

Registration No:
Co.0839 Et/2012

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

**CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

Registration No:
Co.0839 Et/2012

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

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PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)


STATEMENT BY THE DIRECTORS

In the opinion of Directors, the accompanying condensed statement of financial position of Phnom Penh Water Supply Authority (“PPWSA”) as at 31 March 2020, and the related condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended, and condensed notes to the interim financial information (collectively known as “Condensed Interim Financial Information”) are presented fairly, in all material respects, in accordance with Cambodia International Accounting Standard 34 *Interim Financial Reporting*.

Signed on behalf of the Board of Directors,



Oum Sotha
Chairman of the Board of Directors



Sim Sitha
Director General



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

Phnom Penh, Cambodia
Date: 28 July 2020

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

Introduction

We have reviewed the accompanying condensed statement of financial position of Phnom Penh Water Supply Authority (“PPWSA”) as at 31 March 2020, and the related condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended, and condensed notes to the interim financial information (collectively known as “Condensed Interim Financial Information”). The Directors of the PPWSA are responsible for the preparation of and presentation of the Condensed Interim Financial Information. Our responsibility is to express a conclusion on this Condensed Interim Financial Information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Cambodian International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Condensed Interim Financial Information of the PPWSA are not presented fairly, in all material respects, in accordance with Cambodian International Accounting Standard 34 *Interim Financial Reporting*.

BDO (Cambodia) Limited

Phnom Penh, Cambodia

Date: 28 July 2020

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	Note	Unaudited 31.3.2020 KHR'000	Audited 31.12.2019 KHR'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	1,376,744,161	1,374,031,554
Intangible assets		13,026,892	13,411,013
		<u>1,389,771,053</u>	<u>1,387,442,567</u>
Current assets			
Inventories		98,134,867	103,755,868
Trade and other receivables		39,698,840	13,564,801
Contract assets	10	23,929,555	13,321,083
Loan to employees		7,774,039	7,826,214
Short-term investments	5	23,499,096	17,909,267
Other tax receivables		5,312,052	5,312,052
Cash and bank balances		32,780,117	55,212,070
		<u>231,128,566</u>	<u>216,901,355</u>
TOTAL ASSETS		<u>1,620,899,619</u>	<u>1,604,343,922</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		541,227,282	541,227,282
Reserves	6	339,185,444	339,185,444
Retained earnings		59,895,857	33,291,913
TOTAL EQUITY		<u>940,308,583</u>	<u>913,704,639</u>
LIABILITIES			
Non-current liabilities			
Borrowings	7	346,567,134	303,948,144
Deferred government and other grants	8	20,393,443	20,959,838
Deferred tax liabilities		62,309,273	59,526,828
Other payables	9	61,916,534	65,398,879
		<u>491,186,384</u>	<u>449,833,689</u>
Current liabilities			
Trade and other payables	9	148,079,288	196,661,333
Borrowings	7	32,137,764	33,136,698
Contract liabilities	10	2,838,545	2,876,260
Current tax liabilities		6,349,055	8,131,303
		<u>189,404,652</u>	<u>240,805,594</u>
TOTAL LIABILITIES		<u>680,591,036</u>	<u>690,639,283</u>
TOTAL EQUITY AND LIABILITIES		<u>1,620,899,619</u>	<u>1,604,343,922</u>

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

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

	Note	Unaudited	
		Three-month period ended 31.3.2020 ⁽¹⁾ KHR'000	31.3.2019 ⁽²⁾ KHR'000
Revenue:			
Sales		66,887,838	51,257,214
Construction service fee		1,678,422	147,377
Other income		7,251,056	3,854,356
		<u>75,817,316</u>	<u>55,258,947</u>
Expenses:			
Depreciation and amortisation charges		(12,650,174)	(12,227,517)
Electricity costs		(9,738,572)	(9,503,015)
Salaries, wages and related expenses		(13,417,477)	(11,777,913)
Raw materials for water treatment		(2,287,008)	(1,696,302)
Raw materials for household water connections		(667,329)	(986,331)
Repairs and maintenance		(2,428,200)	(1,607,877)
Construction service expense		(1,568,993)	(138,546)
(Impairment)/Reversal of impairment on loan to employee		(52,175)	1,721,767
Other operating expenses		(1,338,169)	(2,027,419)
Foreign exchange loss - net		(208,449)	(88,561)
		<u>(44,356,546)</u>	<u>(38,331,714)</u>
Operating profit		31,460,770	16,927,233
Finance income	12	2,511,448	2,853,638
Finance costs	12	(815,305)	(1,876,606)
Profit before tax		33,156,913	17,904,265
Tax expense	13	(6,552,969)	(9,476,203)
Profit for the financial period		26,603,944	8,428,062
Other comprehensive income, net of tax		-	-
Total comprehensive income for the financial period		<u>26,603,944</u>	<u>8,428,062</u>
Basic earnings per share	14	305.89	96.90
Diluted earnings per share	14	305.89	96.90

Notes:

(1) The Condensed Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to this interim financial report.

