 Dec 2020. The revenue increased by KHR 44,777,410,000 or 13.80%. The increase in 2021 was due to and increase in the revenue of construction services about 12.50% or KHR2,917,671,000 and The increasing from other income about 200.39% or KHR38,856,197,000.

PART 8. Management's Discussion and Analysis (con't)

A. Overview of operations (Con't)

2. Revenue analysis by segment

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

Description	2021 (KHR'000)		2020 (KHR'000)	
Sales	282,369,797	76.49%	281,649,338	86.83%
Construction service fees	26,241,989	7.11%	23,324,228	7.19%
Foreign exchange gain – net	2,273,984	0.62%	-	-
Other income	58,259,487	15.78%	19,394,290	5.98%

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

➤ Year ended 31 December 2021 compared to year ended 31 December 2020

Description	2021		2020		Changes		
	Volume	Amount	Volume	Amount	Volume	Amount	Amount
	(M ³)	(KHR'000)	(M ³)	(KHR'000)	(M ³)	(KHR'000)	(%)
Water Sales-Household	108,203,470	112,290,774	96,690,758	111,165,503	11,512,712	1,125,271	1.01%
Water Sales-Commercial	74,242,308	128,582,099	75,051,455	131,475,633	(809,147)	(2,893,534)	(2.20%)
Water Sale-Administrative Institution	8,226,445	20,990,921	7,728,955	19,365,133	497,490	1,625,788	8.40%
Water Sales-Holdsaler-rental room	12,499,186	9,333,345	12,033,883	8,603,177	465,303	730,168	8.49%

- Revenue from household sales

PPWSA has the revenue from household is KHR 112,290,774,000 on 31 December 2021 and KHR 111,165,503,000 on 31 December 2020 that increased by KHR 1,125,271,000 or 1.01%. The increased because of the increasing of number of the customers by 17,343 connections, from 333,055 to 350,398 connections while the average tariff decreased by KHR34.86/m³, from KHR 1,072.63/ m³ to KHR 1,037.77/ m³.

- Revenue from commercial

PPWSA has the revenue from commercial and industry is KHR 128,582,099,000 on 31 December 2021 and KHR 131,475,633,000 on 31 December 2020 that decreased by KHR 2,893,534,000 or (2.20%). The decreasing is due to the consumption per connection decrease by 10.60m³/month from 99.45m³/connection to 88.85m³/connection and average tariff were decrease by KHR 4.27/m³ from KHR 1,736.19/m³ to KHR 1,731.92/m³.

- Revenue from government institution sales

PPWSA has the revenue from government institution sales is KHR 20,990,921,000

on 31 December 2021 and KHR 19,365,133,000 on 31 December 2020 that is increased by KHR 1,625,788,000 or 8.49%. The increase on 31 December 2021 due to the increasing number of the customer by 79 connections from 744 connections to 823 connections.

- Revenue from wholesalers and rental-rooms is KHR 9,333,345,000 on 31 December 2021

And KHR 8,603,177,000 on 31 December 2020 that is an increased of KHR 730,168,000 or 8.49%. The increase is due to the water consumption per connection increased by 1.32m³/connection from 163.03m³ to 164.35m³/connection.

3. Gross profit margin analysis

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

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

4. Profit before tax

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

- Year ended 31 December 2021 compared to year ended 31 December 2020

Description	2020 (KHR'000)	2019 (KHR'000)	CHANGES (KHR'000 / %)	
Total revenues	369,154,257	324,367,856	44,786,401	13.81%
Depreciation and amortisation charges	(55,194,412)	(50,402,360)	(4,792,052)	(9.51%)
Electricity costs	(35,791,983)	(37,062,063)	1,270,080	3.43%
Salaries, wages and related expenses	(63,631,237)	(56,041,219)	(7,590,018)	(13.54%)
Raw materials for water treatment	(9,541,982)	(10,523,255)	982,273	9.32%
Construction service expenses	(22,448,213)	(18,220,555)	(4,227,658)	(23.20%)
Finance income	16,964,309	7,622,934	9,341,375	122.54%
Finance costs	(8,204,024)	(16,463,129)	8,259,105	50.17%
Profit before tax	165,856,586	120,746,477	45,110,109	137.36%

PPWSA earned profit before tax of KHR 165,856,586,000 at 31 Dec 2021 and KHR 120,746,477,000 at 31 Dec 2020, representing an increase of KHR 45,110,109,000 or 137.36%. The increase in profit before tax was primary due to the increase in total revenues by KHR 44,786,401,000 or 13.81% while the total expenses was increased KHR16,609,728,000 as well.

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.

➤ Year ended 31 December 2021 compared to year ended 31 December 2020

Description	2021 (KHR'000)	2020 (KHR'000)	CHANGES (KHR'000 / %)	
Profit before tax (a)	165,856,586	120,746,477	45,110,109	37.36%
Tax expense (b)	(36,592,669)	(32,394,632)	4,188,037	12.93%
Profit for the financial year	129,273,917	88,351,845	40,922,072	46.32%
Total comprehensive income for the financial year	129,273,917	88,351,845	40,922,072	46.32%
Effective tax reate (b)/(a)	22.02%	26.83%		

PPWSA earned profit for the financial year of KHR 129,273,917,000 at 31 Dec 2021 and KHR 88,351,845,000 in 2020, representing an increase of KHR 40,922,072,000 or 46.32%. The increase in profit for the financial year was due to the increase in profit before tax by KHR45,110,109,000 or 37.36%.

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

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

- **NRW rate:** PPWSA utilized an effective mechanism to reduce NRW to 9.74% in this year. It is a critical factor enabling PPWSA to ensure its financial viability and sustainable enterprise development.
- **Increase in customer base:** To generate revenues from water sales, PPWSA increased its customer base, expanding its service coverage to unserved areas by filling up its coverage with distribution networks in Phnom Penh and its surrounding areas, in particular, the economically potential 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.

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

- **Strict practices in procurement process:** 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 transparent and encourages market price competition, which allows the Authority to make low cost purchases, without neglecting quality.

- **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 two-three months, and invested available cash in short-term fixed deposits at commercial banks with high interest rates. PPWSA also scrutinizes risks and benefits associated with the high interest rates.
- **Selection of low-rate financiers:** Due to the increasing water demand, PPWSA is in need of finance for its investment projects, such as construction of WTPs, and laying of transmission and distribution pipes. PPWSA has sought international development partners such as AFD to get the low interest rate financing.
- **Economic situation:** Due to the Covid-19 pandemic and changes in economic circumstances impacted on the average monthly water consumption per connection, which led to fluctuations in the average water tariff.

B. Significant Factors Affecting Profit

1. Demand and supply conditions analysis

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

2. Variations in prices of raw materials analysis

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

3. Tax analysis

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

4. Exceptional and extraordinary items analysis

At the end of the period ended 31 December 2021, the management learned that PPWSA did not have any exceptional and extraordinary items.

C. Material changes in sales and revenues

PPWSA's main revenues are the sales of safe water which is a basic need of Phnom Penh residents. The water sales represented more than 76% of gross revenue in 2021. PPWSA is also the

monopoly water supplier in Phnom Penh and its outskirts. Revenues may grow, subject to the demography including the enlargement of Phnom Penh capital and the migration of provincial residents to Phnom Penh.

