

**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 E/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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Registration No. Co.0839 E/2012

**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**

	<b>KHR'000</b>
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:

	<b>KHR'000</b>
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**  
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**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.

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**PHNOM PENH WATER SUPPLY AUTHORITY**  
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**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.

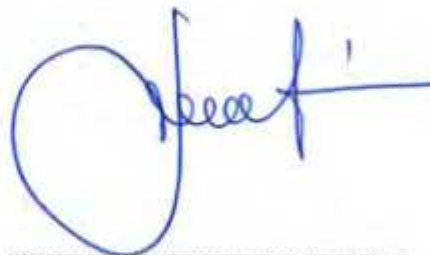
#### APPROVAL OF THE FINANCIAL STATEMENTS

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
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	1,893,864,619	1,573,602,099
Intangible assets	6	12,530,278	13,083,204
<b>Total non-current assets</b>		<u>1,906,394,897</u>	<u>1,586,685,303</u>
<b>Current assets</b>			
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
<b>Total current assets</b>		<u>400,411,277</u>	<u>277,932,837</u>
<b>TOTAL ASSETS</b>		<u>2,306,806,174</u>	<u>1,864,618,140</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the PPWSA</b>			
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
<b>TOTAL EQUITY</b>		<u>1,166,628,213</u>	<u>982,052,657</u>
<b>Non-current liabilities</b>			
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
<b>Total non-current liabilities</b>		<u>948,925,308</u>	<u>663,812,989</u>

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**PHNOM PENH WATER SUPPLY AUTHORITY**  
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**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2021 (CONTINUED)**

		<b>2021</b>	<b>2020</b>
	<b>Note</b>	<b>KHR'000</b>	<b>KHR'000</b>
<b>Current liabilities</b>			
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
<b>Total current liabilities</b>		<u>191,252,653</u>	<u>218,752,494</u>
<b>TOTAL LIABILITIES</b>		<u>1,140,177,961</u>	<u>882,565,483</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<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**

	Note	2021 KHR'000	2020 KHR'000
<b>Income:</b>			
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>
<b>Expenses:</b>			
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>
<b>Operating profit</b>		<b>157,096,301</b>	<b>129,586,672</b>
Finance income	25	13,555,064	3,804,118
Finance costs	26	(4,794,779)	(12,644,313)
<b>Profit before tax</b>		<b>165,856,586</b>	<b>120,746,477</b>
Income tax	27	(36,582,669)	(32,394,632)
<b>Profit for the year, representing total comprehensive income for the year</b>		<b>129,273,917</b>	<b>88,351,845</b>
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.

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**PHNOM PENH WATER SUPPLY AUTHORITY**  
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**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
<b>As at 1 January 2020</b>		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
<b>Transactions with owners</b>					
Transfer to reserves	14	-	13,288,086	(13,288,086)	-
Dividends	29	-	-	(20,003,827)	(20,003,827)
<b>Total transactions with owners</b>		-	13,288,086	(33,291,913)	(20,003,827)
<b>As at 31 December 2020 / 1 January 2021</b>		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
<b>Transactions with owners</b>					
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)
<b>Total transactions with owners</b>		78,088,604	65,564,880	(88,351,845)	55,301,639
<b>As at 31 December 2021</b>		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
<b>Cash flows from operating activities</b>		
<b>Profit before tax</b>	<b>165,856,586</b>	<b>120,746,477</b>
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
<b>Operating profit before changes in working capital</b>	<b>181,220,475</b>	<b>183,336,808</b>
(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
<b>Net cash from operations</b>	<b>94,770,598</b>	<b>78,628,202</b>
Income tax paid	(25,473,919)	(9,857,156)
<b>Net cash from operating activities</b>	<b>69,296,679</b>	<b>68,771,046</b>
<b>Cash flows from investing activities</b>		
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
<b>Net cash used in investing activities</b>	<b>(342,858,550)</b>	<b>(199,346,763)</b>

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

	2021 KHR'000	2020 KHR'000
<b>Cash flows from financing activities</b>		
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)
<b>Net cash generated from financing activities</b>	<b>263,510,904</b>	<b>175,074,152</b>
<b>Net (decreased)/increase in cash and cash equivalents</b>	<b>(10,050,967)</b>	<b>44,498,435</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>99,710,505</b>	<b>55,212,070</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>89,659,538</b>	<b>99,710,505</b>

**PHNOM PENH WATER SUPPLY AUTHORITY**  
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**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
<b>At 1 January 2021</b>	548,135,576	17,003,254	541,227,282	1,106,366,112
<b>Finance activities</b>				
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)
<b>Net cash generated from financing activities</b>	<b>267,032,602</b>	<b>(3,418,042)</b>	<b>(103,656)</b>	<b>263,510,904</b>
<b>Liabilities-related other changes</b>				
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)
<b>Total liabilities-related other changes</b>	<b>(1,679,910)</b>	<b>(13,585,212)</b>	<b>-</b>	<b>(15,265,122)</b>
<b>Equity-related other changes</b>				
Acquisition through capital contribution	-	-	78,192,260	78,192,260
<b>At 31 December 2021</b>	<b>813,488,268</b>	<b>-</b>	<b>619,315,886</b>	<b>1,432,804,154</b>

**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
<b>At 1 January 2020</b>	337,084,842	22,971,343	360,056,185
<b>Finance activities</b>			
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)
<b>Net cash generated from financing activities</b>	<b>201,046,068</b>	<b>(25,971,916)</b>	<b>175,074,152</b>
<b>Liabilities-related other changes</b>			
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
<b>Total liabilities-related other changes</b>	<b>10,004,666</b>	<b>20,003,827</b>	<b>30,008,493</b>
<b>At 31 December 2020</b>	<b>548,135,576</b>	<b>17,003,254</b>	<b>565,138,830</b>

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)

**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**  
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**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:

<u>New Standard</u>	<b>Effective for financial periods beginning on or after</b>
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 <sup>^</sup> 1 January 2023 <sup>#</sup>
CIFRS 3 Business Combinations	1 January 2022/ 1 January 2023 <sup>#</sup>
CIFRS 5 Non-current Assets Held for Sale and Discontinued Operations	1 January 2023 <sup>#</sup>
CIFRS 7 Financial Instruments: Disclosures	1 January 2023 <sup>#</sup>
CIFRS 9 Financial Instruments	1 January 2022 <sup>^</sup> 1 January 2023 <sup>#</sup>
CIFRS 10 Consolidated Financial Statements	Deferred
CIFRS 15 Revenue from Contracts with Customers	1 January 2023 <sup>#</sup>
CIFRS 16 Leases	1 January 2022 <sup>^</sup>
CIFRS 17 Insurance Contracts	1 January 2023
CIAS 1 Presentation of Financial Instruments	1 January 2023/ 1 January 2023 <sup>#</sup>
CIAS 7 Statement of Cash Flows	1 January 2023 <sup>#</sup>
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 <sup>#</sup>
CIAS 19 Employee Benefits	1 January 2023 <sup>#</sup>
CIAS 28 Investments in Associates and Joint Ventures	Deferred/ 1 January 2023 <sup>#</sup>
CIAS 32 Financial Instruments: Presentation	1 January 2023 <sup>#</sup>
CIAS 36 Impairment of Assets	1 January 2023 <sup>#</sup>
CIAS 37 Provisions, Contingent Liabilities and Contingent Assets	1 January 2022/ 1 January 2023 <sup>#</sup>
CIAS 38 Intangible Assets	1 January 2023 <sup>#</sup>
CIAS 40 Investment Property	1 January 2023 <sup>#</sup>
CIAS 41 Agriculture	1 January 2022 <sup>^</sup>

<sup>^</sup> The Annual Improvements to CIFRS Standards 2018-2020

<sup>#</sup> Amendments as to the consequence of effective CIFRS 17 Insurance Contracts



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**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.

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**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.

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**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.

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**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.

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**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.



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**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.

	<b>Useful lives (years)</b>
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

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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:

	<b>Method</b>	<b>Useful lives (years)</b>
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.

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**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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**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	949,387	23,115,032	151,256,071	45,878,922	27,837,594	9,526,779	17,474,630	540,365,694	2,076,369,345
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	-	78,182,260
Transfer from inventory	-	-	-	-	-	-	-	-	-	-	-	7,212,446	7,212,446
Transfer	-	59,800,036	23,450,588	26,600,952	765,789	66,013	10,190,978	1,079,124	3,976,955	3,256,214	6,514,418	(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)	(2,484,059)	(485,173)	(73,535)	-	-	(154,178)	(16,050,026)
At 31 December 2021	176,576,155	414,752,230	134,787,221	701,056,785	2,938,504	25,292,218	163,593,680	49,750,390	39,773,288	12,804,002	24,115,031	693,343,524	2,438,823,008
Accumulated depreciation													
At 1 January 2021	-	81,565,635	60,193,579	191,178,138	870,868	15,261,758	94,386,235	34,837,130	15,359,648	6,068,179	2,186,077	-	501,767,246
Depreciation charge for the financial year	-	8,064,294	6,781,483	18,322,184	204,631	2,376,858	7,364,047	3,933,633	3,152,125	1,635,874	1,578,564	-	53,481,993
Written-off	-	(4,744,686)	(1,733,018)	(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	209,396,038	843,398	16,837,723	99,403,559	38,285,590	18,458,101	7,734,053	3,662,641	-	544,958,369
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	21,315,187	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)**

Cost	Freehold land		Building		Machinery		Fluid equipment		Laboratory equipment		Office furniture and equipment		Electricity equipment		Motor vehicles		Valves and tools		Water meters		House connection		Construction in progress		Total						
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000				
At 1 January 2020	174,238,381	327,907,700	103,913,070	634,623,152	777,729	22,709,528	146,736,536	44,443,594	26,076,847	8,368,721	11,978,880	322,806,360	1,827,579,498															1,827,579,498			
Additions	-	76,349	1,678,760	6,683	71,668	405,504	1,133,585	1,435,328	259,800	273,732	-	239,545,275	244,886,674															244,886,674			
Transfer from inventory	-	-	-	-	-	-	-	-	-	-	-	-	-															5,046,368			
Transfer	-	5,469,053	161,913	11,190,175	-	-	385,960	-	1,300,947	884,326	5,486,750	(24,888,114)	(1,551,154)															5,046,368			
Transfer to intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-															(1,551,154)			
Written-off	-	-	-	-	-	-	-	-	-	-	-	-	-															(592,041)			
At 31 December 2020	174,238,381	333,453,102	106,753,743	645,820,010	849,387	23,115,032	151,256,071	45,878,922	27,637,594	9,526,779	17,474,630	540,366,694	2,075,369,345															2,075,369,345			
Accumulated depreciation																															
At 1 January 2020	-	74,700,336	54,308,009	173,900,479	639,618	12,637,794	87,607,616	30,860,322	13,070,408	4,867,961	934,070	-	453,547,944																		
Depreciation charge for the financial year	-	6,865,300	5,884,570	17,277,660	30,948	2,623,964	6,776,617	3,666,808	2,289,240	1,230,186	1,252,007	-	48,219,302																		
At 31 December 2020	-	81,565,636	60,193,579	191,178,139	670,666	15,261,758	94,386,235	34,637,130	15,359,648	6,098,179	2,186,077	-	501,767,246																		
Net carrying amount																															
At 31 December 2020	174,238,381	251,887,466	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	540,366,694	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)
	<u>289,716,945</u>	<u>195,872,664</u>
Cash payment for purchase of property, plant and equipment		

**6. INTANGIBLE ASSETS**

	Note	2021 KHR'000	2020 KHR'000
<b>Software</b>			
<b>Cost</b>			
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>
<b>Accumulated amortisation</b>			
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>
<b>Carrying amount</b>			
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**

	<b>2021</b>	<b>2020</b>
	<b>KHR'000</b>	<b>KHR'000</b>
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**

	<b>2021</b>	<b>2020</b>
	<b>KHR'000</b>	<b>KHR'000</b>
<b>Trade</b>		
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>
<b>Non-trade</b>		
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**

	Note	2021 KHR'000	2020 KHR'000
<b>Contract assets</b>			
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
		66,024,580	42,922,547
<b>Contract liabilities</b>			
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.