(2) The comparative figures for the corresponding period were reviewed but not audited.

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

	Note	Share capital KHR'000	Reserves KHR'000	Retained earnings KHR'000	Total KHR'000
Unaudited					
Balance as at 1 January 2020		541,227,282	339,185,444	33,291,913	913,704,639
Profit for the financial period, representing total comprehensive income		-	-	26,603,944	26,603,944
Balance as at 31 March 2020⁽¹⁾		541,227,282	339,185,444	59,895,857	940,308,583
Unaudited					
Balance as at 1 January 2019		541,227,282	284,503,636	73,607,168	899,338,086
Profit for the financial period, representing total comprehensive income		-	-	8,428,062	8,428,062
Transactions with owners					
Transfer to reserves	6	-	54,681,808	(54,681,808)	-
Dividend	11	-	-	(18,925,360)	(18,925,360)
Total transaction with owners		-	54,681,808	(73,607,168)	(18,925,360)
Balance as at 31 March 2019⁽²⁾		541,227,282	339,185,444	8,428,062	888,840,788

Notes:

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

(2) *The comparative figures for the corresponding period were reviewed but not audited.*

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

CONDENSED STATEMENT OF CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

	Note	Unaudited	
		Three-month period ended 31.3.2020 ⁽¹⁾ KHR'000	31.3.2019 ⁽²⁾ KHR'000
Cash flows from operating activities			
Profit before tax		33,156,913	17,904,265
Adjustments for:			
Amortisation of intangible assets		614,288	500,266
Amortisation of deferred government and other grants	8	(566,395)	(589,993)
Depreciation of property, plant and equipment	4	12,035,886	11,727,251
Finance income	12	(2,511,448)	(2,853,638)
Finance costs	12	815,305	1,876,606
Impairment/(Reversal of impairment) on loans to employees		52,175	(1,721,767)
Property, plant and equipment written off		478,476	283,769
Operating profit before working capital changes		44,075,200	27,126,759
Changes in working capital:			
Inventories		5,621,001	(9,802,920)
Trade and other receivables		(26,571,349)	(6,011,499)
Trade and other payables		(47,306,398)	13,677,988
Contract assets		(10,608,472)	(36,503)
Contract liabilities		2,838,545	74,660
Refundable water deposits		1,102,272	1,676,362
Cash (used in)/generated from operations		(30,849,201)	26,704,847
Income tax paid		(5,552,772)	(6,620,396)
Net cash (used in)/from operating activities		(36,401,973)	20,084,451
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(16,313,906)	(16,100,977)
Purchase of intangible assets		(230,167)	(90,766)
Interest capitalised on qualifying assets		(764,801)	(645,649)
Loan repayments from Pursat Water Supply		-	37,379
(Short-term investments)/Proceeds from disposal of short-term investments		(5,589,829)	3,282,275
Interest received		669,417	1,003,408
Net cash used in investing activities		(22,229,286)	(12,514,330)

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

CONDENSED STATEMENT OF CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020 (continued)

		Unaudited	
	Note	Three-month period ended 31.3.2020 ⁽¹⁾	31.3.2019 ⁽²⁾
		KHR'000	KHR'000
Cash flows from financing activities			
Dividend paid		(6,884,786)	-
Drawdown of borrowings		54,004,870	10,142,789
Interest paid		(885,616)	(4,420,848)
Repayments of borrowings		<u>(10,035,162)</u>	<u>(14,588,422)</u>
Net cash from/(used in) financing activities		<u>36,199,306</u>	<u>(8,866,481)</u>
Net decrease cash and cash equivalents		<u>(22,431,953)</u>	<u>(1,296,360)</u>
Cash and cash equivalents at the beginning of financial period		<u>55,212,070</u>	<u>13,353,758</u>
Cash and cash equivalents at the end of financial period		<u>32,780,117</u>	<u>12,057,398</u>

Notes:

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

(2) *The comparative figures for the corresponding period were reviewed but not audited.*

PHNOM PENH WATER SUPPLY AUTHORITY
(Incorporated in Cambodia)

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
31 MARCH 2020

1. CORPORATE INFORMATION

The Phnom Penh Water Supply Authority (“PPWSA”) is under the technical supervision of the Ministry of Industry and Handicraft (“MIH”) and the financial supervision of the Ministry of the Economy and Finance (“MoEF”), and has its headquarter in Phnom Penh. The PPWSA is acknowledged as having the economic characteristics of a public enterprise by the Ministry of Commerce under the registration number Co.0839 Et/2012, dated 27 March 2012.