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

D.1. Impact of exchange rate

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

D.2. Impact of interest rates

D.2.1. Impact of interest rate on interest income

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

D.2.2. Impact of interest rate on interest expense

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

D.2.3. Impact of raw materials prices

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

E. Impact of inflation

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

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

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

- Service coverage expansion: Further expansion of the water service coverage is restricted due to PPWSA's mission that allows water production and distribution to the public in Phnom Penh only. This restriction is stipulated in Sub-decree No. 52 ANKR.BK, dated 19 December 1996, on the Establishment of PPWSA.

- Enlargement of Phnom Penh area: The Royal Government had a policy to enlarge Phnom Penh area by integrating 20 additional communes into Phnom Penh, that expanded PPWSA service coverage.
- Immovable property tax policy: Ministry of Economy and Finance (MEF) has put into force PRAKAS No. 493 សហវិ.ប្រកាស, dated 19 July 2010, on Immovable Property Tax Collection. PPWSA's immovable properties are used to process the water treatment facilities, and tax-exempt according to MEF's Notification No. 006 សហវិ.អនុញ្ញាត, dated 18 May 2011.

SIGNATURE OF DIRECTORES OF PHNOM PENH WATER SUPPLY AUTHORITY

Phnom Penh, 18 March 2022

Read and Approved

Signature

Oum Sotha

Chairman of the Board

Phnom Penh, 18 March 2022

Read and Approved

Signature

Long Naro

Director

Phnom Penh, 25 March 2022

Read and Approved

Signature

Mey Vann

Director

Phnom Penh, 21 March 2022

Read and Approved

Signature

Noun Pharath

Director

Phnom Penh, 18 March 2022

Read and Approved

Signature

Ma Noravin

Director

Phnom Penh, 22 March 2022

Read and Approved

Signature

Zhang Yun Feng

Director

Phnom Penh, 24 March 2022

Read and Approved

Signature

Om Seng bora

R. Independent Director

Director

ANNUAL REPORT APPENDIX FOR 2021

ANNUAL CORPORATE GOVERNMENT REPORT

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ANNAUL REPORT APPENDIX

FOR 2021

ANNUAL CORPORATE GOVERNANCE REPORT

Part 1. Shareholders

A. Shareholders Structure (by 31 December 2021)

1. Shareholder Information

Description	Nationality	Types of Shareholder	Number of Shareholders	Number of Shares	Percentage
Less Than 5%	Cambodian	Individual	2,632	4,675,347	5.376%
		Legal Person	6	2,658,243	3,056%
	Non-Cambodian	Individual	600	5,163,919	5.937%
		Legal Person	6	548,466	0.631%
From 5% to 30%	Cambodian	Individual	N/A	N/A	N/A
		Legal Person	N/A	N/A	N/A
	Non-Cambodian	Individual	N/A	N/A	N/A
		Legal Person	N/A	N/A	N/A
From 30%	Cambodian	Individual	N/A	N/A	N/A
		Legal Person	1	73,927,187	85%
	Non-Cambodian	Individual	N/A	N/A	N/A
		Legal Person	N/A	N/A	N/A

2. Shareholders who are directors, senior officials, and employees of the PPWSA

Shareholders	Number of Shareholders	Number of Shares	Percentage
Directors	2	20,216	0.023%
Senior officials	17	125,142	0.144%
Employees	397	756,784	0,870%
Total:	416	902,142	1.037%

B. Shareholders' and Protection of Shareholders' Rights

1. Shareholders' rights

PPWSA's ordinary shareholders have been had equal rights as follow:

- The rights in receiving information disclosed by the PPWSA in compliance with the applicable Laws and Regulations.
- The rights for participating in the PPWSA's general shareholder meeting according to the instruction of participating in the general shareholder meeting.
- The voting rights in the general shareholder meeting according to the instruction of participating in the general shareholder meeting.
- The rights in receiving the dividend declared by the PPWSA according to the shareholding proportion of shareholders.
- The rights in receiving the remaining assets from the PPWSA's dissolution according to the shareholders' shareholding proportion.
- Other rights are determined by the applicable Laws and Regulations.

2. The rights prevention of shareholders and minority shareholders

The board of directors has prevented rights of PPWSA's shareholders and minority shareholders through establishing the Code of Conduct for Directors and Senior officials to:

- encourage having a good-faith and ethical attitude in doing business to ensure equality and avoid conflict of interest.
- encourage disclosing the vital information required by the Laws and Regulations in a complete, precise, accurate, and timely manner.
- encourage implementing the applicable Laws and Regulations.
- ensure the business's interest protection, including the business opportunities, tangible and intangible assets, and the confidential information of the PPWSA.
- avoid [misconduct and tricky actions](#).

Implementation of the Laws and Regulations

Directors and senior officials shall implement and ensure that the PPWSA complies with the applicable Laws and Regulations while performing their roles and responsibilities. Suppose the director or senior official has known the reliable information relating to the breach of the applicable Laws and Regulations by the PPWSA, directors, senior officials, or employees; in that case, they shall inform the Director General, Chairman of the board of directors, head of the Audit Committee, or the Internal Auditor.

Conflict of interest

Adding to articles 134, 135, 136, and 138 of the Law on Commercial Enterprises, directors and senior officials shall avoid any conflict-of-interest acts with the PPWSA.

A conflict of interest, in general, arises when the interest of directors or senior officials or their family members are directly related to or may severely affect to:

- (a) the PPWSA's interest or business.
- (b) the abilities of other directors or senior officials in performing their roles and responsibilities.

Directors and senior officials shall disclose to the PPWSA board of directors and publicly disclose transactions or relations that are led to the conflict of interest with the PPWSA, as determined by the Securities and Exchange Regulator of Cambodia (SERC) or the Cambodia Securities Exchange (CSX).

Directors and senior officials shall inform PPWSA or request to disclose their interests in writing in the minute of meeting of the board of directors, in case of:

- (a) A director or senior official is a contractual party or those who request to entering into a contract with the PPWSA; or
- (b) A director or senior official has significant interest with individual or legal persons who are the contractual party or party who requests entering into a contract with the PPWSA.

According to the applicable Laws and Regulations, the Independent Director shall not have any interest in the PPWSA affected to the independence and shall not hold more than 1% of the PPWSA's total share.

Business opportunity

During the performance and responsibility, directors and senior officials shall concentrate on the PPWSA interest.

Directors and senior officials shall avoid:

- (a) working for the personal interest while performing in the role and responsibilities as the director or senior official of the PPWSA.
- (b) using PPWSA's assets and information or the position and role as the director or senior official of the PPWSA for the personal interest.
- (c) competing with the PPWSA.

The board of directors will determine the non-compliant acts, considering the facts and the circumstances related to those acts.

Equal relations

While performing their roles and responsibilities, directors and senior officials shall have equality between customers, suppliers, competitors, contractors, and employees of the PPWSA.

Directors and senior officials shall not take advantage of anybody dishonestly by playing a trick, concealing or misrepresenting important information, misrepresenting events, or acting dishonestly in the business.

The use of information about the rights, the confidential information of the PPWSA, or persuading both former and current directors, senior officials, and employees of the PPWSA to leak such information are prohibited.

Directors and senior officials shall perform their roles and responsibilities in good faith and for the PPWSA and shareholders' interests. Directors and senior officials shall not take advantage of their positions as directors or senior officials and shall not receive any gifts from third parties for the director and senior official position.

The protection and the use of PPWSA's assets

While performing their roles and responsibilities, directors and senior officials shall promote the control and proper use of PPWSA's assets, tangible and intangible assets.

