PRIVATE & CONFIDENTIAL

PBA HOLDINGS BHD

Company No: 515119-U
(Incorporated in Malaysia)

Interim Financial Report

31 December 2018

Contents

Condensed Consolidated Statement of Financial Position
As at 31 December 2018 - unaudited

	Note	31 December 2018 RM'000	31 December 2017 RM'000
Assets			
Property, plant and equipment	5	1,022,675	1,014,995
Investment in a joint venture		57	55
Other investments		-	2,736
Total non-current assets		1,022,732	1,017,786
Inventories		11,460	7,423
Receivables, deposits and prepayments		41,582	46,805
Current tax assets		5,762	5,235
Cash and cash equivalents		182,475	141,391
Total current assets		241,279	200,854
Total assets		1,264,011	1,218,640
Equity			
Share capital		327,579	327,579
Reserves		368,293	496,798
Total equity	6	695,872	824,377
Loans and borrowings	19	75,242	60,121
Deferred income	20	42,958	100,206
Contract liabilities	21	67,986	-
Deferred liabilities	22	58,361	59,958
Deferred tax liabilities		141,000	3,000
Total non-current liabilities		385,547	223,285
Loans and borrowings	19	2,200	1,600
Contract liabilities	21	22,479	-
Deferred liabilities	22	1,595	1,595
Payables and accruals		156,305	167,780
Current tax liability		13	3
Total current liabilities		182,592	170,978
Total liabilities		568,139	394,263
Total equity and liabilities		1,264,011	1,218,640

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the twelve months ended 31 December 2018 - unaudited

	Note	Three months ended 31 December 2018 RM'000	Three months ended 31 December 2017 RM'000	Current year-to-date ended 31 December 2018 RM'000	Current year-to-date ended 31 December 2017 RM'000
Continuing operations					
Revenue	16	79,729	66,655	334,758	312,353
Cost of sales		(62,088)	(60,674)	(238,716)	(225,754)
Gross profit		17,641	5,981	96,042	86,599
Other operating income		5,506	6,872	22,323	24,218
Administrative expenses		(26,642)	(20,459)	(83,000)	(70,722)
Operating profit/loss		(3,495)	(7,606)	35,365	40,095
Interest income		252	219	801	918
Share of profit of equity-accounted joint venture, net of tax		-	(22)	1	(36)
(Loss)/profit before interest and tax		(3,243)	(7,409)	36,167	40,977
Interest expense		(13)	(18)	(30)	(41)
(Loss)/Profit before tax		(3,256)	(7,427)	36,137	40,936
Income tax expense/(income)	17	(137,973)	4,740	(139,567)	(3,656)
(Loss)/profit for the year		(141,229)	(2,687)	(103,430)	37,280
Other comprehensive income, net of tax					
Foreign currency translation differences for foreign operation		(2)	(3)	(1)	73
Fair Value of available-for-sale financial assets		-	12	-	94
Total other comprehensive (loss)/income for the year		(2)	9	(1)	167
Total comprehensive (loss)/income for the year		(141,231)	(2,678)	(103,431)	37,447
Basic earnings per share (sen) :	25	(42.67)	(0.81)	(31.25)	11.26

The notes on pages 6 to 19 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Changes in Equity
For the twelve months ended 31 December 2018 - unaudited

	/-------------------Non-distributable				--------------------/	Distributable	
	Share capital RM'000	**Treasury shares RM'000**	**Share premium RM'000**	**Fair value reserve RM'000**	**Foreign Currency Translation reserve RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
At 1 January 2017	165,635	(230)	161,944	20	142	472,662	800,173
Fair value of available-for-sale financial assets	-	-	-	94	-	-	94
Foreign currency translation differences for foreign operation	-	-	-	-	73	-	73
Total other comprehensive income for the year	-	-	-	94	73	-	167
Profit for the year	-	-	-	-	-	37,280	37,280
Total comprehensive income for the year	-	-	-	94	73	37,280	37,447
Transition to no-par value regime on 31 Jan 2017	161,944	-	(161,944)	-	-	-	-
Dividends	-	-	-	-	-	(13,240)	(13,240)
Purchase of treasury shares	-	(3)	-	-	-	-	(3)
At 31 December 2017	327,579	(233)	-	114	215	496,702	824,377

