

PRIVATE & CONFIDENTIAL

PBA HOLDINGS BHD

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

Interim Financial Report

31 December 2023

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

	Note	31 December 2023 RM'000	31 December 2022 RM'000
Assets			
Property, plant and equipment	5	1,124,168	1,064,984
Right-of-use assets		145,225	149,551
Total non-current assets		1,269,393	1,214,535
Inventories		8,843	9,751
Trade and other receivables	6	122,709	59,987
Current tax assets		866	526
Cash and cash equivalents		232,049	188,985
Total current assets		364,467	259,249
Total assets		1,633,860	1,473,784
Equity			
Share capital		327,579	327,579
Reserves		608,181	584,592
Total equity	7	935,760	912,171
Loans and borrowings	20	18,195	20,395
Deferred income	21	77,239	10,183
Lease liabilities	23	215,500	219,116
Deferred tax liabilities		128,700	99,000
Total non-current liabilities		439,634	348,694
Trade and other payables		211,185	183,553
Loans and borrowings	20	2,200	1,022
Contract liabilities	22	40,667	24,540
Lease liabilities	23	4,414	3,780
Current tax liabilities		-	24
Total current liabilities		258,466	212,919
Total liabilities		698,100	561,613
Total equity and liabilities		1,633,860	1,473,784

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

	Note	Three months ended 31 December		Current year-to-date ended 31 December	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Continuing operations					
Revenue	17	107,454	84,896	423,602	347,986
Cost of sales		(74,606)	(63,687)	(272,014)	(237,730)
Gross profit		<u>32,848</u>	<u>21,209</u>	<u>151,588</u>	<u>110,256</u>
Other operating income		4,425	1,465	16,190	23,334
Administrative expenses		(23,657)	(29,441)	(100,924)	(101,610)
Operating profit/(loss)		<u>13,616</u>	<u>(6,767)</u>	<u>66,854</u>	<u>31,980</u>
Interest income		455	294	1,556	1,018
Profit/(loss) before tax		<u>14,071</u>	<u>(6,473)</u>	<u>68,410</u>	<u>32,998</u>
Tax (expense)/income	18	(26,159)	11,270	(34,062)	44,118
Net (loss)/profit, representing total comprehensive income for the year		<u>(12,088)</u>	<u>4,797</u>	<u>34,348</u>	<u>77,116</u>
Earnings per share (sen) :	26	<u>(3.65)</u>	<u>1.45</u>	<u>10.38</u>	<u>23.30</u>

Condensed Consolidated Statement of Changes in Equity
For the twelve months ended 31 December 2023 - unaudited

	Share Capital RM'000	Treasury Shares RM'000	Distributable Retained Earnings RM'000	Total Equity RM'000
At 1 January 2022	327,579	(236)	515,988	843,331
Total comprehensive income for the year	-	-	77,116	77,116
Dividends	-	-	(8,275)	(8,275)
Purchase of treasury shares	-	(1)	-	(1)
At 31 December 2022	<u>327,579</u>	<u>(237)</u>	<u>584,829</u>	<u>912,171</u>
At 1 January 2023	327,579	(237)	584,829	912,171
Total comprehensive income for the year	-	-	34,348	34,348
Dividends	-	-	(10,758)	(10,758)
Purchase of treasury shares	-	(1)	-	(1)
At 31 December 2023	<u>327,579</u>	<u>(238)</u>	<u>608,419</u>	<u>935,760</u>

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Cash Flows
For the twelve months ended 31 December 2023 - unaudited