PPWSA's assets are information, material, equipment, intellectual property, tool, resource, IT system, and other assets which the PPWSA owns or the leased assets or assets hold by the PPWSA are used for the PPWSA's legal business.

The accounting complaint

The PPWSA Audit Committee or the Internal Auditor shall be responsible for establishing the appropriate procedures for receiving and maintaining the complaints and reviewing the complaints related to the accounting, internal accounting control, or other issues in connection with the audit.

Directors or senior officials can file the complaint on the above issues to the PPWSA Audit Committee or the Internal Auditor. The request for the confidential review may be made in compliance with the applicable Laws and Regulations.

The encouragement to report immoral or illegal acts

Directors and senior officials shall promote the PPWSA to adhere to the Code of Conduct and encourage employees to report the evidence of immoral or illegal acts to the department or competent officials of the PPWSA.

Insider trading

Directors and senior officials shall perform and adhere to the applicable Laws and Regulations and the bylaw and policy of trading PPWSA's shares.

Confidentiality

Directors and senior officials shall keep the PPWSA's confidential information that they know unless the PPWSA allows disclosing or is required by the applicable Laws and Regulations, the competent authority, or the competent court in the Kingdom of Cambodia.

The term "confidential information" consists of the non-public information that may be used by competitors or non-public information that affect the PPWSA or its customers if that information is disclosed.

Directors or senior officials shall discuss with the Director General or Chairman of the board of directors before disclosing that confidential information as per the Laws and Regulations.

Disclosure

Director and senior officials must clearly understand the procedures and review the PPWSA disclosure to do the press release, report, and disclosure document for filing to the regulators included the SERC, in compliance with the applicable Laws and Regulations, the guideline of the SERC, and the CSX.

On the other hand, the scope of roles and responsibilities of directors and senior officials, who have the power of directing or managing to file documents to SERC and/or the CSX or other public disclosure associated with the general business, the results, terms, and financial performance, shall discuss with directors, senior officials, and the relevant employees; and take the appropriate action for the procedure and the review of disclosure to ensure that the disclosures have been entirely, clearly, appropriately, timely and understandable.

In the scope of the procedure and the review of disclosing, the director and the senior official:

- shall clearly understand the PPWSA disclosure requirements, the business and financial operation of the PPWSA.
- shall not do the false statement or misrepresentation, regarding the PPWSA information, to others whether they are inside or outside the PPWSA, including the Independent Auditor, government's regulator, or other institutions.

Amendment and exemption

This Code of Conduct may be amended or exempted for not performing by the PPWSA board of directors regarding disclosure requirements and the applicable Laws and Regulations. In the general rule, the board of directors will not provide any exemption for not performing this Code of Conduct if there is no appropriate and necessary reason.

Directors and senior officials shall adhere to the content of this Code of Conduct. Directors and senior officials must understand this Code of Conduct and seek explanation and additional advice regarding the interpretation of this Code of Conduct when there is an event that may be conflicted with this Code of Conduct.

The board of directors shall take the appropriate action in the case of violating this Code of Conduct.

Directors and senior officials can directly ask the Director General in relating to the performance or interpretation of this Code of Conduct.

Effect

The PPWSA board of directors approved this Code of Conduct on February 15th, 2012, and it is effective since the PPWSA has received approval from the SERC on public offering and listed on the CSX.

C. General Shareholder Meeting

1. Procedures of General Shareholder Meeting and Voting

General Shareholder Meeting and Voting may be made in compliance with the applicable Laws and Regulations.

2. Information of the General Shareholder Meeting and voting

No.	Date	Type of Meeting	Quorums	Agendas	Resolutions
1	21 May 2021	Ordinary	118 shareholders (75,268,877 shares)	1. Report of the Annual Business Performance for 2020 2. The Annual Business Plan for 2021 3. Q & A 4. The voting program: <ul style="list-style-type: none">➢ Approval of the dividend distribution to shareholders for 2020.➢ Approval of the remuneration of the Board of Directors for 2021.	The voting results: <ul style="list-style-type: none">➢ Approve on the dividend distribution:<ul style="list-style-type: none">• Dividend per share: KHR262• Record date: 21 Apr 2021• Payment date: 01 June 2021.➢ Approve the remuneration for the seven BOD members and one State Controller amounting to KHR1,007,254,000 for 2021.

D. Dividend Distribution

1. Dividend Policy

After approving the accounting, if having profit, the Board of Directors of the PPWSA may decide to transfer money for:

- 1.1 Settlement of loss of the previous year;
- 1.2 After the settlement of loss of the previous year, if there is still any profit left, the board of Directors may use the profit for:
 - (a) Allocating the Management and employees as follows:
 - In case the profit is from 5% to 10% of the total annual operating expenses of the PPWSA, the allocation shall be equal to one (1) month of net salary to Management and each employee.
 - In case the profit is from 10% to 20% of the total annual operating expenses of the PPWSA, the allocation shall be equal to two (2) months of net salary to Management and each employee.
 - In case the profit is more than 20% of the total annual operating expenses of the PPWSA, the allocation shall be equal to three (3) months of net salary to Management and each employee.
 - (b) 2% of retirement benefit for the professional disabilities.
 - (c) Creating mandatory reserve: 5%
 - (d) Creating voluntary reserve: 5%
 - (e) 5% for the social fund shall be recorded as expenses in the year of the transaction.
- 1.3 After the above allocation, the remaining profits shall be:
 - (a) Kept for investment reserve as approved by the Board of Directors.
 - (b) The remainder of the investment reserve shall be distributed 85% to the Ministry of Economy and Finance and 15% to shareholders who are public investors.

2. Historical information of dividend distribution for the last three years

No.	Detail of Dividend Distribution	2020	2019	2018
1	Announcement date of dividend distribution	March 26, 2021	June 26, 2020	March 27, 2019
2	Record date	April 21, 2021	July 2, 2020	April 12, 2019
3	Dividend payment date	June 1, 2021	July 13, 2020	April 25, 2019

Part 2. Board of Director

A. Board of Director

1. Board Composition

No.	Name	Position	Date	Deadline
1	H.E. OUM Sotha	Board Director	25 February 2020	25 February 2023
2	H.E. Long Naro	Member	12 August 2021	25 February 2023
3	H.E. MEY Van	Member	25 February 2014	25 February 2023
4	H.E. NOUN Pharoth	Member	25 February 2014	25 February 2023
5	Mr. Ma Noravin	Member	25 February 2020	25 February 2023
6	Mr. Zhang Yun Feng	Non-Exicutive Director	20 February 2013	20 February 2022
7	Mr. OM Seng Bora	Independent Director	20 February 2013	20 February 2022

◆ PPWSA Secretary

- Mr. Chea satiphoit
- Mr. HUOT Sok Heng

2- Short biography of directors

- **H.E. OUM SOTHA**

Khmer, Khmer nationality, His Excellency was born on September 29, 1963. In 2005, he graduated with a Bachelor of Laws degree from the University of Law and Economics (Phnom Penh, Kingdom of Cambodia) and a Master of Laws degree from Chamroeun University of Technology (Phnom Penh, Kingdom of Cambodia) in 2008. From 2014 to 2018, His Excellency is the Undersecretary of State and has been promoted to Secretary of State of the Ministry of Industry and Handicrafts until now. His Excellency Oum Sotha is the Chairman of the Board of Directors of the 7th mandate of PPWSA from February 25, 2020 to the present.