Condensed Consolidated Statement of Changes in Equity
For the twelve months ended 31 December 2018 - unaudited

	/-------------------Non-distributable				--------------------/	Distributable	
	Share capital RM'000	**Treasury shares RM'000**	**Share premium RM'000**	**Fair value reserve RM'000**	**Foreign Currency Translation reserve RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
At 1 January 2018							
As previously stated	327,579	(233)	-	114	215	496,702	824,377
Effects of adopting MFRS 9 and MFRS 15	-	-	-	(114)	-	(11,719)	(11,833)
As 1 January 2018 (restated)	327,579	(233)	-	-	215	484,983	812,544
Foreign currency translation differences for foreign operation	-	-	-	-	(1)	-	(1)
Total other comprehensive income for the year	-	-	-	-	(1)	-	(1)
Profit for the year	-	-	-	-	-	(103,430)	(103,430)
Total comprehensive income for the year	-	-	-	-	(1)	(103,430)	(103,431)
Dividends	-	-	-	-	-	(13,240)	(13,240)
Purchase of treasury shares	-	(1)	-	-	-	-	(1)
At 31 December 2018	327,579	(234)	-	-	214	368,313	695,872

Condensed Consolidated Statement of Cash Flows

For the twelve months ended 31 December 2018 - unaudited

	Twelve months ended 31 December 2018 RM'000	2017 RM'000
Cash flows from operating activities		
Profit before tax	36,137	40,936
Adjustments for :		
Depreciation of property, plant and equipment	59,854	56,267
Impairment loss on receivables	3,717	1,482
Amortisation of deferred liabilities	(1,595)	(1,595)
Amortisation of deferred income	-	(2,753)
Amortisation of contract liabilities	7,041	-
Gain on disposal of other investments	(10)	(159)
Gain on disposal of property, plant and equipment	(187)	(95)
Property, plant & equipment written off	290	278
Share of results of joint venture	(1)	36
Dividend income	(2)	(55)
Interest income	(5,182)	(4,090)
Operating profit before working capital changes	100,062	90,252
Inventories	(4,036)	1,347
Receivables	(1,702)	(1,725)
Payables	(11,638)	19,209
Cash generated from operations	82,686	109,083
Income tax paid	(2,085)	(2,072)
Income tax refunded	-	41
Net cash from operating activities	80,601	107,052
Cash flows from investing activities		
Dividends received	2	1,423
Interest received	5,182	4,090
Proceeds from disposal of other investments	4,640	1,601
Proceeds from disposal of PPE	466	95
Purchase of other investments	(1,894)	(1,675)
Purchase of property, plant and equipment	(53,071)	(81,980)
Net cash used in investing activities	(44,675)	(76,446)
Cash flow from financing activities		
Dividends paid	(13,240)	(13,240)
Government loans received	20,000	30,000
Repayment of government loans	(1,600)	(1,000)
Purchase of treasury shares	(2)	(3)
Net cash from financing activities	5,158	15,757
Net increase in cash and cash equivalents	41,084	46,363
Cash and cash equivalents at beginning	141,391	95,028
Cash and cash equivalents at end	182,475	141,391

Cash and cash equivalents

Cash and cash equivalents included in the condensed consolidated statement of cash flow comprise :

	Twelve months ended 31 December 2018 RM'000	2017 RM'000
Cash and bank balances	27,308	20,421
Short-term deposits with licensed banks	155,167	120,970
	182,475	141,391

The notes on pages 6 to 19 are an integral part of these condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

PBA Holdings Bhd is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The Condensed Consolidated Interim Financial Statements of the Group as at and for the year ended 31 December 2018 comprises the Company and its subsidiaries (together referred to as the Group) and the Group's interests in a joint venture entity.

