

PRIVATE & CONFIDENTIAL

PBA HOLDINGS BHD

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

Interim Financial Report

31 March 2024

Contents

	Page
Interim Financial Report	
Condensed Consolidated Statement of Financial Position	1
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	2
Condensed Consolidated Statement of Changes in Equity	3
Condensed Consolidated Statement of Cash Flows	4
Notes to the Condensed Consolidated Interim Financial Statements	5 - 14

Condensed Consolidated Statement of Financial Position
As at 31 March 2024 - unaudited

	Note	31 March 2024 RM'000	31 December 2023 RM'000
Assets			
Property, plant and equipment	5	1,114,246	1,124,168
Right-of-use assets		143,878	145,225
Other receivables	6	69,025	68,234
Total non-current assets		<u>1,327,149</u>	<u>1,337,627</u>
Inventories		9,143	8,843
Trade and other receivables	6	54,869	69,411
Current tax assets		350	876
Cash and cash equivalents		229,809	237,844
Total current assets		<u>294,171</u>	<u>316,974</u>
Total assets		<u>1,621,320</u>	<u>1,654,601</u>
Equity			
Share capital		327,579	327,579
Reserves		622,531	608,181
Total equity	7	<u>950,110</u>	<u>935,760</u>
Loans and borrowings	20	17,875	19,317
Deferred income	21	76,441	77,239
Lease liabilities	23	214,427	215,500
Deferred tax liabilities		128,700	128,700
Total non-current liabilities		<u>437,443</u>	<u>440,756</u>
Trade and other payables		188,949	231,916
Loans and borrowings	20	2,200	1,078
Contract liabilities	22	37,987	40,667
Lease liabilities	23	4,424	4,414
Current tax liabilities		207	10
Total current liabilities		<u>233,767</u>	<u>278,085</u>
Total liabilities		<u>671,210</u>	<u>718,841</u>
Total equity and liabilities		<u>1,621,320</u>	<u>1,654,601</u>

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the three months ended 31 March 2024 - unaudited

	Note	Three months ended 31 March		Current year-to-date ended 31 March	
		2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000
Continuing operations					
Revenue	17	111,173	97,394	111,173	97,394
Cost of sales		(69,722)	(64,240)	(69,722)	(64,240)
Gross profit		<u>41,451</u>	<u>33,154</u>	<u>41,451</u>	<u>33,154</u>
Other operating income		5,026	4,258	5,026	4,258
Administrative expenses		(30,562)	(24,095)	(30,562)	(24,095)
Operating profit		<u>15,915</u>	<u>13,317</u>	<u>15,915</u>	<u>13,317</u>
Interest income		485	327	485	327
Profit before tax		<u>16,400</u>	<u>13,644</u>	<u>16,400</u>	<u>13,644</u>
Tax expense	18	(2,050)	(676)	(2,050)	(676)
Net profit, representing total comprehensive income for the period		<u>14,350</u>	<u>12,968</u>	<u>14,350</u>	<u>12,968</u>
Earnings per share (sen) :	26	<u>4.34</u>	<u>3.92</u>	<u>4.34</u>	<u>3.92</u>

Condensed Consolidated Statement of Changes in Equity
For the three months ended 31 March 2024 - unaudited

	Share Capital RM'000	Treasury Shares RM'000	Distributable Retained Earnings RM'000	Total Equity RM'000
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>
At 1 January 2024	327,579	(238)	608,419	935,760
Total comprehensive income for the period	-	-	14,350	14,350
At 31 March 2024	<u>327,579</u>	<u>(238)</u>	<u>622,769</u>	<u>950,110</u>

Condensed Consolidated Statement of Cash Flows
For the three months ended 31 March 2024 - unaudited