	Twelve months ended 31 December	
	2023	2022
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	68,410	32,998
Adjustments for :		
Finance Cost	13,881	14,097
Revenue recognised for assets transferred from customers	(15,984)	(13,963)
Amortisation of deferred income	(1,178)	(1,231)
Distribution income from investment in short term funds	(3,320)	(1,454)
Gain on disposal of property, plant and equipment	(124)	(10,041)
Interest income	(1,556)	(1,018)
Property, plant and equipment:		
- Depreciation	62,557	62,474
- Written off	346	96
Depreciation of right-of-use assets	5,444	5,418
Operating profit before working capital changes	128,476	87,376
Inventories	907	(859)
Receivables	5,511	7,162
Payables	32,598	5,147
Contract liabilities	16,128	5,290
Cash generated from operations	183,620	104,116
Income tax paid	(4,757)	(1,175)
Income tax refunded	581	-
Net cash from operating activities	179,444	102,941
Cash flows from investing activities		
Interest received	1,556	1,018
Distribution income received	2,769	1,454
Proceeds from disposal of PPE	127	10,044
Purchase of PPE	(106,108)	(41,299)
Net cash used in investing activities	(101,656)	(28,783)
Cash flow from financing activities		
Dividends paid	(15,722)	(7,447)
Payment of lease liabilities	(16,801)	(16,768)
Repayment of government loans	(2,200)	(2,200)
Purchase of treasury shares	(1)	(1)
Net cash used in financing activities	(34,724)	(26,416)
Net increase in cash and cash equivalents	43,064	47,742
Cash and cash equivalents at beginning of financial year	188,985	141,243
Cash and cash equivalents at end of financial year	232,049	188,985

Cash and cash equivalents

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

	Twelve months ended 31 December	
	2023	2022
	RM'000	RM'000
Cash and bank balances	74,964	55,027
Short-term deposits with licensed banks	157,085	133,958
	232,049	188,985

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 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 28 February 2024.

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, except for the adoption of the following new standards:

Effective for financial periods beginning on or after 1 January 2023

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 - 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 and International Tax Reform – Pillar Two Model Rules

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

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.

Notes to the Condensed Consolidated Interim Financial Statements

Effective for financial periods beginning on or after 1 January 2024

Amendments to MFRS 16 Leases – Lease Liability in a Sale and Leaseback
Amendments to MFRS 101 Presentation of Financial Statements – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current

Effective for financial periods beginning on or after 1 January 2025

Amendments to MFRS 121, The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability

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 year ended 31 December 2023, the Group acquired assets with a cost of RM106.11 million (31 December 2022: RM41.30 million).

Other assets with a carrying amount of RM0.35 million were written off during the year ended 31 December 2023 (31 December 2022: RM0.10 million).

b) Depreciation and amortisation

	Three months ended		Current year to-date ended	
	31 December 2023 RM'000	31 December 2022 RM'000	31 December 2023 RM'000	31 December 2022 RM'000
Charge for the year				
- Property, plant and equipment	16,491	15,944	62,557	62,474
- Right-of-use assets	1,368	1,353	5,444	5,418
	<u>17,859</u>	<u>17,297</u>	<u>68,001</u>	<u>67,892</u>

Notes to the Condensed Consolidated Interim Financial Statements

c) Capital commitments

	At 31 December 2023 RM'000	At 31 December 2022 RM'000
Approved Capital Expenditure:-		
i) Contracted but not provided for	109,000	70,000
ii) Authorised but not contracted for	389,000	263,000

d) Transfer of assets from customers

During the year ended 31 December 2023, assets transferred from customers amounted to RM15.98 million (31 December 2022: RM13.96 million)

6. Trade and other receivables

	At 31 December 2023 RM'000	At 31 December 2022 RM'000
Trade		
Trade receivables	51,032	55,275
Less: Allowance for expected credit losses	(9,891)	(10,107)
	<u>41,141</u>	<u>45,168</u>
Non-trade		
Other receivables	8,591	9,322
Less: Allowance for expected credit losses	(3,121)	(3,096)
	5,470	6,226
Deposits	6,976	7,335
Prepayments	888	1,258
Amount owing by State Government	68,234	-
	<u>81,568</u>	<u>14,819</u>
	<u>122,709</u>	<u>59,987</u>

The amount due from the State Government of RM88.76 million is receivable by eight equal instalments of RM10 million per year, followed by one final instalment of RM8.76 million, commencing from 2025.

7. Total equity

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

Notes to the Condensed Consolidated Interim Financial Statements

Treasury shares

During the year ended 31 December 2023, the Company repurchased 1,000 of its ordinary shares from the open market at an average price of RM0.81 per share (31 December 2022: 1,000 at an average price of RM0.81). 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 2023.

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 except the following:-

- a) The Federal Government on 13 December 2023 had approved the implementation of the adjustment of water tariffs for the domestic and other categories using the tariff setting mechanism (TSM) method in Peninsular Malaysia and Labuan. The new tariffs were implemented on 1 February 2024.
- b) On 5 January 2024, the Company increased its investment in its wholly-owned subsidiary, PBA Green Technology Sdn. Bhd. by RM1 million through the subscription of 1 million new shares at an issue price of RM1 each settled by way of cash.

11. Contingencies

There are no contingencies for the year under review.

12. Related parties

There are no significant transactions with and changes in Government related entities and key management personnel compensation for the year save as disclosed in Note 6 Trade and other receivables and 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 2023 increased by RM22.56 million or 26.6% as compared to the corresponding quarter in 2022. The Group registered a profit before tax of RM14.07 million as compared to the preceding year's corresponding quarter loss before tax of RM6.47 million. This is mainly due to increased water tariffs for non-domestic and special categories from 1 January 2023.

	Individual Period		Changes RM'000	Changes %
	Current Year Quarter	Preceding Year Corresponding Quarter		
	31/12/2023	31/12/2022		
	RM'000	RM'000		
Revenue	107,454	84,896	22,558	26.6%
Operating Profit/(loss)	13,616	(6,767)	20,383	>100%
Profit/(loss) before tax	14,071	(6,473)	20,544	>100%
(Loss) /profit after tax	(12,088)	4,797	(16,885)	>100%
(Loss)/profit attributable to ordinary equity holders of the parent	(12,088)	4,797	(16,885)	>100%
Total comprehensive (loss)/profit for the year	(12,088)	4,797	(16,885)	>100%

14. Variation of results against preceding quarter

Group revenue decreased from RM114.31 million to RM107.45 million as compared to the immediate preceding quarter. The Group registered a profit before tax of RM14.07 million as compared to the immediate preceding quarter of RM29.15 million, primarily due to the increase in the maintenance and administrative expenses.

	Individual Period		Changes RM'000	Changes %
	Current Quarter	Immediate Preceding Quarter		
	31/12/2023	30/9/2023		
	RM'000	RM'000		
Revenue	107,454	114,310	(6,856)	-6.0%
Operating Profit	13,616	28,749	(15,133)	-52.6%
Profit before tax	14,071	29,148	(15,077)	-51.7%
(Loss)/profit after tax	(12,088)	36,756	(48,844)	>100%
(Loss)/profit attributable to ordinary equity holders of the parent	(12,088)	36,756	(48,844)	>100%
Total comprehensive (loss)/profit for the year	(12,088)	36,756	(48,844)	>100%

15. Current year prospects

Revenue from sales of water is expected to increase further with the implementation of the new domestic tariffs and other categories on 1 February 2024.

Notes to the Condensed Consolidated Interim Financial Statements

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 December			31 December		
	2023	2022	Changes	2023	2022	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Sale of water	94,854	75,411	26%	377,299	309,355	22%
Capital contribution funds	5,982	(1,092)	-648%	29,033	23,777	22%
Others	6,618	10,577	-37%	17,270	14,854	16%
	<u>107,454</u>	<u>84,896</u>	<u>27%</u>	<u>423,602</u>	<u>347,986</u>	<u>22%</u>

18. Income tax (expense)/income

	Three months ended		Current year to-date ended	
	31 December		31 December	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Malaysia income tax				
Current year	459	230	4,645	869
(Over)/under provision in prior year	-	-	(283)	14
Real property gains tax	-	-	-	999
	<u>459</u>	<u>230</u>	<u>4,362</u>	<u>1,882</u>
Deferred Tax				
Origination and reversal of temporary differences	25,700	(11,500)	29,700	(46,000)
	<u>25,700</u>	<u>(11,500)</u>	<u>29,700</u>	<u>(46,000)</u>
Tax expense/(income)	<u>26,159</u>	<u>(11,270)</u>	<u>34,062</u>	<u>(44,118)</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 2023 RM'000
Profit before taxation	68,410
Taxation at Malaysian statutory tax rate of 24%	(16,419)
Income not subject to tax	4,564
Expenses not deductible for tax purposes	(1,974)
Effect of deferred tax assets not recognised	(20,516)
Overprovision in prior year	283
Tax expense for the year	(34,062)

With effect from Year Assessment (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 December 2023, it is anticipated that RM170 million out of the RM681 million (31 December 2022 : RM283 million out of RM695 million) available will be utilised to set-off against future taxable profits.

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 December 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	1,178	1,231
Less: Repayment	(2,200)	(2,200)
	<u>20,395</u>	<u>21,417</u>
Analysed as:		
Non-current	18,195	20,395
Current	2,200	1,022
	<u>20,395</u>	<u>21,417</u>

21. Deferred income

	At 31 December 2023 RM'000	At 31 December 2022 RM'000
Government grant		
Balance at beginning	10,183	11,414
Less : Amortisation	(1,178)	(1,231)
Balance at end	<u>9,005</u>	<u>10,183</u>
Amount owing by State Government		
Balance at beginning	-	-
Additions	68,234	-
Balance at end	<u>68,234</u>	<u>-</u>
	<u>77,239</u>	<u>10,183</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 year from the initial loan drawdown date up to the maturity date of the loans.

Amount owing by the State Government represents the fair value of the RM88.76 million on initial recognition as mentioned in Note 6.

Notes to the Condensed Consolidated Interim Financial Statements

22. Contract liabilities

	At 31 December 2023 RM'000	At 31 December 2022 RM'000
Capital contribution funds ("CCF")		
Balance at beginning	24,540	19,250
Additions during the year	45,160	29,067
Less : Recognised in revenue	(29,033)	(23,777)
	<u>40,667</u>	<u>24,540</u>

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

23. Lease liabilities

	At 31 December 2023 RM'000	At 31 December 2022 RM'000
Lease liabilities		
Balance at beginning	222,896	225,802
Additions during the year	1,116	996
Accretion of interest	12,703	12,866
Payments	(16,801)	(16,768)
	<u>219,914</u>	<u>222,896</u>
Analysed as:		
Non-current	215,500	219,116
Current	4,414	3,780
	<u>219,914</u>	<u>222,896</u>

24. Material litigation

As at 28 February 2024, there was no material litigation against the Group.

25. Dividends

The Board of Directors has declared a single tier interim dividend of 1.75 sen per share amounting to RM5,792,000 for the financial year ending 31 December 2023 (31 December 2022 - single tier interim dividend of 1.75 sen per share amounting to RM5,792,000).

Notes to the Condensed Consolidated Interim Financial Statements

26. Earnings per ordinary share

	Three months ended 31 December 2023 Continuing operations RM'000	Three months ended 31 December 2022 Continuing operations RM'000	Current year to-date 31 December 2023 Continuing operations RM'000	Current year to-date 31 December 2022 Continuing operations RM'000
(Loss)/profit for the year	(12,088)	4,797	34,348	77,116
	Three months ended 31 December 2023 '000 Shares	Three months ended 31 December 2022 '000 Shares	Current year to-date 31 December 2023 '000 Shares	Current year to-date 31 December 2022 '000 Shares
Issued ordinary shares at 1 January	331,271	331,271	331,271	331,271
Effect of share buyback	(275)	(274)	(275)	(274)
Weighted average number of ordinary shares	330,996	330,997	330,996	330,997
	Three months ended 31 December 2023 Sen	Three months ended 31 December 2022 Sen	Current year to-date 31 December 2023 Sen	Current year to-date 31 December 2022 Sen
Earnings per share	(3.65)	1.45	10.38	23.30

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 December 2023 RM'000	Year to-date 31 December 2023 RM'000
a) Other Operating Income	(4,425)	(16,190)
b) Interest Income	(455)	(1,556)
c) Interest expense on lease liabilities	3,473	13,881
d) Depreciation of property, plant and equipment	16,491	62,557
e) Depreciation of right-of-use assets	1,368	5,444