The registered office of the PPWSA is Office 45, Street 106, Sangkat Srah Chork, Khan Daun Penh, Phnom Penh, the Kingdom of Cambodia.

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

The condensed interim financial information was authorised for issue by the Board of Directors on 28 July 2020.

2. PRINCIPAL ACTIVITIES

The principal activities of the PPWSA are to process and distribute water for general use by the public in the city of Phnom Penh. The objectives of the PPWSA are to:

- Invest in, build, enlarge, operate, repair and maintain the means of water sanitation and distribution;
- Manage devices to increase water productions, and improve services and water quality to meet demand;
- Operate the business, services and related duties for water supply in accordance with the Board of Director’s resolutions and the laws of Cambodia;
- Cooperate with local and external development partners on technology, trade and finance in order to improve and develop the PPWSA in accordance with government policy; and
- Ensure sustainable production processes, business and finance for the public interest.

3. BASIS OF PREPARATION

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

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

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

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

3. BASIS OF PREPARATION (continued)

Amendments to References to the Conceptual Framework in CIFRS Standards

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

Amendments to CIFRS 3 Definition of a Business

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

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

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

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

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

Amendments to CIAS 1 and CIAS 8 Definition of Material

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

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

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

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

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

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

3. BASIS OF PREPARATION (continued)

Amendment to CIFRS 16 Covid-19-Related Rent Concessions

CIFRS 16 has been amended to:

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

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

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

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

	Effective Date
CIFRS 17 <i>Insurance Contracts</i>	1 January 2021
Amendments to CIAS 1 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2022
Annual Improvements to CIFRS Standards 2018 - 2020	1 January 2022
Amendments to CIFRS 3 <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to CIAS 16 <i>Property, Plant and Equipment - Proceeds before Intended Use</i>	1 January 2022
Amendments to CIAS 37 <i>Onerous Contracts - Cost of Fulfilling a Contract</i>	1 January 2022
Amendments to CIFRS 10 and CIAS 28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

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

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

CIFRS 17 Insurance Contracts

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

Contracts are measured using the building blocks of:

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

3. BASIS OF PREPARATION (continued)

CIFRS 17 Insurance Contracts (continued)

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

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

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

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

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

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

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

Annual Improvements to CIFRS Standards 2018 – 2020

The annual improvements amend the following standards:

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

3. BASIS OF PREPARATION (continued)

Amendments to CIFRS 3 Reference to the Conceptual Framework

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

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

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

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

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

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

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

4. PROPERTY, PLANT AND EQUIPMENT

	Unaudited 31.3.2020 KHR'000	Audited 31.12.2019 KHR'000
<i>Cost</i>		
Balance at the beginning of financial period/year	1,827,579,498	1,621,720,340
Additions	15,226,969	207,665,634
Transfers to intangible assets	-	(1,077,816)
Written-off	<u>(478,476)</u>	<u>(728,660)</u>
Balance at the end of financial period/year	<u>1,842,327,991</u>	<u>1,827,579,498</u>
<i>Accumulated depreciation</i>		
Balance at the beginning of financial period/year	(453,547,944)	(406,040,516)
Depreciation for financial period/year	<u>(12,035,886)</u>	<u>(47,507,428)</u>
Balance at the end of financial period/year	<u>(465,583,830)</u>	<u>(453,547,944)</u>
<i>Carrying amounts</i>		
Balance at the end of financial period/year	<u>1,376,744,161</u>	<u>1,374,031,554</u>

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

	Unaudited Three-month period ended	
	31.3.2020 KHR'000	31.3.2019 KHR'000
Additions	15,226,969	20,452,677
Decrease/(Increase) in payables and performance guarantee	1,851,738	(3,706,051)
Interest capitalised on qualifying assets	<u>(764,801)</u>	<u>(645,649)</u>
Cash payment for purchase of property, plant and equipment	<u>16,313,906</u>	<u>16,100,977</u>

5. SHORT-TERM INVESTMENTS

These represent fixed deposits placed with financial institutions for a period of between four and twelve months and earn interest at rates ranging from 3.50% to 4.00% (2019: 4.00%) per annum.

Short-term investments include deposits amounting to KHR23.5 billion (2019: KHR17.9 billion).

6. RESERVES

	Capital reserve KHR'000	Legal reserve KHR'000	General reserve KHR'000	Development reserve KHR'000	Total KHR'000
As at 1.1.2020	1,648,435	26,035,789	26,035,789	285,465,431	339,185,444
Transfer from retained earnings	-	-	-	-	-
As at 31.3.2020 (Unaudited)	<u>1,648,435</u>	<u>26,035,789</u>	<u>26,035,789</u>	<u>285,465,431</u>	<u>339,185,444</u>
As at 1.1.2019	1,648,435	22,355,433	22,355,433	238,144,335	284,503,636
Transfer from retained earnings	-	3,680,356	3,680,356	47,321,096	54,681,808
As at 31.12.2019 (Audited)	<u>1,648,435</u>	<u>26,035,789</u>	<u>26,035,789</u>	<u>285,465,431</u>	<u>339,185,444</u>

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

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

7. BORROWINGS

	Unaudited 31.3.2020 KHR'000	Audited 31.12.2019 KHR'000
Non-current		
Agence Francaise De Development (“Afd”) – Credit No.1075 03 S	4,507,684	4,582,604
MoEF – Japanese International Cooperation Agency (“JICA”)	48,880,661	49,425,079
MoEF – Asian Development Bank (“ADB”)	37,857,576	38,242,500
Afd – Credit No. 1121 01 F	72,145,351	82,512,499
Afd - Credit No. 1174 01 P	132,403,376	129,185,462
Afd - Credit No. 1176 01 S	50,772,486	-
	<u>346,567,134</u>	<u>303,948,144</u>
Current		
Afd – Credit No. 1075 03 S	9,055,697	9,175,626
MoEF – JICA	1,754,892	1,827,646
MoEF – ADB	2,627,493	2,485,038
Afd – Credit No. 1121 01F	18,046,358	18,411,047
Afd - Credit No. 1174 01 P	555,755	1,237,341
Afd - Credit No. 1176 01 S	97,569	-
	<u>32,137,764</u>	<u>33,136,698</u>
	<u>378,704,898</u>	<u>337,084,842</u>

7. **BORROWINGS (continued)**

The maturity dates of these borrowings are as follows:

	Unaudited 31.3.2020 KHR'000	Audited 31.12.2019 KHR'000
Current		
- Not later than one year	<u>32,137,764</u>	<u>33,136,698</u>
Non-current		
- Later than one year but not later than two years	26,584,159	26,970,655
- Later than two year but not later than five years	57,211,255	67,164,155
- Later than five years	<u>262,771,720</u>	<u>209,813,334</u>
	<u>346,567,134</u>	<u>303,948,144</u>
	<u>378,704,898</u>	<u>337,084,842</u>

8. **DEFERRED GOVERNMENT AND OTHER GRANTS**

	Government grant KHR'000	JICA grant KHR'000	Other grants KHR'000	Total KHR'000
Balance at 1.1.2020	4,373,148	15,878,382	708,308	20,959,838
Amortisation charges	<u>(33,127)</u>	<u>(527,170)</u>	<u>(6,098)</u>	<u>(566,395)</u>
Balance at 31.3.2020 (Unaudited)	<u>4,340,021</u>	<u>15,351,212</u>	<u>702,210</u>	<u>20,393,443</u>
Balance at 1.1.2019	4,411,265	17,987,061	732,703	23,131,029
Amortisation charges	<u>(38,117)</u>	<u>(2,108,679)</u>	<u>(24,395)</u>	<u>(2,171,191)</u>
Balance at 31.12.2019 (Audited)	<u>4,373,148</u>	<u>15,878,382</u>	<u>708,308</u>	<u>20,959,838</u>

9. **TRADE AND OTHER PAYABLES**

	Unaudited 31.3.2020 KHR'000	Audited 31.12.2019 KHR'000
Other payables – non-current		
Refundable water deposits	61,916,534	60,814,262
Performance guarantee	<u>-</u>	<u>4,584,617</u>
	<u>61,916,534</u>	<u>65,398,879</u>
Trade payable - current		
Third parties	<u>13,787,714</u>	<u>13,401,766</u>