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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:

	<b>2021</b>	<b>2020</b>
	<b>KHR'000</b>	<b>KHR'000</b>
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**

	<b>Note</b>	<b>2021</b>	<b>2020</b>
		<b>KHR'000</b>	<b>KHR'000</b>
Cash and bank balances	(a)	68,363,538	50,215,505
Short-term deposits (within 3 months)	(b)	21,296,000	49,495,000
		<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	-
		<u>478,074,104</u>	<u>619,315,886</u>	<u>541,227,282</u>

(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%
	<u>86,973,162</u>	<u>100%</u>

\* 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.

		<b>2021</b>
	<b>Note</b>	<b>KHR'000</b>
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)
<b>Total identifiable net assets contributed</b>		<u>78,088,604</u>

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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
<b>Non-current liabilities</b>		
Unsecured borrowings	790,359,750	517,288,403
<b>Current liabilities</b>		
Secured borrowing *	-	4,984,952
Unsecured borrowings	23,128,518	25,862,221
	<u>23,128,518</u>	<u>30,847,173</u>
<b>Total borrowings</b>	<u>813,488,268</u>	<u>548,135,576</u>

\* 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
<b>Total interest-bearing liabilities</b>				<u>813,488,268</u>	<u>548,135,576</u>

**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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**17. DEFERRED TAX LIABILITIES**

	At 1.1.2021	Recognised in profit or loss	At 31.12.2021
	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 in profit or loss	At 31.12.2020
	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 KHR'000	2020 KHR'000
<b>Non-current:</b>			
<b>Other payables</b>			
Refundable water deposits	(a)	<u>69,446,073</u>	<u>65,195,836</u>
<b>Current:</b>			
<b>Trade payables</b>			
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
<b>Current:</b>			
<b>Other payables</b>			
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**

	<b>2021</b>	<b>2020</b>
	<b>KHR'000</b>	<b>KHR'000</b>
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**

	<b>2021</b>	<b>2020</b>
	<b>KHR'000</b>	<b>KHR'000</b>
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**

	<b>2021</b>	<b>2020</b>
	<b>KHR'000</b>	<b>KHR'000</b>
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
<b>Income tax:</b>		
- 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>
<b>Deferred tax:</b>		
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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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**29. DIVIDENDS**

	2021 KHR'000	2020 KHR'000
<b>Recognised during the financial year</b>		
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
	<hr/>	<hr/>

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:

	<b>2021</b>	<b>2020</b>
	<b>KHR'000</b>	<b>KHR'000</b>
Salaries and other expenses	<u>2,435,463</u>	<u>2,397,823</u>

**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:

	<b>Amortised cost</b>	<b>Carrying amount</b>
	<b>KHR'000</b>	<b>KHR'000</b>
<b>At 31 December 2021</b>		
<b>Financial assets</b>		
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>
<b>Financial liabilities</b>		
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 KHR'000	Carrying amount KHR'000
<b>At 31 December 2020</b>		
<b>Financial assets</b>		
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
<b>Financial liabilities</b>		
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:

	<b>2021</b>		<b>2020</b>	
	<b>KHR'000</b>	<b>%</b>	<b>KHR'000</b>	<b>%</b>
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.

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**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
<b>At 31 December 2021</b>					
<b>Financial liabilities</b>					
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
	1,024,610,628	164,905,522	169,148,147	698,514,929	1,032,568,598
<b>At 31 December 2020</b>					
<b>Financial liabilities</b>					
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
	769,346,466	187,034,560	97,359,956	490,869,237	775,263,752

**(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).

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**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:		
<b><u>Cash and cash equivalents</u></b>		
United States Dollar	26,463,286	47,712,344
<b><u>Short-term investments</u></b>		
United States Dollar	68,163,834	18,444,715
<b><u>Trade and other payables</u></b>		
United State Dollar	47,618,880	26,907,156
European Euro	21,389,992	39,082,909
	69,008,873	65,990,065
<b><u>Borrowings</u></b>		
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").

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**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.

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**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
<b>Borrowings</b>		
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>

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(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.

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**PHNOM PENH WATER SUPPLY AUTHORITY**

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**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 14 March 2022.



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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.

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



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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
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**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