

PRIVATE & CONFIDENTIAL

PBA HOLDINGS BHD

Registration No: 200001012513 (515119-U)
(Incorporated in Malaysia)

Interim Financial Report

31 December 2022

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Condensed Consolidated Statement of Financial Position
As at 31 December 2022 - unaudited

	Note	31 December 2022 RM'000	Restated 31 December 2021 RM'000
Assets			
Property, plant and equipment	5	1,088,746	1,096,351
Right-of-use assets		179,364	185,088
Total non-current assets		1,268,110	1,281,439
Inventories		9,750	8,892
Trade and other receivables	6	43,148	67,149
Current tax assets		529	1,226
Cash and cash equivalents		188,894	141,243
Total current assets		242,321	218,510
Total assets		1,510,431	1,499,949
Equity			
Share capital		327,579	327,579
Reserves		375,312	334,075
Total equity	7	702,891	661,654
Loans and borrowings	20	19,217	21,417
Deferred income	21	10,183	11,414
Contract liabilities	22	256,680	219,394
Deferred liabilities	23	51,981	53,576
Lease liabilities	24	219,116	222,217
Deferred tax liabilities		70,967	122,079
Total non-current liabilities		628,144	650,097
Trade and other payables		166,624	177,578
Loans and borrowings	20	2,200	969
Contract liabilities	22	5,173	4,454
Deferred liabilities	23	1,595	1,595
Lease liabilities	24	3,780	3,585
Current tax liability		24	17
Total current liabilities		179,396	188,198
Total liabilities		807,540	838,295
Total equity and liabilities		1,510,431	1,499,949

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the twelve months ended 31 December 2022 - unaudited

	Note	Three months ended 31 December		Current year-to-date ended 31 December	
		2022 RM'000	Restated 2021 RM'000	2022 RM'000	Restated 2021 RM'000
Continuing operations					
Revenue	17	58,238	78,443	315,271	309,256
Cost of sales		<u>(63,687)</u>	<u>(56,512)</u>	<u>(237,730)</u>	<u>(223,494)</u>
Gross profit		(5,449)	21,931	77,541	85,762
Other operating income		4,543	4,146	26,412	13,496
Administrative expenses		<u>(32,519)</u>	<u>(26,782)</u>	<u>(104,688)</u>	<u>(97,224)</u>
Operating (loss) / profit		(33,425)	(705)	(735)	2,034
Interest income		294	126	1,018	518
(Loss) / Profit before tax		<u>(33,131)</u>	<u>(579)</u>	283	2,552
Tax income	18	<u>16,382</u>	<u>16,455</u>	<u>49,230</u>	<u>14,761</u>
Net profit, representing total comprehensive income for the year		<u>(16,749)</u>	<u>15,876</u>	<u>49,513</u>	<u>17,313</u>
Earnings per share (sen) :	27	<u>(5.06)</u>	<u>4.80</u>	<u>14.96</u>	<u>5.23</u>

Condensed Consolidated Statement of Changes in Equity
For the twelve months ended 31 December 2022 - unaudited

	Share Capital RM'000	Treasury Shares RM'000	Distributable Retained Earnings RM'000	Total Equity RM'000
Balance at beginning as previously stated	327,579	(236)	383,331	710,674
Effects of changes in accounting policy			(58,886)	(58,886)
Balance at 1 January 2021, restated	327,579	(236)	324,445	651,788
Total comprehensive income for the year	-	-	17,313	17,313
Dividends	-	-	(7,447)	(7,447)
At 31 December 2021	<u>327,579</u>	<u>(236)</u>	<u>334,311</u>	<u>661,654</u>
At 1 January 2022, restated	327,579	(236)	334,311	661,654
Total comprehensive income for the year	-	-	49,513	49,513
Dividends	-	-	(8,275)	(8,275)
Purchase of treasury shares	-	(1)	-	(1)
At 31 December 2022	<u>327,579</u>	<u>(237)</u>	<u>375,549</u>	<u>702,891</u>

Condensed Consolidated Statement of Cash Flows
For the twelve months ended 31 December 2022 - unaudited