9. TRADE AND OTHER PAYABLES (continued)

	Unaudited 31.3.2020 KHR'000	Audited 31.12.2019 KHR'000
Other payables - current		
Accrued staff incentive	10,671,912	8,261,680
Amount due to Phnom Penh Municipality	26,365,597	25,294,747
Amount due to employees	1,295,107	1,295,107
Performance guarantee	67,340	67,345
Dividend payable	16,086,557	22,971,343
Amount owing to contractor	62,186,787	113,066,885
Other tax payable	308,403	162,468
Other accrual	7,457,465	7,457,465
Other payables	9,852,406	4,682,527
	<u>134,291,574</u>	<u>183,259,567</u>
	<u>148,079,288</u>	<u>196,661,333</u>
	<u>209,995,822</u>	<u>262,060,212</u>

10. CONTRACT ASSETS AND LIABILITIES

	Unaudited 31.3.2020 KHR'000	Audited 31.12.2019 KHR'000
Contract assets		
Construction service receivable	1,330,228	2,916,716
Accrued water revenue	22,599,327	10,404,367
	<u>23,929,555</u>	<u>13,321,083</u>
Contract liabilities		
Deferred income	(5,278)	(5,278)
Unearned income	(2,833,267)	(2,870,982)
	<u>(2,838,545)</u>	<u>(2,876,260)</u>
	<u>21,091,010</u>	<u>10,444,823</u>

11. DIVIDEND

On 27 March 2019, the Board of Directors proposed and approved the dividend in respect of the financial year ended 31 December 2018 of KHR217.60 per share, amounting to a total dividend of KHR18.9 billion.

12. FINANCE INCOME/(COSTS)

	Unaudited	
	Three-month period ended	
	31.3.2020	31.3.2019
	KHR'000	KHR'000
Finance income:		
- Interest income on bank deposits (a)	232,107	224,494
- Net foreign exchange gain on borrowings	2,279,341	2,628,052
- Interest income on loan to Pursat Water Supply	-	1,092
	<u>2,511,448</u>	<u>2,853,638</u>
Finance costs:		
- Interest expense on borrowings (b)	(1,112,900)	(2,522,255)
- Net foreign exchange loss on borrowings	(467,207)	-
- Interest expense capitalised on qualifying assets	764,802	645,649
	<u>(815,305)</u>	<u>(1,876,606)</u>
Finance income - net	<u>1,696,143</u>	<u>977,032</u>

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

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

13. TAX EXPENSE

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

14. EARNINGS PER SHARE

(a) Basic earnings per share

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

	Unaudited	
	Three-month period ended	
	31.3.2020	31.3.2019
Profit attributable to equity holders (KHR'000)	26,603,944	8,428,062
Weighted average number of shares	<u>86,973,162</u>	<u>86,973,162</u>
Basic earnings per share (KHR)	<u>305.89</u>	<u>96.90</u>

(b) Diluted earnings per share

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

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

15. RELATED PARTY TRANSACTIONS

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

	Unaudited	
	Three-month period ended	
	31.3.2020	31.3.2019
	KHR'000	KHR'000
<u>Common control</u>		
MoEF		
Interest on borrowings paid	1,521,372	2,400,898
Pursat Water Supply		
Interest on loans received	-	1,092
	<u> </u>	<u> </u>

- (b) Compensation of key management personnel

Key management compensation during the financial period is as follows:

	Unaudited	
	Three-month period ended	
	31.3.2020	31.3.2019
	KHR'000	KHR'000
Salaries and other	<u>601,227</u>	<u>536,380</u>

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Directors are responsible for setting the objectives and underlying principles of financial risk management for the PPWSA. The management then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement and exposure limits in accordance with the objectives and underlying principles approved by the Directors.

- (a) Credit risk

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

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

- (b) Liquidity and cash flow risk

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

The PPWSA actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all operating, investing and financing needs are met. In liquidity risk management strategy, the PPWSA maintains a level of cash and cash equivalents deemed adequate to finance the PPWSA's activities.

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments of the PPWSA would fluctuate because of changes in market interest rates.

The exposure of the PPWSA to interest rate risk arises primarily from borrowings. The PPWSA manages its interest rate exposure by closely monitoring the debt market and where necessary, maintaining a prudent mix of fixed and floating rate borrowings. The PPWSA does not use derivative financial instruments to hedge any debt obligations.

17. CAPITAL COMMITMENTS

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

	Unaudited	Audited
	31.3.2020	31.12.2019
	KHR'000	KHR'000
Construction of water treatment plant	452,261,269	715,650,181
Consultation services	688,919	699,014
Purchase of iron pipes, fitting and accessories	<u>1,056</u>	<u>1,056</u>
	<u>452,951,244</u>	<u>716,350,251</u>

18. SIGNIFICANT EVENT DURING THE PERIOD

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

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