The Consolidated Financial Statements of the Group as at and for the year ended 31 December 2017 are available upon request from the Company's registered office at:

Level 32, Komtar
10000 Penang

These Condensed Consolidated Interim Financial Statements were authorized for issue by the Board of Directors on 28 February 2019.

1. Basis of preparation

These condensed consolidated interim financial statements ("Condensed Report") have been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad and MFRS 134 *Interim Financial Reporting* in Malaysia and with IAS 34 *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2017.

2. Significant accounting policies

2.1 Adoption of Standards, Amendments to Standards, Annual Improvements to Standards and Issues Committee ("IC") Interpretation

The accounting policies adopted in the preparation of the Condensed Report are consistent with those followed in the preparation of the Group's audited financial statements for the financial year ended 31 December 2017, except for the adoption of the following new standards with effect from 1 January 2018:

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 2	Share-based Payment: Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4	Insurance Contracts: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 7	Mandatory Date of MFRS 9 and Transition Disclosures
Amendments to MFRS 140	Investment Property: Transfers of Investment Property
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration

Annual Improvements to MFRS 2014-2016 Cycle (except for Amendments to MFRS 12 Disclosure of Interests in other Entities)

Adoption of the above standards did not have any effect on the financial statements of the Group other than MFRS 9 *Financial Instruments* and MFRS 15 *Revenue from Contracts with Customers*. The impact of the adoption of these Standards on the Group's financial statements is as follows:

Notes to the Condensed Consolidated Interim Financial Statements

1. MFRS 9 Financial Instruments

MFRS 9 *Financial Instruments* replaces MFRS 139 *Financial Instruments: Recognition and Measurement* and all previous versions of MFRS 9. MFRS 9 brings together all three aspects of the accounting for financial instruments project: (i) classification and measurement, (ii) impairment and (iii) hedge accounting. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. However, hedge accounting requirements under this standard is irrelevant as the Group does not apply hedge accounting.

The following are the changes upon adoption of MFRS 9 *Financial Instruments*:

(i) Changes in accounting policies

Financial assets

Quoted equity shares previously held as available-for-sale (AFS) with fair value gains and losses recorded in other comprehensive income is now measured at fair value through profit or loss (FVTPL).

The Group's financial assets comprising trade receivables, other receivables and cash and cash equivalents which have previously been classified as loans and receivables (L&R) are now classified at amortised cost (AC). The Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

Financial liabilities

There is no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have such liabilities.

Impairment

MFRS 9 requires the Group to record Expected Credit Losses ("ECL") on all of its trade and other receivables, either on a 12-month or lifetime basis. The Group applies the simplified approach prescribed by MFRS 9, which requires a lifetime ECL to be recognised from initial recognition of the trade and other receivables which are financial assets. The Group's receivables and profit before tax is impacted by RM3.7 million with the adoption of the ECL (2017: RM0.7 million).

Notes to the Condensed Consolidated Interim Financial Statements

(ii) Classification and measurement of financial instruments

The following table summarises the reclassification and measurement of the Group's financial assets as at 31 December 2017:

	Measurement category		Carrying amount as at 31 December 2017	
	Original (MFRS 139)	New (MFRS 9)	Original (MFRS 139) RM'000	New (MFRS 9) RM'000
Financial assets:				
Other investments				
- Quoted shares	AFS	FVTPL	1,876	1,876
- Money market placements	L&R	AC	860	860
Receivables and deposits	L&R	AC	44,338	44,338
Cash and cash equivalents	L&R	AC	141,391	141,391

2. MFRS 15 Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 11 *Construction Contracts,* MFRS 118 *Revenue,* IC Interpretation 13 *Customer Loyalty Programmes,* IC Interpretation 15 *Agreements for Construction of Real Estate,* IC Interpretation 18 *Transfers of Assets from Customers and* IC Interpretation 131 *Revenue – Barter Transactions Involving Advertising Services.*
This Standard establishes a five-step model that will apply to recognition of revenue arising from contracts with customers and provides a more structured approach in measuring and recognising revenue. Under this Standard, revenue will be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

(i) Changes in accounting policies

The adoption of this Standard resulted in changes in accounting policies for recognition of revenue arising from capital contribution funds and transfer of assets from customers.