	Three months ended 31 March	
	2024 RM'000	2023 RM'000
Cash flows from operating activities		
Profit before tax	16,400	13,644
Adjustments for :		
Finance Cost	3,402	3,466
Revenue recognised for assets transferred from customers	(3,435)	(1,797)
Amortisation of deferred income	(1,589)	(294)
Distribution income from investment in short term funds	(1,251)	(584)
Gain on disposal of property, plant and equipment	(161)	(47)
Interest income	(495)	(327)
Property, plant and equipment:		
- Depreciation	16,570	15,598
- Written off	65	72
Depreciation of right-of-use assets	1,348	1,354
Property, plant and equipment expensed off	371	-
Impairment loss on property, plant and equipment	1,456	-
Operating profit before working capital changes	32,681	31,085
Inventories	(300)	817
Receivables	14,550	11,350
Payables	(37,183)	(21,517)
Contract liabilities	(2,680)	5,424
Cash generated from operations	7,068	27,159
Income tax paid	(1,182)	(2,171)
Net cash from operating activities	5,886	24,988
Cash flows from investing activities		
Interest received	495	327
Distribution income received	1,106	584
Proceeds from disposal of PPE	161	47
Purchase of PPE	(5,105)	(2,662)
Net cash used in investing activities	(3,343)	(1,704)
Cash flow from financing activities		
Dividends paid	(5,792)	(4,963)
Payment of lease liabilities	(4,186)	(4,192)
Repayment of government loans	(600)	(600)
Net cash used in financing activities	(10,578)	(9,755)
Net increase in cash and cash equivalents	(8,035)	13,529
Cash and cash equivalents at beginning of financial period	237,844	188,985
Cash and cash equivalents at end of financial period	229,809	202,514

Cash and cash equivalents

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

	Three months ended 31 March	
	2024 RM'000	2023 RM'000
Cash and bank balances	71,466	64,407
Short-term deposits with licensed banks	158,343	138,107
	229,809	202,514

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 2024 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 2023 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 24 May 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. Changes in 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 2023, except for the adoption of the following new standards:

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
Amendments to MFRS 107, Statement of Cash Flows and MFRS 7, Financial Instruments: Disclosures – Supplier Finance Arrangements

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.

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

Notes to the Condensed Consolidated Interim Financial Statements

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 2023.

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 2024, the Group acquired assets with a cost of RM5.11 million (31 March 2023: RM2.66 million).

Other assets with a carrying amount of RM0.07 million were written off during the period ended 31 March 2024 (31 March 2023: RM0.07 million).

b) Depreciation and amortisation

	Three months ended		Current year to-date ended	
	31 March	31 March	31 March	31 March
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Charge for the year				
- Property, plant and equipment	16,570	15,598	16,570	15,598
- Right-of-use assets	1,348	1,354	1,348	1,354
	<u>17,918</u>	<u>16,952</u>	<u>17,918</u>	<u>16,952</u>

c) Capital commitments

	At 31 March	At 31 December
	2024	2023
	RM'000	RM'000
Approved Capital Expenditure:-		
i) Contracted but not provided for	122,000	109,000
ii) Authorised but not contracted for	<u>251,000</u>	<u>389,000</u>

d) Transfer of assets from customers

During the period ended 31 March 2024, assets transferred from customers amounted to RM3.44 million (31 March 2023: RM1.80 million)

Notes to the Condensed Consolidated Interim Financial Statements

6. Trade and other receivables

	Note	At 31 March 2024 RM'000	At 31 December 2023 RM'000
Non-current			
Non-trade			
Other receivables	6.1	69,025	68,234
Current			
Trade			
Trade receivables		51,107	64,465
Less: Allowance for expected credit lossess		(10,809)	(9,892)
		<u>40,298</u>	<u>54,573</u>
Non-trade			
Other receivables		9,297	10,095
Less: Allowance for expected credit lossess		(3,009)	(3,121)
		6,288	6,974
Deposits		7,046	6,976
Prepayments		1,237	888
		<u>14,571</u>	<u>14,838</u>
		<u>54,869</u>	<u>69,411</u>
Total trade and other receivables		<u>123,894</u>	<u>137,645</u>

6.1 Non-current other receivables

This represents the amount due from the State Government of Penang of RM88.76 million, discounted using a rate of 4.642% per annum and carried at amortised cost. The said amount 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 March 2024.

Treasury shares

During the period ended 31 March 2024, there was no repurchase of issued ordinary shares from the open market (31 March 2023 : 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 2024.

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 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 March 2024 increased by RM13.78 million or 14.1% as compared to the corresponding quarter in 2023. The Group registered a profit before tax of RM16.40 million as compared to the preceding year's corresponding quarter of RM13.64 million. This is mainly due to the increased of water tariffs for domestic and other categories from 1 February 2024.

	Individual Period		Changes RM'000	Changes %
	Current Year Quarter	Preceding Year Corresponding Quarter		
	31/3/2024 RM'000	31/3/2023 RM'000		
Revenue	111,173	97,394	13,779	14.1%
Operating Profit	15,915	13,317	2,598	19.5%
Profit before tax	16,400	13,644	2,756	20.2%
Profit after tax	14,350	12,968	1,382	10.7%
Profit attributable to ordinary equity holders of the parent	14,350	12,968	1,382	10.7%
Total comprehensive profit for the period	14,350	12,968	1,382	10.7%

14. Variation of results against preceding quarter

Group revenue increased from RM107.45 million to RM111.17 million as compared to the immediate preceding quarter. The Group registered a profit before tax of RM16.40 million as compared to the immediate preceding quarter of RM14.07 million, primarily due to the increase of water tariffs for domestic and other categories from 1 February 2024 .

	Individual Period		Changes RM'000	Changes %
	Current Quarter	Immediate Preceding Quarter		
	31/3/2024 RM'000	31/12/2023 RM'000		
Revenue	111,173	107,454	3,719	3.5%
Operating Profit	15,915	13,616	2,299	16.9%
Profit before tax	16,400	14,071	2,329	16.6%
Profit/(loss) after tax	14,350	(12,088)	26,438	>100%
Profit/(loss) attributable to ordinary equity holders of the parent	14,350	(12,088)	26,438	>100%
Total comprehensive profit/(loss) for the period	14,350	(12,088)	26,438	>100%

15. Current year prospects

Revenue from sales of water is expected to further increase in line with the new water tariff implementation with effect from 1 February 2024 for domestic consumers.

16. Profit forecast or profit guarantee

Not applicable.

Notes to the Condensed Consolidated Interim Financial Statements

17. Revenue

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

	Three months ended 31 March			Current year to-date ended 31 March		
	2024	2023	Changes	2024	2023	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Sale of water	93,762	92,262	2%	93,762	92,262	2%
Capital contribution funds	13,598	3,089	340%	13,598	3,089	340%
Others	3,813	2,043	87%	3,813	2,043	87%
	111,173	97,394	14%	111,173	97,394	14%

18. Income tax expense

	Three months ended 31 March		Current year to-date ended 31 March	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Malaysia income tax				
Current year	2,050	676	2,050	676
	2,050	676	2,050	676
Deferred Tax				
Origination and reversal of temporary differences	-	-	-	-
	-	-	-	-
Tax expense	2,050	676	2,050	676

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:

	31 March 2024 RM'000
Profit before taxation	16,400
Taxation at Malaysian statutory tax rate of 24%	(3,936)
Income not subject to tax	1,337
Expenses not deductible for tax purposes	(441)
Current period reinvestment allowance	345
Effect of deferred tax assets not recognised	645
Tax expense for the period	(2,050)

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.

Notes to the Condensed Consolidated Interim Financial Statements

Based on existing legislation, as at 31 March 2024, it is anticipated that RM158 million out of the RM666 million (31 December 2023 : RM170 million out of RM681 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 period 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.

	At 31 March 2024 RM'000	At 31 December 2023 RM'000
Unsecured		
Loan from Federal Government via the State Government of Penang		
Nominal value of loans	29,400	31,600
Less: Deemed interest recognised as government grant	(9,005)	(10,183)
Add: Amortised interest	280	1,178
Less: Repayment	(600)	(2,200)
	20,075	20,395
Analysed as:		
Non-current	17,875	19,317
Current	2,200	1,078
	20,075	20,395

21. Deferred income

	At 31 March 2024 RM'000	At 31 December 2023 RM'000
Deferred grant		
At 1 January	9,005	10,183
Less : Amortisation	(280)	(1,178)
	8,725	9,005
Due from the State Government of Penang		
At 1 January	68,234	-
Additions	-	68,234
Less : Amortisation	(518)	-
	67,716	68,234
Total	76,441	77,239

Notes to the Condensed Consolidated Interim Financial Statements

Deferred grant represents the difference between the nominal value of the interest-free loans obtained as disclosed in Note 20 (Loans and borrowings) and the fair value of the loans measured on initial recognition. The deferred grant is realised over the period from the initial loan drawdown date up to the maturity date of the loans.

The amount due from the State Government of Penang is amortised over the remaining 33 years lease term for the water assets leased from Pengurusan Aset Air Berhad (PAAB).

22. Contract liabilities

	At 31 March 2024 RM'000	At 31 December 2023 RM'000
Capital contribution funds ("CCF")		
At 1 January	40,667	24,539
Additions during the period	13,142	45,161
Less : Recognised recognised during the period	(15,822)	(29,033)
	37,987	40,667

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 March 2024 RM'000	At 31 December 2023 RM'000
Lease liabilities		
At 1 January	219,914	222,896
Additions during the period	-	1,116
Accretion of interest	3,123	12,703
Payments	(4,186)	(16,801)
	218,851	219,914
Analysed as:		
Non-current	214,427	215,500
Current	4,424	4,414
	218,851	219,914

24. Material litigation

As at 24 May 2024, there was no material litigation against the Group.

25. