

PRIVATE & CONFIDENTIAL

PBA HOLDINGS BHD

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

Interim Financial Report

31 March 2023

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Condensed Consolidated Statement of Financial Position
As at 31 March 2023 - unaudited

	Note	31 March 2023 RM'000	31 December 2022 RM'000
Assets			
Property, plant and equipment	5	1,053,770	1,064,984
Right-of-use assets		149,028	149,551
Total non-current assets		1,202,798	1,214,535
Inventories		8,935	9,751
Trade and other receivables	6	48,673	59,987
Current tax assets		2,668	526
Cash and cash equivalents		202,514	188,985
Total current assets		262,790	259,249
Total assets		1,465,588	1,473,784
Equity			
Share capital		327,579	327,579
Reserves		597,560	584,592
Total equity	7	925,139	912,171
Loans and borrowings	20	18,911	20,395
Deferred income	21	9,889	10,183
Lease liabilities	23	218,608	219,116
Deferred tax liabilities		99,000	99,000
Total non-current liabilities		346,408	348,694
Trade and other payables		157,109	183,553
Loans and borrowings	20	2,200	1,022
Contract liabilities	22	29,963	24,540
Lease liabilities	23	4,097	3,780
Current tax liability		672	24
Total current liabilities		194,041	212,919
Total liabilities		540,449	561,613
Total equity and liabilities		1,465,588	1,473,784

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the three months ended 31 March 2023 - unaudited

	Note	Three months ended 31 March		Current year-to-date ended 31 March	
		2023 RM'000	2022 RM'000 Restated	2023 RM'000	2022 RM'000 Restated
Continuing operations					
Revenue	17	97,394	79,417	97,394	79,417
Cost of sales		(64,240)	(54,501)	(64,240)	(54,501)
Gross profit		<u>33,154</u>	<u>24,916</u>	<u>33,154</u>	<u>24,916</u>
Other operating income		4,258	14,069	4,258	14,069
Administrative expenses		(24,095)	(22,667)	(24,095)	(22,667)
Operating profit		<u>13,317</u>	<u>16,318</u>	<u>13,317</u>	<u>16,318</u>
Interest income		327	213	327	213
Profit before tax		<u>13,644</u>	<u>16,531</u>	<u>13,644</u>	<u>16,531</u>
Tax income	18	(676)	(1,674)	(676)	(1,674)
Net profit, representing total comprehensive income for the year		<u>12,968</u>	<u>14,857</u>	<u>12,968</u>	<u>14,857</u>
Earnings per share (sen) :	26	<u>3.92</u>	<u>4.49</u>	<u>3.92</u>	<u>4.49</u>

Condensed Consolidated Statement of Changes in Equity
For the three months ended 31 March 2023 - unaudited

	Share Capital RM'000	Treasury Shares RM'000	Distributable Retained Earnings RM'000	Total Equity RM'000
At 1 January 2022 (restated)	327,579	(236)	515,988	843,331
Total comprehensive income for the period, as restated	-	-	14,857	14,857
At 31 March 2022 (restated)	<u>327,579</u>	<u>(236)</u>	<u>530,845</u>	<u>858,188</u>
At 1 January 2023	327,579	(237)	584,829	912,171
Total comprehensive income for the period	-	-	12,968	12,968
At 31 March 2023	<u>327,579</u>	<u>(237)</u>	<u>597,797</u>	<u>925,139</u>

Condensed Consolidated Statement of Cash Flows
For the three months ended 31 March 2023 - unaudited

	Three months ended 31 March	
	2023	2022
	RM'000	RM'000
		Restated
Cash flows from operating activities		
Profit before tax	13,644	16,531
Adjustments for :		
Finance Cost	3,466	3,524
Revenue recognised for assets transferred from customers	(1,797)	(1,054)
Amortisation of government grant	(294)	(308)
Distribution income from investment in short term funds	(584)	(162)
Gain on disposal of property, plant and equipment	(47)	(10,041)
Interest income	(327)	(213)
Property, plant and equipment:		
- Depreciation	15,598	15,301
- Written off	72	71
Depreciation of right-of-use assets	1,354	1,355
Operating profit before working capital changes	31,085	25,004
Inventories	817	58
Receivables	11,350	13,625
Payables	(21,517)	(19,178)
Contract liabilities	5,424	5,719
Cash generated from operations	27,159	25,228
Income tax paid	(2,171)	(991)
Net cash from operating activities	24,988	24,237
Cash flows from investing activities		
Interest received	327	213
Distribution income received	584	162
Proceeds from disposal of PPE	47	10,044
Purchase of PPE	(2,662)	(3,458)
Net cash used in investing activities	(1,704)	6,961
Cash flow from financing activities		
Dividends paid	(4,963)	(4,137)
Payment of lease liabilities	(4,192)	(4,192)
Repayment of government loans	(600)	(600)
Net cash used in financing activities	(9,755)	(8,929)
Net increase in cash and cash equivalents	13,529	22,269
Cash and cash equivalents at beginning of financial period	188,985	141,243
Cash and cash equivalents at end of financial period	202,514	163,512

Cash and cash equivalents

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

	Three months ended 31 March	
	2023	2022
	RM'000	RM'000
Cash and bank balances	64,407	61,320
Short-term deposits with licensed banks	138,107	102,192
	202,514	163,512

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 period ended 31 March 2023 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 2022 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 26 May 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 2022.

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

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

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 2022.

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 period ended 31 March 2023, the Group acquired assets with a cost of RM2.70 million (31 March 2022: RM3.46 million).

Other assets with a carrying amount of RM0.07 million were written off during the period ended 31 March 2023 (31 March 2022: RM0.07 million).

b) Depreciation and amortisation

	Three months ended		Current year to-date ended	
	31 March 2023 RM'000	31 March 2022 RM'000	31 March 2023 RM'000	31 March 2022 RM'000
Charge for the period				
- Property, plant and equipment	15,598	15,301	15,598	15,301
- Right-of-use assets	1,354	1,355	1,354	1,355
	<u>16,952</u>	<u>16,656</u>	<u>16,952</u>	<u>16,656</u>

Notes to the Condensed Consolidated Interim Financial Statements

c) Capital commitments

	At 31 March 2023 RM'000	At 31 December 2022 RM'000
Approved Capital Expenditure:-		
i) Contracted but not provided for	289,000	70,000
ii) Authorised but not contracted for	313,000	263,000

d) Transfer of assets from customers

During the period ended 31 March 2023, assets transferred from Customers amounted to RM1.80 million (31 March 2022: RM1.05 million)

6. Trade and other receivables

	At 31 March 2023 RM'000	At 31 December 2022 RM'000
Trade		
Trade receivables	45,209	55,275
Less: Allowance for expected credit lossess	(10,893)	(10,107)
	<u>34,316</u>	<u>45,168</u>
Non-trade		
Other receivables	8,667	9,322
Less: Allowance for expected credit lossess	(3,127)	(3,096)
	5,540	6,226
Deposits	7,457	7,335
Prepayments	1,360	1,258
	<u>14,357</u>	<u>14,819</u>
	<u>48,673</u>	<u>59,987</u>

7. Total equity

No additional issuance of share capital as at 31 March 2023.

Treasury shares

During the period ended 31 March 2023, there was no repurchase of issued ordinary shares from the open market (31 March 2022 : Nil).

8. Changes in composition of the Group

There are no changes in the composition of the Group for the current quarter and current financial period to-date ended 31 March 2023.

Notes to the Condensed Consolidated Interim Financial Statements

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

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

11. Contingencies

There are no contingencies for the period 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 March 2023 increased by **RM17.98** million or **22.6%** as compared to the corresponding quarter in 2022. The Group registered a profit before tax of RM13.64 million as compared to the preceding year's corresponding quarter of RM16.53 million. This is mainly due to the increase in the energy expenses.

	Individual Period 1st quarter		Changes RM'000	Changes %
	Current Year Quarter	Preceding Year Corresponding Quarter		
	31/3/2023	31/3/2022		
	RM'000	RM'000		
Revenue	97,394	79,417	17,977	22.6%
Operating Profit	13,317	16,318	(3,001)	-18.4%
Profit before tax	13,644	16,531	(2,887)	-17.5%
Profit after tax	12,968	14,857	(1,889)	-12.7%
Profit attributable to ordinary equity holders of the parent	12,968	14,857	(1,889)	-12.7%
Total comprehensive profit for the period	12,968	14,857	(1,889)	-12.7%

14. Variation of results against preceding quarter

Group revenue increased from **RM84.90** million to RM97.39 million as compared to the immediate preceding quarter. The Group registered a profit before tax of RM13.64 million as compared to the immediate preceding quarter loss before tax of **RM6.47** million, primarily due to the increase in the water tariff for non-domestic and special category from 1 January 2023.

	Individual Period 1st quarter		Changes RM'000	Changes %
	Current Quarter	* Immediate Preceding Quarter		
	31/3/2023	31/12/2022		
	RM'000	RM'000		
Revenue	97,394	84,896	12,498	14.7%
Operating Profit / (Loss)	13,317	(6,767)	20,084	>100%
Profit / (Loss) before tax	13,644	(6,473)	20,117	>100%
Profit after tax	12,968	4,797	8,171	>100%
Profit attributable to ordinary equity holders of the parent	12,968	4,797	8,171	>100%
Total comprehensive profit for the period	12,968	4,797	8,171	>100%

* To take into account the prior year's adjustments for the immediate preceding quarter.

Notes to the Condensed Consolidated Interim Financial Statements

15. Current year prospects

Revenue from sales of water is expected to further increase in line with the new tariff implementation on 1 January 2023.

16. Profit forecast or profit guarantee

Not applicable.

17. Revenue

Timing of revenue recognition at point in time are as follows :

	Three months ended			Current year to-date ended		
	31 March			31 March		
	2023	2022	Changes	2023	2022	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Sale of water	92,262	75,546	22%	92,262	75,546	22%
Capital contribution funds	3,089	2,712	14%	3,089	2,712	14%
Others	2,043	1,159	76%	2,043	1,159	76%
	<u>97,394</u>	<u>79,417</u>	<u>23%</u>	<u>97,394</u>	<u>79,417</u>	<u>23%</u>

18. Income tax expense

	Three months ended		Current year to-date ended	
	31 March		31 March	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Malaysia income tax				
Current year	676	175	676	175
Real property gains tax	-	999	-	999
	<u>676</u>	<u>1,174</u>	<u>676</u>	<u>1,174</u>
Deferred Tax				
Origination and reversal of temporary differences	-	500	-	500
	<u>-</u>	<u>500</u>	<u>-</u>	<u>500</u>
Tax income	<u>676</u>	<u>1,674</u>	<u>676</u>	<u>1,674</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 March 2023 RM'000
Profit before taxation	13,644
Taxation at Malaysian statutory tax rate of 24%	(3,274)
Income not subject to tax	606
Expenses not deductible for tax purposes	(450)
Unabsorbed reinvestment allowance previously unrecognised, now recognised	2,442
Tax income for the period	(676)

With effect from YA 2019, any unutilised Reinvestment Allowance (RA) can only be carried forward for a maximum period of 7 consecutive YAs after the expiry of the qualifying period of RA. The unutilised RA for YA 2018 and prior YAs arising from a qualifying period which has expired as at YA 2018 can be carried forward until YA 2025. In addition, the unutilised RA arising during the special RA period is allowed to be carried forward for 7 consecutive YAs from YA 2025 until YA 2031.

Based on existing legislation, as at 31 March 2023, it is anticipated that RM285 million out of the RM692 million (31 December 2022 : RM283 million out of RM695 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 :
 - 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 drawdown RM20 million from the 1st term loan agreement and RM24 million from the 2nd term loan agreement.

Notes to the Condensed Consolidated Interim Financial Statements

	At 31 March 2023 RM'000	At 31 December 2022 RM'000
Unsecured		
Loan from Federal Government via the State Government of Penang		
Nominal value of loans	31,600	33,800
Less: Deemed interest recognised as government grant	(10,183)	(11,414)
Add: Amortised interest	294	1,231
Less: Repayment	(600)	(2,200)
	21,111	21,417
Analysed as:		
Non-current	18,911	20,395
Current	2,200	1,022
	21,111	21,417

21. Deferred income

	At 31 March 2023 RM'000	At 31 December 2022 RM'000
Government grant		
Balance at beginning	10,183	11,414
Less : Amortisation	(294)	(1,231)
	9,889	10,183

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 March 2023 RM'000	At 31 December 2022 RM'000
Capital contribution funds ("CCF")		
Balance at beginning	24,540	19,250
Additions during the period	8,512	29,067
Less : Recognised in revenue	(3,089)	(23,777)
	5,423	24,540
Transfer of assets from customers		
Additions during the period	1,797	13,963
Less : Amortisation	(1,797)	(13,963)
	-	-
	5,423	24,540

The contract liabilities from Capital Contribution Funds (CCF) is where Developers/owners requesting to be connected to the public mains may be charged CCF by the Group. CCF received

Notes to the Condensed Consolidated Interim Financial Statements

is recognised as revenue in the income statement when the connection to the public mains takes place.

23. Lease liabilities

	At 31 March 2023 RM'000	At 31 December 2022 RM'000
Lease liabilities		
Balance at beginning	222,896	225,802
Additions during the period	828	996
Accretion of interest	3,173	12,866
Payments	(4,192)	(16,768)
	<u>222,705</u>	<u>222,896</u>
Analysed as:		
Non-current	218,608	219,116
Current	4,097	3,780
	<u>222,705</u>	<u>222,896</u>

24. Material litigation

As at 26 May 2023, there was no material litigation against the Group.

25. Dividends

The Board of Directors recommend a single tier final dividend of 1.50 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

26. Earnings per ordinary share

	Three months ended 31 March 2023 Continuing operations RM'000	Three months ended 31 March 2022 Continuing operations RM'000	Current year to-date 31 March 2023 Continuing operations RM'000	Current year to-date 31 March 2022 Continuing operations RM'000
Profit for the period	12,968	14,857	12,968	14,857
	Three months ended 31 March 2023 '000 Shares	Three months ended 31 March 2022 '000 Shares	Current year to-date 31 March 2023 '000 Shares	Current year to-date 31 March 2022 '000 Shares
Issued ordinary shares at 1 January	331,271	331,271	331,271	331,271
Effect of share buyback	(274)	(273)	(274)	(273)
Weighted average number of ordinary shares	330,997	330,998	330,997	330,998
	Three months ended 31 March 2023 Sen	Three months ended 31 March 2022 Sen	Current year to-date 31 March 2023 Sen	Current year to-date 31 March 2022 Sen
Earnings per share	3.92	4.49	3.92	4.49

Notes to the Condensed Consolidated Interim Financial Statements

27. Auditor's report on preceding annual financial statements

The auditor's report on the audited annual financial statements for the year ended 31 December 2022 was not qualified.

28. Notes to the Condensed Statement of Comprehensive Income

	Three months ended 31 March 2023 RM'000	Year to-date 31 March 2023 RM'000
a) Other Operating Income	(4,258)	(4,258)
b) Interest Income	(327)	(327)
c) Interest expense on lease liabilities	3,466	3,466
d) Depreciation of property, plant and equipment	15,598	15,598
e) Depreciation of right-of-use assets	1,354	1,354