- **H.E. MEY VANN**

Khmer, Khmer nationality, His Excellency was born on October 6, 1969 and graduated with a Master of Economic Policy from the University of D'Auvergne, France in 1999. He graduated with a PhD in Business Economics from PRESTON University, USA in 2009. His Excellency is the Director General of the General Department of Financial Industry at the Ministry of Economy and Finance. His Excellency Mey Van is a member of the Board of Directors of the 5th Mandate of Phnom Penh Water Supply Authority from February 24, 2014 to the present.

- **H.E. LONG NARO**

Khmer, Khmer nationality, His Excellency was born on February 24, 1966. From 1984 to 1988 He was studied at Engineering School for Plan and Construction "Georgi Dimitroff" Glauchau (East Germany) and received Mechanical Engineer certificate. In 2004 he was graduated with Master degree of Business administration from the Charles Sturt University (Australia University). H.E LONG NARO, started working at PPWSA in 1989 and was promoted as the Director of Technical Production and Distribution Department in 1997. From

2002 to 2006 was promoted as Deputy Director in charge of Controlling and Managing the Chroy Changva and Niroth water treatment plant construction. From 2012 to August 12, 2021 was a Deputy director general in charge of Sanitation and Branch, and from August 12 to the present is Director General of PPWSA.

- **H.E. NOUN PHARATH**

Khmer, Khmer nationality, His Excellency was born on January 1, 1980 and graduated with Bachelor of Laws in Public and Private Sector in 2001 at the Royal University of Law and Economics. At Jean Moulin Lyon3, he graduated with a Master Degree in Judicial and Criminal Science and a Bachelor of Laws in 2003. From 2003 to 2005, he was the Assistant Director at the Royal School of Judges. From 2005 to 2006, he was the officer in charge of International Relations at the Royal Academy of Judicial Professions. From 2006 to 2008, he was a professor of law at three universities. From 2008 to 2015, he was the Chief Legal Officer of the Office of the Investigating Judge at the Extraordinary Chambers in the Courts of Cambodia. From 2007 to present, he is a member of the Council of Jurists at the Office of the Council of Ministers. From 17/06/2017 to the present, His Excellency is the Deputy Governor of Phnom Penh Municipality. H.E. Nuon Pharath is the member of the Board of Directors of the 6th Mandate of Phnom Penh Water Supply Authority from August 18, 2017 to the present.

- **Mr. MA NORAVIN**

Khmer, Khmer nationality, born on June 15, 1973. In 1996, he graduated with a bachelor's degree in hydrology from the Institute of Technology of Cambodia. Then in 2008 he received a master's degree in Socio-Environmental Engineering in Japan. He joined the PPWSA. In 1997, he was appointed Director of the Office of Project Studies in 2003. In 2008, he was appointed Deputy Director of the Department of Production and Water Supply, and from 2012 to the present, he is the Director of the Department of Production and Water Supply. He became a member of the Board of Directors of the 7th mandate of PPWSA. From February 24, 2020 to the present.

- **Mr. ZHANG YUN FENG**

Chinese, Khmer, born in 1971. In 1995, he graduated with a bachelor's degree in chemistry from the Technical University of Talan. From 2003-2008, he was the General Manager of Cambodia of China State Farms Group. From 2008-2010, he was the Chairman of the Board of Union Resource Investment Group Co., Ltd. From 2010 to present, he was the Chairman of the Board of Directors of Golden Fortune (Cambodia) Securities Plc / Golden Fortune Investment Group Co., Ltd / Golden Fortune Real Estate Co., Ltd and Golden Fortune Mining Investment Co., Ltd. He is a member of the Board of Directors (Non-Executive Governor, Representative of Private Shareholders) for the 5th mandate of Phnom Penh Water Supply Authority from February 20, 2013 to the present.

- **Mr. OM SENGBORA**

Khmer, Khmer nationality, born in 1977. He holds a Bachelor's degree in Accounting Management, a Master's degree in Business Administration and an honorary doctorate in Business Administration. From 2004 to 2009, he was the General Director of Vision Fund Cambodia. From 2006 to 2009 he was a member of the Cambodian Microfinance Association. He is currently the CEO of Garuna Fund and Investment Coordinator of HG

Capital Partners and Blue Energy Partners. He is the Chairman of the Board of Aplus Consulting. He is the Chairman of the Board of

Directors of the Aplus School For Professionals Development Center, CEO and Entrepreneur. He is a member of the Independent Board of Directors of AEON Microfinance. He is a member of the Board of Directors (Independent Governor) of the 5th mandate of the Phnom Penh Water Supply Authority from February 20, 2013 to the present.

3. If Any Director is Director, Shareholders or Co-owner of Other Company

PPWSA does not have any director is director, shareholders or co-owner of other company.

4. Board Roles, Duties, and Responsibilities and Performance

- ✓ Define enterprise development projects in accordance with the guidelines set by the Royal Government according to the request of the Director General
- ✓ Define annual budgets and investment programs, as well as reserve financing for investment programs. Approve accounting statements (financial statements and detailed results report)
- ✓ Define the organizational structure, number of frameworks, division of general functions and salaries of employees at the request of the Director General
- ✓ Allow to open or decide to close the activities of the agency or representative office
- ✓ Allow the purchase of all types of real estate in accordance with Prakas No. 997 MEFORT dated 25 December 1997 on procurement management in public enterprises
- ✓ Select the account commissioner and determine the bonus to the account commissioner
- ✓ Decide on other contracts or treaties
- ✓ Regularly review the objectives set for the enterprise and take corrective
- ✓ measures on requests for amendments to the statute.

5- Board Meetings

Performance of the Board of Directors

In 2021, the Board of Directors organized the 5 following meetings:

B. Outcomes of the 6th ordinary meeting of the Board of Directors

The meeting was held online via Zoom on March 26, 2021 at 8:30 AM with the following agendas:

1. Request for approval on Annual Report 2020 and on distribution of profit and dividend.

The Board of Directors decided:

- d) Unanimously adopted the proposed allocations of net income in 2020, where:
 - Reward to staff (3months) :KHR 7,418,941,887
 - Social Fund (5%) :KHR 2,328,556,305.33
 - Mandatory reserved fund (5%) :KHR 4,417,592,250.00
 - Voluntary reserved fund (5%) :KHR 4,417,592,250.00
- e) Unanimously adopted the retained earnings :KHR 56,729,692,056
- f) Total dividend to be distributed :KHR 22,786,868,444
 - Dividend yield :4.10%
 - Dividend per share :KHR 262/share
 - Dividend payout ratio :25.79%
 - Record date :21 April 2021
 - Payment date :01 to 07 June 2021

2. Request for approval on the organization of the 9th General Meeting of Shareholders.

The Board adopted the following settings:

- Date of the 9th General Meeting of Shareholders (GMS): JUNE 21, 2021 at 8:00 AM
- The 9th GMS including the voting session will be organized via Online meeting
- The proposed agendas of the GMS are:
 - Registration (possibly online)
 - Opening call
 - Presentation on the Annual Business
 - Voting on the approval on dividend
 - Voting of bonus of Board Director
 - Closing remarks
- Authorize Mr. Ros Kimleang, Deputy Director, deliver the presentation on the Annual Business Report 2020 and Business Plan
- Authorize the Director General to organize and conduct the 9th GMS.

3. Request for approval on the outcome of the survey among shareholder employees of PPWSA who subscribed PPWSA's shares during IPO stage.

The Board decided:

- The solution shall be based on each employee's request – NOT based on the majority voices.
- The resolution shall be implemented at PPWSA level, requesting for recommendations from the Ministry of Economy and Finance. If necessary, PPWSA can request for comments and confirmations from the Securities Exchange Regulator of Cambodia.

4. Request for approval on the budget for backfilling land property of 25 hectares at Tamoak Lake.

The Board agreed in principle to the proposed backfilling to construct the dam border surrounding the land taking into account the procurement procedure, possible budget and the request for the land title.

5. Request for comments on the SECC's recommendation regarding the nomination of an additional company secretary as set out in SECC's Prakas No. 011/18 SECC.

The Board approved in principle to allow PPWSA to nominate an additional company secretary.

6. Business Report for the 1st quarter of 2021 and Business Plan for the 2nd quarter of 2021

The Board acknowledged the Business Report for the 1st quarter of 2021 and Business Plan for the 2nd quarter of 2021.

7. Internal Audit Report for the 1st quarter of 2021

The Board acknowledged and agreed to the internal Audit Report for the 1st quarter of 2021.

8. Procurement Report for the end of 2020 and for the 1st quarter of 2021

The Board approved the Procurement Report for the end of 2020 and for the 1st quarter of 2021.

9. Report on the Social Fund for the end of 2020 and for the 1st quarter of 2021

The Board acknowledge the Social Fund Report for the end of 2020 and for the 1st quarter of 2021 as well as approved 5 requests for expenses.

10. Others:

- a) Report on negotiation of terms and conditions of the employment contract with Dr. Chea Visoth

The Board approved to nullify the decision of the Board for the 7th mandate in its 5th meeting, on Dec 18, 2020, adopting Dr. Chea Visoth as advisor to PPWSA's Board of Director due to the following reasons:

- 1) The negotiation did not reach an agreement.
 - 2) Based on the PPWSA Personnel statute, there is no such position of advisor to the Board.
 - 3) The Board approved in principle to allow PPWSA to nominate an additional Company Secretary as mentioned in Agenda 5 above.
- b) Request for review and discussion on the composition of the Nomination and Remuneration Committee created under the Board decision No. 004

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The Board requested PPWSA to have further study in order to collect comprehensive information as a basic for giving comments in the next meeting to amend the above decision No. 004 ក្រុំប្រឹក្សា ស.ស.វ.

The meeting was held online via Zoom on June 25, 2021 at 9:30 AM with the following agendas:

1. Request for approval on nomination of one company secretary and three senior staff.
The Board approved on the Nomination and Remuneration Committee's request for nominating two senior staff:
 - 1) Mr. CHOU Phalla as Director of Water and Sanitation Service
Branch
 - 2) Mr. DENG Polyden as Director of Accounting and Finance
2. Request for approval on the revision of the Nomination and Remuneration Committee in accordance with SECC's PRAKAS No.011/18 SECC.

The Board approved to abrogate Decisions No.004 ក្រុំប្រឹក្សា/ស.ស.វ and No.009 ក្រុំប្រឹក្សា/ស.ស.វ .ភីភី as well as to establish the Nomination Remuneration Committee with 5 members as follow:

- | | | | |
|----|-------------------|---------------------------|-----------|
| 1) | H.E OUM Sotha | Board Chairman | Chair |
| 2) | H.E MEY Vann | Board Member | Member |
| 3) | H.E NUON Pharoeth | Board Member | Member |
| 4) | H.E SIM Sitha | Director General of PPWSA | Member |
| 5) | Company Secretary | | Secretary |
3. Report on the Social Fund for the 2nd quarter and request for approval on the budget expenditure for the 3rd quarter of 2021
The Board totally agreed to the Social Fund Report for the 2nd quarter of 2021 as well as approved 2 requests for an estimated expense of USD87,497.95.
 4. Procurement Report for the 2nd quarter of 2021 and request for approval on the revision of procurement plan for the 2nd semester of 2021
The Board totally agreed to the Procurement Report for the 2nd quarter of 2021, and approved the revision of the Procurement Plan for the 2nd Semester of 2021.

5. Request for the recommendation on the action plan for recruiting the Independent Director and Non-Executive Director representing private shareholders.

The Board agreed in principle to the proposed Action Plan for recruiting the directors and recommended PPWSA to make a request for SECC's understanding in case of any delay due to the realistic and material implications as well as keep striving to follow the prescribed procedures.

6. Report on the impact of backfilling undertaken by OCIC for Koh Norea development project on PPWSA's water supply system and water service to Phnom Penh residents.

The Board agreed to the report and advised PPWSA to make a separate report to the parent ministries on the outcome of the project implementation for the construction of Koh Norea's water intake in accordance with the proposed recommendation.

7. Business Report for the 2nd quarter of 2021 and Business Plan for the 3rd quarter of 2021

The Board totally agreed to the Business Report for the 2nd quarter of 2021 and Business Plan for the 3rd quarter of 2021.

8. Internal Audit Report for the 2nd quarter of 2021

The Board acknowledged the Internal Audit Report for the 2nd quarter of 2021 and agreed to the audit team's request for postponing the surprise audit to next year.

9. Others:

- a) Guideline on the dividend allocation to the shareholder
- b) Case of implementation on the record date of dividend allocation in 2020 of PPWSA
- c) Report of annual dividend allocation in 2020 of PPWSA
- d) Case of PPWSA Exemption for Dividend Payment for 2019 and 2020 to the Ministry of Economy and Finance

The Board acknowledged all the above reports.

C. Outcomes of the first extraordinary meeting (the 8th meeting) of the Board of Directors

The meeting was held online via Zoom on August 03, 2021 at 16:00 with the following agendas:

1. Request for in-principle approval on the feasibility study for the water supply of Prey Kub Construction Co., Ltd at 3 Sangkats in Khan Prek Phnov, Phnom Penh and 8 communes in Ponhea Leu district, Kandal province.

The Board agreed in principle to allow PPWSA to conduct a feasibility study for the water supply of Prey Kub Construction Co., Ltd. at 3 Sangkats in Khan Prek Pnov, Phnom Penh and 8 communes in Ponhea Leu district, Kandal province.

2. The update on the request for in-principle approval on the nomination of one company secretary and one senior staff.

The Board unanimously agreed to nominate:

- 1) Mr. CHEA Satephoat as Company Secretary with equal rank to Deputy Director General
- 2) Mr. OU Kunavath as Director of Project and Planning

3. Progress Report on the construction project for Takmao Water Treatment Plant, under the Japanese grant in the form of Special Purpose Company (SPC).

The Board acknowledged the report.

D. Outcomes of the 9th ordinary meeting of the Board of Directors

The meeting was held online via Zoom on September 27, 2021 at 8:30 AM with the following agendas:

1. Request for approval on the update of composition of various committees of PPWSA.

The Board of Director approved to:

- 1) Update the composition of the Procurement Committee by nominating:
 - H.E. LONG Naro as the Chair
 - Mrs. SIM Voleka, Head of Procurement Unit, as Secretary
 - 2) Update the composition of the Commission for Liquidation and Sales of State-Owned Property by nominating H.E. LONG Naro as the Chair.
2. Request for in-principle approval on the disposal of damaged fixed assets and provision of obsolete or damaged inventory in 2021, to be submitted to the Ministry of Economy and Finance for in-principle approval on write-off.

The Board agreed in principle to the proposed write-off, and requested the Ministry of Economy and Finance to evaluate and auction the fixed assets and inventory in compliance with the present procedures.
 3. Business Report 2021 (8 months actual and 4 months estimate) and request for approval on Business and Investment Plan 2022.

The Board totally agreed to the result of Business Report 2021 (8 months actual and 4 months estimate) and unanimously adopted all the requests raised in the 2022 plan, and approved one-step salary increase for PPWSA's staff of the 4 cadres.
 4. Procurement Report for the 3rd quarter of 2021 and request for approval on Procurement Plan 2022.

The Board totally adopted the Procurement Report for the 3rd quarter of 2021 and the Procurement Plan 2022.
 5. Report on Social Fund for the 3rd quarter of 2021 and request for approval on the Social Fund Plan 2022.

The Board adopted the Social Fund Report for the 3rd quarter of 2021 and the 2 requests of the expenditure plan for the 4th quarter of 2021 as well as the Social Fund Budget Plan 2022.
 6. Report on the feasibility study for Phum Prek Water Supply Rehabilitation and Expansion Project, and request for approval on the take-off price for bulk water sales to PPWSA.

The Board backed up the outcome of the study and approved the proposed off-take price of KHR350/m³.
 7. Report on Internal Audit for the 3rd quarter of 2021.

The Board totally agreed to the Internal Audit Report for the 3rd quarter of 2021.
 8. Report on the feasibility study for the water supply of Prey Kub Construction Co., Ltd. at 3 Sangkats in Khan Prek Phnov, Phnom Penh and 8 communes in Ponhea Leu district, Kandal province.

The Board acknowledged the report and are ready to ask for recommendations from the 2 parent ministries' leaders; and PPWSA shall prepare documents and aid memoires for a possible high-level meeting in the future.
 9. Report on the discussion and recommendations from Securities and Exchange Regulator of Cambodia (SERC) on the guideline and procedure for recruitment of Independent Director and Non-Executive Director representing private shareholders.

10. Other

- The Board agreed in principle that PPWSA should propose an amendment to Sub-decree No.52 អនក្រឹត្យលេខ ៥២ and make a request to Ministry of Industry, Science, Technology and Innovation to issue Prakas on permanent water licensing in accordance with Sub-decree No.52 អនក្រឹត្យលេខ ៥២.

- The Board backed up all the 3 items declared by the Chairman, and agreed to authorize PPWSA to keep working with Cambodia Airport Investment Co., Ltd (CAIC) in conformity with the procedure as well as to speed up this work and quickly hold a technical meeting, which leads to a study; and then report to the Board in a next meeting.

- June 24, 2022 is for the 2nd quarter's meeting.
 - September 23, 2022 is for the 3rd quarter's meeting.
 - December 23, 2022 is for the 4th quarter's meeting.
5. Request for approval on resumption of the implementation of Boeng Thom water supply project under the Japanese grant aid.
The Board backed up and approved the resumption of the implementation of Boeng Thom water supply project under the Japanese grant aid, suggesting that PPWSA manage to quickly carry on the procedure to get the grant aid, and make a separate report to the Ministry of Industry, Science, Technology and Innovation.
 6. Business Report 2021 (10 months actual and 2 months estimate), and plan for the 1st quarter of 2022
The Board totally agreed to the Business Report 2021 (10 months actual and 2 months estimate), and plan for the 1st quarter of 2022.
 7. Procurement Report for the 4th quarter of 2021.
The Board totally agreed to the Procurement Report for the 4th quarter of 2021.
 8. Report on Social Fund for the 4th quarter of 2021.
The Board totally agreed to the Report on Social Fund for the 4th quarter of 2021, and approved the 1st and 2nd proposals worth KHR 541,500,000. For the 3rd proposal, the Board approved a donation of KHR100,000,000 instead of the request for a temporary loan, which did not comply with the applicable procedure.
 9. Report on Internal Audit for the 4th quarter of 2021
The Board acknowledged the report and suggested the Internal Audit follow the recommendations raised.
 10. Report on the Study for the 3rd Master Plan (2021-2030) Updates under the Japanese grant aid.
The Board acknowledged the report.
 11. Preliminary report on the request for water supply at the new Phnom Penh International Airport and the surrounding development areas of a sub-city.
The Board backed PPWSA up on the preparation for bulk water supply to Cambodia Airport Investment Co., Ltd (CAIC) covering the cost for investment in network installation from water meter to the project site; and PPWSA shall ask in advance for more recommendations from the tutelary ministries' leaders. In case there is any change in the approved principles, the Board will follow it.
 12. Others
 - a) Request for recommendations on how to request for the land lot at Boeng Thom for the construction of a water treatment plant (WTP).
The Board acknowledged the information and advised PPWSA to follow the recommendations raised.
 - b) Backfilling PPWSA's land property at Tamoak Lake.
The Board agreed and backed up the proposed enlargement of crest width of the dike fencing the land property at Tamoak Lake using the existing investment budget as well as allowed PPWSA to backfill there.
 - c) Report on the survey of house owners reselling water to tenant workers and students in Phnom Penh and Takmao.

The Boards acknowledged the report, and advised PPWSA to carry on this work as planned.

- d) Request for recommendations on the exchange of land portion at Niroth WTP.

The Board acknowledged the report, and advised PPWSA to reconsider and re-submit this matter in a Board meeting later if necessary.

B. Board Committees

1. Board Committee Structure

1.1. Audit Committee

No	Name	Position	Appointing Date	Number of Attending the Meeting	Total Number of Meetings
1	Mr. Om Sengbora	Member of the BoD- Independent Director	02-April-2020	5	5
2	H.E. Mey Vann	Member of the BoD	02-April-2020	5	5
3	Mr. Zhang Yun Feng	Member of the BoD	02-April-2020	5	5
4	H.E. Neth Mony	State Controller of PPWSA	02-April-2020	5	5
5	Mr. Ma Noravin	Member of the BoD	02-April-2020	5	5

Roles and Responsibilities of Audit Committee

- Review financial reports
- Check the internal control
- Review of internal audit
- Examine the external audit
- Review risk management in case there is no risk management committee
- Report to the Board of Directors
- Perform other duties as determined by the Board.

Results of Audit Committee Performance

- Defining risk priorities (high, medium and low) included in the report summary for easy review and follow-up.
- Approve the negotiation of the audit price for 2020 and the audit selection for the construction project of Chamkar Mon Water Treatment Plant and Water Distribution System and proposed to be included in the agenda of the Board of Directors for further review and approval.
- Approve the extension of the mandate to appoint PPWSA Internal Auditor. And request the Board to review and decide.
- Agreed on all points in response to the questionnaire evaluating the corporate governance practices of the issuer related to the work of the internal audit.

- Review risk management during quarterly inspections related to the spread of Covid-19 disease.
- Review and approved the working conditions, provided audit services and checked the financial statements for 2021 and the working conditions (Term of Reference) and the letter of approval (No Objection Letter) for the Bak Kheng project pending approval from the French Agency for Development. (AFD).
- In preparing the annual plan, the Audit Committee requires an annual plan.
- Surprise audit.

1.2. Nomination and Remuneration Committee

No	Name	Position	Appointing Date	Number of Attending the Meeting	Total Number of Meetings
1	H.E OUM Sotha	Chairman	09 July 2020	2	2
2	H.E MEY Van	Member	09 July 2020	2	2
3	H.E NOUN Pharoath	Member	09 July 2020	2	2
4	Director General of PPWSA	Member	09 July 2020	2	2
5	Corporate secretary	Secretary	09 July 2020	2	2

Roles and Responsibilities of Nomination and Remuneration Committee

- Review and make recommendations on the conditions, qualifications and procedures for selecting candidates for directors and senior officers.
- Evaluate the candidacy for directors and senior officers to submit to the Board of Directors.
- Review and update the mechanism and evaluate the efficiency of the Board of Directors, directors and Committees at least once a year
- Prepare procedures for reviewing and recommending Nomination or Remuneration for directors and senior officers.
- Perform other duties as determined by the Board of Directors.

Results of Nomination and Remuneration Committee Performance

- On 25 June 2021, the Committee convened a meeting to discuss a request for nomination of the following senior staff:

1- Mr Chea Satiphot	as Company secretary
2- Mr. Chou Phalla	as Director of Department of Water and Sanitation Service Branch
3- Mr. OU Kunawath	as Commercial Director
4- Mr DENG polyden	as Director of Accounting and Finance Department
- On 24 December 2021, the Committee convened a meeting to discuss on the requirement and qualification of candidacy of Independent Director and Non-Executive Director representing Private Shareholders.

2. Changes of Committee Member

Committees	Name	Reasons
Nomination and Remuneration	1- H.E. Long Naro (Member)	His Excellency was appointed as the member of the Board of Directors of the 7th Mandate instead of H.E. Sim Sitha retired.

C. Remuneration or Compensation

1- Brief Policies of Remuneration or Compensation for Directors and Senior Officers

PPWSA has been preparing and developing a summary policy on Remuneration or Compensation for Directors and Senior Officers.

2- Remuneration and Compensation Receivers

N.	Remuneration and Compensation Receivers	Remuneration and Compensation Amount (KHR'000)	Other
1	Directors	905,110	
2	Executive Directors	806,135	
3	Senior Officers	1,326,828	
4	Top 7 Employees receiving Remuneration and Compensation Receivers	1,300,005	

D. Annual Performance Evaluation of Board of Directors, Directors

In 2021, PPWSA does not performance evaluation of board of directors, directors.

E. Training for Directors and Senior Officers

In 2021, PPWSA does not training for directors and senior officers.

Part3. Code of Business Conducts Practices

A. Code of Business Conducts Practices for Director and Senior Officers Policies

▪ Conflict of Interest

A conflict of interest, in general, arises when the interest of directors or senior officials or their family members are directly related to or may severely affect to:

(a) the enterprise's interest or business.

(b) the abilities of other directors or senior officials in performing their roles and responsibilities.

Directors and senior officials shall disclose to the PPWSA board of directors and publicly disclose transactions or relations that lead to the conflict of interest with the enterprise, as determined by the Securities and Exchange Regulator of Cambodia (SERC).

▪ Honest competition

In fulfilling their roles and responsibilities, the director and senior staff must have equality in relationships with customers, suppliers, competitors, contractors and employees of the PPWSA.

The use of confidential information about the PPWSA's business secrets or the persuasion of former and current corporate governors, employees and employees of the PPWSA to leak such information is strictly prohibited.

Directors and senior staff must perform their roles and responsibilities in good faith and for the benefit of the PPWSA and all shareholders of the company. Managers and senior staff must not take advantage of their position as directors or senior staff and must not accept any gifts from clients due to their position as directors or senior staff.

- **Confidentiality**

Directors and senior officials shall keep the PPWSA's confidential information that they know unless the PPWSA allows disclosing or is required by the applicable Laws and Regulations, the competent authority, or the competent court in the Kingdom of Cambodia.

- **The use of enterprise's assets**

While performing their roles and responsibilities, directors and senior officials shall promote the control and proper use of PPWSA's assets, tangible and intangible assets.

PPWSA's assets are information, material, equipment, intellectual property, tool, resource, IT system, and other assets which the PPWSA owns or the leased assets or assets held by the PPWSA are used for the enterprise's legal business.

- **Laws and regulations related to labor and related fields to be implemented.**

Directors and senior officials shall perform and adhere to the applicable Laws and Regulations and the bylaw and policy of trading PPWSA's shares. If any director or senior official knows the information that he or she believes the PPWSA, the senior director or senior staff or employee has violated the applicable laws and regulations, the known director or senior staff shall provide this information to the Director General, Chairman of the Board, Chairman of the Board. Audit Committee or Internal Audit Committee.

Considering that the code of conduct as summarized above has been in place for more than 10 years, PPWSA has hired a team of lawyers to review and update the code in response to the Prakas. And regulations in force in order to ensure the effective implementation of its corporate governance.

B. Publishing of Code of Business Conducts Practices to director and senior staff and employees

None

C. Mechanisms and Procedures to Assess Code of Business Conducts Practices

None

D. Related Parties Transactions

1- Listed securities policy for transaction management with stakeholders

No	Related Parties	Policies
1	Holding Company	None
2	Mixed Investment Agreement	None
3	Subsidiaries	None
4	Excessive and overwhelming majority of shareholders holding the right to vote	None
5	Director and members of the director's own family	None
6	Employees and family members of employees	None
7	Others	None

2- Significant transaction with stakeholders

None

Part 4. Risk Management, Internal Control and Auditing

A. Brief Risk Management System or Risk Management Policies

The enterprise does not have a risk management system, but according to the risk auditors' views, the enterprise always only include risk factors to the Board for recommendation and solutions. In 2021, the enterprise monitors and manages the following risk factors:

1. Decreasing in water consumption from big customers affected the water tariff and customers' delay in payment of water bills has brought about the effect on the cash flow of PPWSA.
2. Covid-19 crisis led the government of the Czech Republic to suspend the implementation of Boeung Thom Water Supply Project with a capacity of 5,000m³/day and The supply for equipment and machinery served for the construction of Bakheng water supply project has been delayed due to the difficulty in sea transportation for some suppliers' countries.
3. The growth in the economy of Phnom Penh and Takhmau City has led to the convergence of people into the city that brought the considerable increase in water demand. This has constituted the challenge to water shortage for distribution to suburb areas of the city, especially in Peak hours. Water level at Mekong River Sap River and Bassak River has experienced significant drops for five consecutive years due to climate change which affected the insufficient pumping capacity as well as the cost of electricity to increase when pumping.
4. Impact on the water treatment process of Niroth Water Treatment Plant which makes it impossible for the production process to reach a full capacity of 260,000m³/day.
5. The network is expanding in the suburbs and the water supply coverage area of PPWSA is expanding day by day with insufficient water pressure due to customer complaints.
6. The number of leakages is largely attributable to the material factor on the house connection with the diameter from 25mm to 32mm which was installed in 1998 to 2000. As the solution, review the quality of this material and change high quality new materials to reduce further leakage.

7. Poly Aluminum Chloride (PAC) and Refined Salt for production of Hypochlorite for Disinfection of Drinking Water are original made in China. Due to the cause in 2021, there are a global epidemic of covid-19 which raised production concerns and delivery have been delayed, those cases are affecting to production process of PPWSA. For the Processing of Procurement Plan 2021 we have our bidding opened on 11th August 2021 and Samples have to be sent to SGS Laboratories in China. Due to covid-19 spreaded to worldwide all packages which are chemistry products including PAC's samples had been blocked by General Administration of Customs China. This policy affecting procurement contract's signing and goods' supply delayed.

PWSA Board of Directors established the Risk Management Committee in April 2015 and decided to dissolve it at the 12th meeting of the 6th mandate on 11 July 2019, based on Article 24 of the Prokas No. 011/18 ค.ย.น / จ.น dated 19 December 2018 on Corporate Governance for the newly issued public offering company.

B- Brief Internal Control System

Internal Control is the process by the Board of Director, Audit Committee, Internal Audit, External Audit, Managers, and staff. Its purpose is to ensure the efficiency, accuracy of operations and reliability of reporting, compliance with applicable law and regulations, and assets safeguard as well as the proper governance of the enterprise. In order to be successful, internal control should be included: Management environment, Risk assessment, Control activities, Information and communication, and monitoring activities.

Base on the 2021 plan on compliance and operation for the year 2020 with approval of the chairman of the Audit committee, date 28 September 2020 in which:

1. Planning and Project Department (First Quarter)
 2. Accounting and Finance Department (Second Quarter)
 3. Administration and Human Resource Department (Third Quarter)
- + Refer to 028 L.S date 24 June 2021 on the request for approval by the chairman of audit committee to request the permission not to inspect (Surprise Audit) in third quarter due to the outbreak of covid-19 requiring a distance of 1 meter to 1.5 meters between each other during the work.
4. Commercial Department (Fourth Quarter)

C. Auditing

1- Internal Audit

1.1- Roles and Responsibilities of Internal Auditors

- Prepare an annual internal audit plans to be submitted to the Audit Committee.
- Prepare annual and strategic internal audit plans to be submitted to the National Audit Authority, and Internal Audit General Department of the Ministry of Economy and Finance.
- Review all the procedures and policies as well as the applicable specification for recommendations.
- Define the appropriateness, adequacy and better inputs to the internal control system and the operations of PPWSA

- Review the confidentiality of compliance and operation by department/unit as well as the methods to identify, measure, classify and report all the information.
- Review the quarterly and annual audit and ask the relevant unit for recommendations to be submitted to the Audit Committee, the Board, the National Audit Authority, and the Internal Audit General Department of the Ministry of Economy and Finance, or relevant ministries.
- Review the current system to ensure consistency with the laws and regulations in terms of operations and reports.
- Re-assess the management, maintenance, protection and verification of the assets, and evaluate the resources savings and efficiency, as well as improve the performance and give recommendations.
- Conduct a study and analysis on risks and seek recommendations from the Audit Committee and the Board.
- Implement other tasks assigned by the management.

1.2- New Appointment and Removal/Resignation of head and/or Deputy of Internal Auditors

There are no such transaction.

1.3- Appointment of head and/or Deputy of Internal Auditors

No	Name	Date of appointment	Cause
1	Mr. Uch Seyhor	07 April 2021	Promotion's request Letter from Chief of Office to Deputy of Internal Audit

2- External Auditors

N.	Name of Audit Firms	Agreement Date	Auditing Fees		Non-audit Fees
			KHR	USD	
1	BAKER TILLY (CAMBODIA) CO.,ITD	26-Jan-2021	170,000,000		

The reasons for the change, suspension and termination of the audit service provider in the securities sector are non-existent.

Part 5. Stakeholders

A. Identify Policies and Activities Related to the Following:

No	Contents	Policies	Actions
1	Customer Welfare	- Provide services and provide clean water to customers, guaranteed by national and world standards	
2	Suppliers and Subcontractors Selection	- Comply with procurement procedures (Public Procurement Law of the Kingdom of Cambodia)	
3	Management and Protection of Employees	- Labor Law - Staff and Enterprise Statute - Employment contract - Internal regulations - Discipline	
4	Environment Protection	- In accordance with the policy of the Royal Government, especially the Ministry of Environment on environmental considerations and protection	
5	Community Interaction	- Expand the service area to the community according to the actual possibilities	
6	Creditors' Rights Protection	- Guaranteed by the Royal Government	
7	Anti Corruption Program	- Carry out business with customers in a transparent manner	

B. Describe the Corporate Social Responsibilities of PPWSA

No	Beneficiaries	Amount	Purposes of CSR
1	communities and Low-income resident	KHR 311,042,250	In 2021 implemented the subsidy policy for 1,162 connections by the PPWSA budget.

Part 6. Disclosure and Transparency

A. Identify the Following Information in the Annual Report:

No	Information	Yes/No
1	Visions/ Missions/ Objectives	Yes
2	Financial Indicator	Yes
3	Non-financial Indicator	Yes
4	Main Risk Factors	Yes
5	Dividend Policy	Yes
6	Biography of Directors	Yes
7	Training for Directors	No
8	Number of Board Meeting	Yes
9	Attendance of Directors in Board Meetings	Yes
10	Remuneration or Compensation for Directors and Senior Officers	Yes

B. The mechanism of disclosure including means, procedures, and responsible person in charge of disclosure

Mr. Ros Kimleang, the Deputy Director General in charge of Finance and Securities Exchange, was officially appointed as the Responsible Disclosure Officer, having the assistance of the Securities Exchange and Investor Relation Office of Accounting and Finance Department to disclose the PPWSA information to the public.

The quarterly and annual reports are drafted by the Deputy Head of Accounting and Finance Department in charge of Accounting and requested for approval of the board of directors and followed by submitting these reports to the SERC through the Securities Exchange and Investor Relation Office to file these reports and request to disclose to the public, after reviewing by the Deputy Head of Accounting and Finance Department in charge of Finance and Securities Exchange and Investor Relation Office and approving by the Responsible Disclosure Officer. After approval by the SERC, the Securities Exchange and Investor Relation Office shall send these reports to the Planning and Foreign Project Office of the Planning and Project Department to publicly disclose the PPWSA website.

The Securities Exchange and Investor Relation Office shall submit the special disclosure and requested disclosure, reviewed by the Deputy Head of Accounting and Finance Department in charge of Finance and the Securities Exchange and Investor Relation Office, the Responsible Disclosure Officer, and approved by the PPWSA Director General, to the SERC. After the approval by the SERC on the submitted disclosure, the Securities Exchange and Investor Relation Office shall send these reports to the Planning and Foreign Project Office of the Planning and Project Department to publicly disclose on the PPWSA's website.

Regarding timely disclosure and voluntary disclosure, the Securities Exchange and Investor Relation Office shall submit these disclosures to the CSX through the CSX electronic disclosure system, after reviewing by the Deputy Head of Accounting and Finance Department in charge of Finance and Securities Exchange and Investor Relation Office and approving by the Responsible Disclosure Officer. After the approval of CSX on the submitted disclosure, the Securities Exchange and Investor Relation Office shall send these reports to the Planning and Foreign Project Office of the Planning and Project Department to publicly disclose on the PPWSA's website.

C. Investor Relations

1. Mechanism and procedures for the Investor Relations

The PPWSA communicated with investors through the Transfer and Paying Agent of the PPWSA to inform the annual dividend distribution and the general shareholder meeting. The Investor who wishes to understand the PPWSA shall directly request the PPWSA or through their securities firms to conduct the meeting as per investors' request.

Besides the above mechanisms, investors could directly contact the Responsible Disclosure Officer and the Securities Exchange and Investor Relation Office as follows:

- The Responsible Disclosure Officer: Ros_Kim_Leang@ppwsa.com.kh; or
- The Securities Exchange and Investor Relation Office: Ckakada@ppwsa.com.kh or ir@ppwsa.com.kh

2. Investor relations in 2021

In 2021, the PPWSA contacted its investors through ACLEDA Bank, Plc. to inform the dividend distribution for 2020 and the 9th general shareholder meeting.



PHNOM PENH WATER SUPPLY AUTHORITY (PPWSA)



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