	Twelve months ended 31 December	
	2022	2021
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	283	2,552
Adjustments for :		
Accretion of interest on lease liabilities	12,866	13,016
Allowance for expected credit losses of trade and other receivables	8,323	3,164
Reversal of allowance for expected credit losses	(3,092)	(3,007)
Amortisation of assets transferred from customers	(2,548)	3,378
Amortisation of Capital Contribution Funds	-	95,503
Amortisation of deferred liabilities	(1,595)	(1,595)
Depreciation of property, plant and equipment	62,768	63,066
Depreciation of right-of-use assets	6,721	6,717
Distribution income from short term funds	(1,454)	(1,248)
Gain on disposal of property, plant and equipment	(10,041)	(31)
Interest income	(1,018)	(524)
Inventories written down	-	201
Property, plant and equipment expensed off	13	10
Property, plant and equipment written off	82	312
Realisation of government grant	(1,231)	(1,282)
Inventories Written Off	653	-
Rent concession	-	(83)
Unwinding of discount on loans and borrowings	1,231	1,282
Operating profit before working capital changes	71,961	181,431
Inventories	(1,511)	(145)
Receivables	18,750	681
Payables	(11,767)	(10,174)
Contract liabilities	26,590	(85,213)
Cash generated from operations	104,023	86,580
Income tax paid	(1,899)	(969)
Income tax refunded	724	600
Net cash from operating activities	102,848	86,211
Cash flows from investing activities		
Interest received	1,018	524
Distribution income received	1,454	1,248
Proceeds from disposal of PPE	10,044	32
Purchase of PPE	(41,297)	(28,354)
Net cash used in investing activities	(28,781)	(26,550)
Cash flow from financing activities		
Dividends paid	(7,447)	(7,447)
Payment of lease liabilities	(16,768)	(16,588)
Repayment of government loans	(2,200)	(2,200)
Purchase of treasury shares	(1)	-
Net cash used in financing activities	(26,416)	(26,235)
Net increase in cash and cash equivalents	47,651	33,426
Cash and cash equivalents at beginning of financial period	141,243	107,817
Cash and cash equivalents at end of financial period	188,894	141,243

Cash and cash equivalents

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

	Twelve months ended 31 December	
	2022	2021
	RM'000	RM'000
Cash and bank balances	56,388	52,450
Short-term deposits with licensed banks	132,506	88,793
	188,894	141,243

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 2022 comprises the Company and its subsidiaries (together referred to as the Group).

The Consolidated Financial Statements of the Group as at and for the year ended 31 December 2021 are available upon request from the Company's registered office at:

Level 32, Komtar
10000 Penang

These Condensed Consolidated Interim Financial Statements were authorised for issue by the Board of Directors on 28 February 2023.

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.

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 2021, except for change in accounting policy for customers' contribution as set out in Note 22 of this interim financial report.

Effective for financial periods beginning on or after 1 April 2021

Amendments to MFRS 16 Leases: Covid-19 – Related Rent Concessions beyond 30 June 2021

Effective for financial periods beginning on or after 1 January 2022

Amendments to MFRS 3 Business Combinations: Reference to the Conceptual Framework

Amendments to MFRS 116 Property, Plant and Equipment: Property, Plant and Equipment - Proceeds before Intended Use

Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts - Cost of Fulfilling a Contract

Annual Improvements to MFRS Standards 2018 - 2020

The initial application of the above standards is not expected to have any material impact to the financial statements of the Group upon adoption.

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 2023

MFRS 17 Insurance Contracts

Amendments to MFRS 4 Insurance Contracts - Extension of the Temporary Exemption from Applying MFRS 9 Financial Instruments

Amendments to MFRS 16 Leases – Lease Liability in a Sale and Leaseback

Amendments to MFRS 17 Insurance Contracts

Amendments to MFRS 17 Insurance Contracts - Initial application of MFRS 17 and MFRS 9 - Comparative Information

Amendments to MFRS 101 Presentation of Financial Statements: Non-current Liabilities with Covenants and Classification of Liabilities as Current and Non - Current

Amendments to MFRS 101 Presentation of Financial Statements - Disclosure of Accounting Policies

Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates

Amendments to MFRS 112 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Effective date yet to be confirmed

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or 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 2021.

4. Seasonality of operations

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

5. Property, plant and equipment

a) Acquisition and disposals

During the year ended 31 December 2022, the Group acquired assets with a cost of RM41.30 million (31 December 2021: RM28.35 million).