(a) Revenue from capital contribution funds are in relation to contributions by customers for connecting the external reticulation mains to the trunk mains. This revenue which was previously recognised on an invoiced basis is now recognised when the performance obligation is met, that is when final reconnection from the trunk mains to the external reticulation mains take place.

(b) The Group receives mains and land from developers ("transferred assets") with the purpose of providing consumers with ongoing access to water supply. The transferred assets are recognised at fair value as property, plant and equipment with a corresponding increase in deferred income previously. The adoption of MFRS 15 did not have any effect on the accounting of the transferred assets except for the change in the presentation as required by MFRS 15. Amount that was presented as deferred income will now be presented as contract liabilities and further analysed into current and non-current portion while the amortisation of deferred income which was presented as other income will now be presented as revenue.

Notes to the Condensed Consolidated Interim Financial Statements

2.2 Standards issued but not yet effective

As at the date of authorisation of this Condensed Report, the following Standards and Amendments to Standards have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective and have not been adopted by the Group.

Effective for financial periods beginning on or after 1 January 2019

MFRS 116	Leases
Amendments to MFRS 9	Financial Instruments: Prepayment Features with Negative Compensation
Amendments to MFRS 119	Employee Benefits: Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128	Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
IC Interpretation 23	Uncertainty over Income Tax Treatments

Annual Improvements to MFRS Standards 2015-2017 Cycle

Effective for financial periods beginning on or after 1 January 2021

MFRS 17	Insurance Contracts

Effective date yet to be confirmed

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures – Sale of Contribution of Assets between and Investor and its Associate of Joint Venture

3. Changes in estimates

The preparation of interim financial statements requires management to make judgements, estimations and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimating uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2017.

4. Seasonality of operations

There is no seasonality or cyclicality in the Group's operations.

5. Property, plant and equipment

a) Acquisition and disposals

During the year ended 31 December 2018, the Group acquired assets with a cost of RM53.07 million (31 December 2017 : RM81.98 million).

Other assets with a carrying amount of RM0.29 million were written off during the year ended 31 December 2018 (31 December 2017 : RM0.28 million).

b) Depreciation and amortization

	Three months ended		Current year to-date ended	
	31-Dec 2018 RM'000	31-Dec 2017 RM'000	31-Dec 2018 RM'000	31-Dec 2017 RM'000
Charge for the year	15,476	15,382	59,854	56,267

c) Impairment

During the year ended 31 December 2018, there was no asset impairment (31 December 2017 : Nil)

d) Capital Commitments

	At 31 December 2018 RM'000	At 31 December 2017 RM'000
Approved Capital Expenditure:-		
i) Contracted but not provided for in the Financial Statements	136,000	50,700
ii) Approved but not contracted for	21,000	159,000

e) Transfer Of Assets From Customers

During the year ended 31 December 2018, assets transferred from Customers amounted to RM15.12 million (31 December 2017 : RM18.37 million)

6. Share capital

No additional issuance of share capital as at 31 December 2018 except for the following:

Treasury shares

During the year ended 31 December 2018, the Company repurchased 2,000 of its ordinary shares from the open market at an average price of RM1.17 per share (31 December 2017 : 2,000 at an average price of RM1.26 per share). The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act, 2016.

7. Changes in composition of the Group

There are no changes in the composition of the Group for the current quarter and current financial year to-date ended 31 December 2018 except that :-

i) Island Springwater Sdn. Bhd., a wholly-owned subsidiary of the Company, was dissolved on 28 February 2018. There is no impact to the Group's financial statements for the current financial year.

ii) PBA Green Technology Sdn. Bhd. ("PBAGT"), a wholly-owned subsidiary of the Company, was incorporated on 12 December 2018. There is no impact to the Group's financial statements for the current financial year as the subsidiary remains dormant.

Notes to the Condensed Consolidated Interim Financial Statements

8. Operating segments

The Group has only one reportable segment, which is principally engaged in the abstraction of raw water, treatment of water, supply and sale of treated water to consumers in the State of Penang and to engage in water related business. The Group's Chief Executive Officer (the chief operating decision maker) reviews internal management reports on the reportable segment on a quarterly basis.

Accordingly, information by operating segment on the Group's operations as required by MFRS 8 is not presented.

9. Subsequent event

There are no material events subsequent to the statement of financial position up to the date of the issuance of this report.

10. Contingencies

There are no contingencies to the Company for the year.

11. Related parties

There are no other significant transactions and changes with a joint venture entity, Government related entities and key management personnel compensation for the year save as disclosed in Note 19 (ii) Loans and borrowings.

NOTES PURSUANT TO BURSA MALAYSIA LISTING REQUIREMENTS:
Chapter 9, Appendix 9B, Part A.

12. Review of Group performance

Group revenue for the quarter ended 31 December 2018 increased by RM13.07 million or 19.6% as compared to the corresponding quarter in 2017. The Group registered a loss before tax of RM3.3 million as compared to the preceding year's corresponding quarter of loss before tax of RM7.4 million. This is mainly due to the recognition of impairment loss on receivables in accordance with MFRS 9.

	Individual Period 4rd quarter			
	Current Year Quarter 31/12/2018	Preceding Year Corresponding Quarter 31/12/2017	Changes Amount	Changes
	RM'000	RM'000	RM'000	%
Revenue	79,729	66,655	13,074	19.6%
Operating loss	(3,495)	(7,606)	4,111	-54.1%
Loss before interest and tax	(3,243)	(7,409)	4,166	-56.2%
Loss before tax	(3,256)	(7,427)	4,171	-56.2%
Loss after tax	(141,229)	(2,687)	(138,542)	>100%
Loss attributable to ordinary equity holders of the parent	(141,229)	(2,687)	(138,542)	>100%
Total comprehensive loss for the year	(141,231)	(2,678)	(138,553)	>100%

13. Variation of results against preceding quarter

Group revenue decreased from RM84.1 million to RM79.7 million as compared to the immediate preceding quarter. The Group registered a loss before tax of RM3.3 million as compared to the immediate preceding quarter of profit before tax of RM9.4 million primarily due to the recognition of impairment loss on receivables in accordance with MFRS 9.

	Individual Period 4rd quarter			
	Current Quarter 31/12/2018	Immediate Preceding Quarter 30/9/2018	Changes Amount	Changes
	RM'000	RM'000	RM'000	%
Revenue	79,729	84,058	(4,329)	-5.2%
Operating (loss)/ profit	(3,495)	9,208	(12,703)	->100%
(Loss)/ profit before interest and tax	(3,243)	9,385	(12,628)	->100%
(Loss)/ profit before tax	(3,256)	9,382	(12,638)	->100%
(Loss)/ profit after tax	(141,229)	10,067	(151,296)	->100%
(Loss)/ profit attributable to ordinary equity				->100%
holders of the parent	(141,229)	10,067	(151,296)	->100%
Total comprehensive (loss)/ profit for the year	(141,231)	10,068	(151,299)	->100%

Notes to the Condensed Consolidated Interim Financial Statements

14. Current year prospects
Revenue from sales of water is expected to further increase in line with population growth and business activity levels.

15. Profit forecast or profit guarantee
Not applicable.

16. Revenue

Timing of revenue recognition by point in time and over time are as follows :

	Three months ended 30 December			Current year to-date ended 31 December		
	2018	2017	Changes	2018	2017	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Sale of water	72,941	59,431	23%	311,094	295,458	5%
Capital contribution funds	6,181	9,445	-35%	17,224	16,024	7%
Others	607	(2,222)	->100%	6,440	871	>100%
	79,729	66,655	20%	334,758	312,353	7%
Timing of revenue recognition:						
- At a point in time	73,169	57,210	28%	312,077	296,329	5%
- Over time	6,560	9,445	-31%	22,681	16,024	42%
	79,729	66,655	20%	334,758	312,353	7%

17. Income tax expense

	Three months ended 31 December		Current year to-date ended 31 December	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Current income tax				
Malaysian - current year	7	(940)	1,552	660
Overprovision in prior year	(34)	-	15	(4)
	(27)	(940)	1,567	656
Deferred Tax				
Origination and reversal of temporary differences	138,000	(3,800)	138,000	3,000
Income tax expense/(income) from continuing operations	137,973	(4,740)	139,567	3,656

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax expected for the full year applied to the pre-tax income of the interim period.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group for the current year to-date is as follows:

	31 December 2018 RM'000
Profit before taxation	36,137
Taxation at Malaysian statutory tax rate of 24%	8,673
Income not subject to tax	(2,360)
Expenses not deductible for tax purposes	1,304
Current year reinvestment allowance	(6,413)
Underprovision in prior year	15
Reversal of reinvestment allowance lapsed	138,000
Others	348
Tax expense for the year	139,567

Under the Finance Act 2018, the unabsorbed Reinvestment Allowance (RA) can only be carried forward for seven consecutive years of assessment. In prior years, the unexpired unabsorbed RA has been recognized as deferred tax assets and offset against the deferred tax liabilities of the Group.

The Inland Revenue Board (IRB) via its letter dated 25 February 2019 has rejected the Subsidiary Company's appeal for extension to carry forward the unabsorbed RA after Year of Assessment (YA) 2025. Consequently, the Group has to recognize the deferred tax liability of RM138 million for the year ended 31 December 2018.

As at 31 December 2018, the unutilised RA of the Group available up to seven consecutive years of assessment for off setting against future taxable profits amounted to RM28.6 million (31 December 2017 : RM594.4 million).

18. Corporate proposals

There are no corporate proposals which have been announced for the current quarter and current financial year to-date.

19. Loans and borrowings

i) The unsecured and interest free term loan was obtained from the Federal Government via the State Government of Penang to finance Non Revenue Water (NRW) projects :

   a) RM20 million : repayable over 20 years period with effect from 11 September 2016
   b) RM24 million : repayable over 20 years period with effect from 10 December 2018

   The subsidiary company has fully drawndown RM20.0 million from the 1st term loan agreement and RM24.0 million from the 2nd term loan agreement.

ii) On 1 June 2016, the main subsidiary of the Company obtained a loan from the State Government amounting to RM80.0 million to finance capital expenditure projects. The loan is unsecured with 4.0% interest p.a.. The subsidiary has fully drawdown RM80.0 million. The loan is repayable over a 10 year period with effect from 3 May 2020.

	At 31 December 2018 RM'000	At 31 December 2017 RM'000
i) Loan from Federal Government via the State Government of Penang		
Nominal value of loans	42,000	43,000
Less: Deemed interest recognised as deferred income	(16,787)	(18,117)
Add: Amortised interest	1,387	1,330
Less: Repayment	(1,600)	(1,000)
	25,000	25,213
ii) Loan from State Government of Penang		
Nominal value of loans	80,000	60,000
Less: Deemed interest recognised as deferred income	(33,056)	(27,433)
Add: Amortised interest	5,498	3,941
	52,442	36,508
Total loans and borrowings	77,442	61,721
Analysed as:		
Non-current	75,242	60,121
Current	2,200	1,600
	77,442	61,721

20. Deferred income

	At 31 December 2018 RM'000	At 31 December 2017 RM'000
Term loans		
Balance at beginning	40,279	31,368
Transfer from loans and borrowings	9,564	14,182
Less : Amortisation	(6,885)	(5,271)
Balance at end	42,958	40,279
Transfer of assets from customers		
Balance at beginning	-	44,313
Additions	-	18,367
Less : Amortisation	-	(2,753)
Balance at end	-	59,927
	42,958	100,206

Notes to the Condensed Consolidated Interim Financial Statements

Deferred income represents the difference between the nominal value of the unsecured term loans obtained by the Company and their fair values measured on initial recognition. The deferred income is amortised over the useful life of the assets funded which ranged from 25 years to 50 years. There are two types of term loans taken by the Company, i.e.