Other assets with a carrying amount of RM0.08 million were written off during the year ended 31 December 2022 (31 December 2021: RM0.31 million).

Notes to the Condensed Consolidated Interim Financial Statements

On 28 August 2019, Perbadanan Bekalan Air Pulau Pinang Sdn. Bhd. ("PBAPP"), a wholly-owned subsidiary of the Company had entered into a sale and purchase agreement for the disposal of a piece of land located at Pulau Jerejak, Penang for a total cash consideration of RM10 million. The disposal was completed on 8 March 2022 upon obtaining approval from the Pejabat Tanah dan Galian Pulau Pinang.

b) Depreciation and amortisation

	Three months ended		Current year to-date ended	
	31 December 2022 RM'000	31 December 2021 RM'000	31 December 2022 RM'000	31 December 2021 RM'000
Charge for the period				
- Property, plant and equipment	16,018	15,510	62,768	63,066
- Right-of-use assets	1,680	1,679	6,721	6,717
	<u>17,698</u>	<u>17,189</u>	<u>69,489</u>	<u>69,783</u>

c) Capital commitments

	At 31 December 2022 RM'000	At 31 December 2021 RM'000
Approved Capital Expenditure:-		
i) Contracted but not provided for	70,000	62,000
ii) Authorised but not contracted for	<u>263,000</u>	<u>312,000</u>

d) Transfer of assets from customers

During the year ended 31 December 2022, assets transferred from Customers amounted to RM13.96 million (31 December 2021: RM9.64 million)

6. Trade and other receivables

	At 31 December 2022 RM'000	At 31 December 2021 RM'000
Trade		
Trade receivables	39,422	62,414
Less: Allowance for expected credit lossess	(10,107)	(8,393)
	<u>29,315</u>	<u>54,021</u>
Non-trade		
Other receivables	8,343	9,558
Less: Allowance for expected credit lossess	(3,096)	(3,274)
	<u>5,247</u>	<u>6,284</u>
Deposits	7,335	5,854
Prepayments	1,251	990
	<u>13,833</u>	<u>13,128</u>
	<u>43,148</u>	<u>67,149</u>

Notes to the Condensed Consolidated Interim Financial Statements

7. Total equity

No additional issuance of share capital as at 31 December 2022.

Treasury shares

During the year ended 31 December 2022, the Company repurchased 1,000 (31 December 2021: Nil) of its ordinary shares from the open market at an average price of RM0.81 per share. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act, 2016.

8. 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 2022.

9. 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.

10. Subsequent event

The Ministry of Environment and Water (KASA) announced on 26 July 2022 that the Cabinet had approved to maintain the water tariff for the domestic category whilst implementing the adjustment of water tariffs for non-domestic and special categories in Peninsular Malaysia and Labuan using the tariff setting mechanism (TSM) method. The new tariff was implemented on 1 January 2023.

11. Contingencies

There are no contingencies for the year under review.

12. Related parties

There are no significant transactions and changes with Government related entities and key management personnel compensation for the year save as disclosed in Note 20 Loans and borrowings.

Notes to the Condensed Consolidated Interim Financial Statements

NOTES PURSUANT TO BURSA MALAYSIA LISTING REQUIREMENTS:**Chapter 9, Appendix 9B, Part A.****13. Review of Group performance**

Group revenue for the quarter ended 31 December 2022 decreased by RM20.21 million or 25.8% as compared to the corresponding quarter in 2021. The Group registered a loss before tax of RM33.13 million as compared to the preceding year's corresponding quarter loss before tax of RM0.6 million. This is mainly due to the retrospectively restated CCF revenue over 50 years due to the effect arising from the change in the accounting policy for customers' contributions detailed in Note 22 to this interim financial report.

	Individual Period 4th quarter		Changes RM'000	Changes %
	Current Year Quarter	Preceding Year Corresponding Quarter		
	31/12/2022	31/12/2021		
	RM'000	RM'000		
Revenue	58,238	78,443	(20,205)	-25.8%
Operating (Loss) / Profit	(33,425)	(705)	(32,720)	>100%
(Loss) / Profit before tax	(33,131)	(579)	(32,552)	>100%
(Loss)/Profit after tax	(16,749)	15,876	(32,625)	>100%
(Loss)/Profit attributable to ordinary equity holders of the parent	(16,749)	15,876	(32,625)	>100%
Total comprehensive (loss)/profit for the year	(16,749)	15,876	(32,625)	>100%

14. Variation of results against preceding quarter

Group revenue decreased from RM66.92 million to RM58.24 million as compared to the immediate preceding quarter. Primarily due to the effect arising from the change in the accounting policy for customers' contributions detailed in Note 22 to this interim financial report, the Group registered loss before tax of RM33.13 million as compared to the immediate preceding quarter loss before tax of RM13.51 million

	Individual Period 4th quarter		Changes RM'000	Changes %
	Current Quarter	Immediate Preceding Quarter		
	31/12/2022	30/9/2022		
	RM'000	RM'000		
Revenue	58,238	66,919	(8,681)	-13.0%
Operating (Loss) / Profit	(33,425)	(13,780)	(19,645)	>100%
(Loss) / Profit before tax	(33,131)	(13,507)	(19,624)	>100%
(Loss)/Profit after tax	(16,749)	25,801	(42,550)	>100%
(Loss)/Profit attributable to ordinary equity holders of the parent	(16,749)	25,801	(42,550)	>100%
Total comprehensive (loss)/profit for the year	(16,749)	25,801	(42,550)	>100%

Notes to the Condensed Consolidated Interim Financial Statements

15. Current year prospects

With the transition to the endemic phase of the COVID-19 pandemic, economic activities have begun to normalise and the revenue from sales of water is expected to increase in line with the increased business activity levels.

16. Profit forecast or profit guarantee

Not applicable.

17. Revenue

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

	Three months ended 31 December			Current year to-date ended 31 December		
	2022	2021	Changes	2022	2021	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Sale of water	75,411	76,381	-1%	309,355	304,046	2%
Capital contribution funds	(16,335)	1,057	>100%	2,477	2,001	24%
Others	(838)	1,006	>100%	3,439	3,209	7%
	<u>58,238</u>	<u>78,443</u>	<u>-26%</u>	<u>315,271</u>	<u>309,256</u>	<u>2%</u>
Timing of revenue recognition:						
- At a point in time	(18,632)	300	>100%	891	1,460	-39%
- Over time	<u>76,870</u>	<u>78,143</u>	<u>-2%</u>	<u>314,380</u>	<u>307,796</u>	<u>2%</u>
	<u>58,238</u>	<u>78,443</u>	<u>-26%</u>	<u>315,271</u>	<u>309,256</u>	<u>2%</u>

18. Income tax expense

	Three months ended 31 December		Current year to-date ended 31 December	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Malaysia income tax				
Current year	230	149	869	495
Under/(Over) provision in prior year	-	(71)	14	(125)
Real property gains tax	-	-	999	-
	<u>230</u>	<u>78</u>	<u>1,882</u>	<u>370</u>
Deferred Tax				
Origination and reversal of temporary differences	(16,612)	(16,533)	(51,112)	(15,131)
	<u>(16,612)</u>	<u>(16,533)</u>	<u>(51,112)</u>	<u>(15,131)</u>
Tax income	<u>(16,382)</u>	<u>(16,455)</u>	<u>(49,230)</u>	<u>(14,761)</u>

Income tax expense is recognised 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:

Notes to the Condensed Consolidated Interim Financial Statements

	31 December 2022 RM'000
Profit before taxation	283
Taxation at Malaysian statutory tax rate of 24%	68
Income not subject to tax	(3,313)
Expenses not deductible for tax purposes	2,110
Unabsorbed reinvestment allowance previously unrecognised, now recognised	(49,108)
Under provision in prior year	14
Effect of real property gains tax	999
Tax income for the year	(49,230)

Unabsorbed reinvestment allowance can be carried forward for seven consecutive years of assessment immediately following that year of assessment pursuant to the gazettment of the Finance Act 2018. Based on existing legislation, as at 31 December 2022, it is anticipated that RM283 million out of the RM695 million (31 December 2021 : RM64 million out of RM681 million) available will be utilised to set-off against future taxable profits, due to the impending imposition of the new tariff in 2023.

19. Corporate proposals

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

20. 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 :
- RM20 million : repayable over 20 years period with effect from 11 September 2016
 - RM24 million : repayable over 20 years period with effect from 10 December 2018

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

	At 31 December 2022 RM'000	At 31 December 2021 RM'000
Unsecured		
Loan from Federal Government via the State Government of Penang		
Nominal value of loans	33,800	36,000
Less: Deemed interest recognised as government grant	(11,414)	(12,696)
Add: Amortised interest	1,231	1,282
Less: Repayment	(2,200)	(2,200)
	21,417	22,386
Analysed as:		
Non-current	19,217	21,417
Current	2,200	969
	21,417	22,386

Notes to the Condensed Consolidated Interim Financial Statements

21. Deferred income

	At 31 December 2022 RM'000	At 31 December 2021 RM'000
Government grant		
Balance at beginning	11,414	12,696
Less : Amortisation	(1,231)	(1,282)
	<u>10,183</u>	<u>11,414</u>

Government grant represents the difference between the nominal value of the loans obtained as mentioned in Note 20 and the fair value of the loans measured on initial recognition. The government grant is realised over the period from the initial loan drawdown date up to the maturity date of the loans.

22. Contract liabilities

	At 31 December 2022 RM'000	At 31 December 2021 RM'000
Capital contribution funds ("CCF")		
Balance at beginning	114,753	28,787
Effects of changes in accounting policy	-	95,503
	<u>114,753</u>	<u>124,290</u>
Additions during the year	29,067	(7,535)
Less : Recognised in revenue	(2,477)	(2,002)
	<u>141,343</u>	<u>114,753</u>
Transfer of assets from customers		
Balance at beginning	109,095	96,074
Effects of changes in accounting policy	-	5,732
	<u>109,095</u>	<u>101,806</u>
Additions during the year	13,963	9,629
Less : Amortisation	(2,548)	(2,340)
	<u>120,510</u>	<u>109,095</u>
	<u>261,853</u>	<u>223,848</u>
Analysed as:		
Non-current	256,680	219,394
Current	5,173	4,454
	<u>261,853</u>	<u>223,848</u>

The contract liabilities from Capital Contribution Funds (CCF) and transfer of assets from customers consist of the fair value of the assets transferred to a subsidiary company. The contract liabilities are amortised over the shorter of the expected period of service provision or the need to replace the assets at the end of their useful life, which is estimated to be 50 years.

Notes to the Condensed Consolidated Interim Financial Statements

23. Deferred liabilities

	At 31 December 2022 RM'000	At 31 December 2021 RM'000
Non-current	51,981	53,576
Current	1,595	1,595
	53,576	55,171

Pursuant to migration of the Penang State Water Assets and the loans to Pengurusan Aset Air Berhad ("PAAB") in the financial year 2011, the Company had entered into Facility and Lease Agreements ("FLA") with PAAB to enable water supply services to be carried out on the lands leased from PAAB. The FLA is effective for a period of 45 years from 1 August 2011.

Following the above events, the outstanding balance of the loans obtained from the Federal Government via the State Government of Penang was converted into lease incentives, classified under deferred liabilities and are amortised over the lease period of 45 years with effect from 1 August 2011.

24. Lease liabilities

	At 31 December 2022 RM'000	At 31 December 2021 RM'000
Lease liabilities		
Balance at beginning	225,802	229,056
Additions during the year	996	401
Accretion of interest	12,866	13,016
Payments	(16,768)	(16,588)
Rent concession	-	(83)
	222,896	225,802
 Analysed as:		
Non-current	219,116	222,217
Current	3,780	3,585
	222,896	225,802

25. Material litigation

As at 28 February 2022, there was no material litigation against the Group.

26. Dividends

The Board of Directors recommend a single tier final dividend of RM1.50 sen per share amounting to RM4,965,000 for the financial year ended 31 December 2022 subject to the approval of shareholders at the forthcoming Annual General Meeting (31 December 2021 – single tier final dividend of 1.00 sen per share amounting to RM3,310,00).

Notes to the Condensed Consolidated Interim Financial Statements

27. Earnings per ordinary share

	Three months ended 31 December 2022 Continuing operations RM'000	Three months ended 31 December 2021 Continuing operations RM'000	Current year to-date 31 December 2022 Continuing operations RM'000	Current year to-date 31 December 2021 Continuing operations RM'000
Profit for the year	<u>(16,749)</u>	<u>15,876</u>	<u>49,513</u>	<u>17,313</u>
	Three months ended 31 December 2022 '000 Shares	Three months ended 31 December 2021 '000 Shares	Current year to-date 31 December 2022 '000 Shares	Current year to-date 31 December 2021 '000 Shares
Issued ordinary shares at 1 January	331,271	331,271	331,271	331,271
Effect of share buyback	<u>(274)</u>	<u>(273)</u>	<u>(274)</u>	<u>(273)</u>
Weighted average number of ordinary shares	<u>330,997</u>	<u>330,998</u>	<u>330,997</u>	<u>330,998</u>
	Three months ended 31 December 2022 Sen	Three months ended 31 December 2021 Sen	Current year to-date 31 December 2022 Sen	Current year to-date 31 December 2021 Sen
Earnings per share	<u>(5.06)</u>	<u>4.80</u>	<u>14.96</u>	<u>5.23</u>

Notes to the Condensed Consolidated Interim Financial Statements

28. Auditor's report on preceding annual financial statements

The auditor's report on the audited annual financial statements for the year ended 31 December 2021 was not qualified.

29. Notes to the Condensed Statement of Comprehensive Income

	Three months ended 31 December 2022 RM'000	Year to-date 31 December 2022 RM'000
a) Other Operating Income	(4,543)	(26,412)
b) Interest Income	(294)	(1,018)
c) Interest expense on lease liabilities	3,217	12,866
d) Depreciation of property, plant and equipment	16,018	62,768
e) Depreciation of right-of-use assets	1,680	6,721
f) Expected credit loss on trade and other receivables	6,482	8,323

30. Notes to the change in accounting policies

(a) Customers' contributions

Old policy

The Group receives contributions from its customers, items of property, plant and equipment ("Transferred Assets") that are used to connect those customers to a network and provide them with ongoing access to water supply. Such transferred assets are recognized as property, plant and equipment on initial recognition at their fair values, whilst the corresponding amount as contract liabilities and amortised over a period not longer than the useful lives of the transferred assets. The transferred assets consist of mains, freehold and leasehold land.

The depreciation of mains and leasehold land and the amortization of contract liabilities are recognized over the estimated useful lives of the transferred assets, ranging from 50 years to 99 years. Freehold land is not depreciated as it has an infinite life and income is recognized immediately in profit or loss in the year of the transfer.

New policy adopted

The Group receives contributions from its customers, items of property, plant and equipment ("Transferred Assets") that are used to connect those customers to a network and provide them with ongoing access to water supply. Such transferred assets are recognized as property, plant and equipment on initial recognition at their fair values, whilst the corresponding amount as contract liabilities. The transferred assets consist of mains, freehold and leasehold land.

The transferred assets for mains and leasehold land are depreciated over the estimated useful lives of the assets while freehold land is not depreciated. The corresponding contract liabilities arising from these customers' contributions are however amortised and recognized as revenue following the year of transfer in profit or loss over the shorter of the expected period of service provision by the subsidiary company or the need to replace the assets at the end of their useful life, estimated as an average of 50 years.

Notes to the Condensed Consolidated Interim Financial Statements

(b) Revenue

Old policy

(i) Capital contribution funds

Capital contribution funds for trunk mains are recognized as revenue when the performance obligation is met, that is when final reconnection from the trunk mains to the external reticulation mains takes place at a point in time.

(ii) Assets transferred from customers

The Group receives mains and land from the developers ("transferred assets") with the purpose of providing the water consumers with ongoing access to the water supply. The transferred assets are recognized at fair value as property, plant and equipment with a corresponding increase in contract liabilities. The amortization of contract liabilities is presented as revenue.

New policy adopted

The capital contribution funds and assets transferred from customers represent contributions received from customers, collectively known as "customers' contributions". Customers' contributions are for the construction of assets, used to connect the customers to a network or to provide them with the service.

The customers' contributions are viewed as indirectly related to the promise of providing supply of water to the customers. Supply of water and customers' contributions are not distinct as the customers cannot benefit from these two services on their own. The connection infrastructures are to fulfill the obligation to supply water to the customers. Therefore, connection and the supply of water are one performance obligation.

Customers' contributions are considered as part of the transaction price for the overall service provided to the customers and is therefore recognized over time. Customers' contributions are recognized as contract liabilities and are amortised over an average period of 50 years, representing the expected period in which the performance obligation is fulfilled.