(i) RM44 million interest-free loans from the Federal Government via the State Government of Penang to finance Non-Revenue Water projects, and

(ii) RM80 million interest bearing loan at 4% p.a. from the State Government of Penang to finance the Company's capital expenditure projects.

21. Contract liabilities

	At 31 December 2018 RM'000	At 31 December 2017 RM'000
Transfer of assets from customers		
Balance at beginning	59,927	-
Additions	15,118	-
Less : Amortisation	(5,544)	-
Balance at end	69,501	-
Capital Contribution Funds		
Balance at beginning	-	-
Additions	20,964	-
Balance at end	20,964	-
Total Contract liabilities	**90,465**	**-**
Analysed as:		
Non-current	67,986	-
Current	22,479	-
	90,465	-

The contract liabilities from transfer of assets from customers consist of the fair value of the assets transferred to a subsidiary company and Capital Contribution Funds (CCF). The contract liabilities are amortised over the useful life of the transferred assets and CCF.

22. Deferred liabilities

	At 31 December 2018 RM'000	At 31 December 2017 RM'000
Non-current	58,361	59,958
Current	1,595	1,595
Total Deferred liabilities	59,956	61,553

The deferred liabilities representing lease incentive are amortised over the lease period of 45 years with effect from 1 August 2011.

23. Material litigation

As at 28 February 2019, there was no material litigation against the Group.

24. Dividends

The Board of Directors recommend a final single tier dividend of 1.75 sen per share amounting to RM5,793,000 for the financial year ended 31 December 2018 subject to the approval of shareholders at the forthcoming Annual General Meeting (31 December 2017 – final single tier dividend of 2.25 sen per share amounting to RM7,448,000).

25. Earnings per ordinary share

Basic earnings per ordinary shareholders

	Three months ended 31 December 2018 Continuing operations RM'000	Three months ended 31 December 2017 Continuing operations RM'000	Current year to-date 31 December 2018 Continuing operations RM'000	Current year to-date 31 December 2017 Continuing operations RM'000
(Loss)/ profit for the year	(141,229)	(2,687)	(103,430)	37,280

	Three months ended 31 December 2018 '000 Shares	Three months ended 31 December 2017 '000 Shares	Current year to-date 31 December 2018 '000 Shares	Current year to-date 31 December 2017 '000 Shares
Issued ordinary shares at 1 January	331,271	331,271	331,271	331,271
Effect of share buyback	(271)	(268)	(271)	(268)
Weighted average number of ordinary shares	331,000	331,003	331,000	331,003

	Three months ended 31 December 2018 Continuing operations Sen	Three months ended 31 December 2017 Continuing operations Sen	Current year to-date 31 December 2018 Continuing operations Sen	Current year to-date 31 December 2017 Continuing operations Sen
Basic earnings per share	(42.67)	(0.81)	(31.25)	11.26

26. Auditor's report on preceding annual financial statements

The auditor's report on the audited annual financial statements for the year ended 31 December 2017 was not qualified

27. Notes to the Condensed Statement of Comprehensive Income

	Three months ended 31 December 2018 RM'000	Year to-date 31 December 2018 RM'000
a) Interest Income	(252)	(801)
b) Other Operating Income	(5,506)	(22,323)
c) Interest expense	13	30
d) Depreciation and amortization	15,476	59,854
e) Provision for receivables	2,264	2,603
f) Gain on disposal of other investments	-	(10)
g) Water Intake Fees to State Government of Penang	2,288	9,050
h) Leasing charges to Pengurusan Aset Air Berhad (PAAB)	3,242	12,966
i) License Fees to Suruhanjaya Perkhidmatan Air Negara (SPAN)	766	3,205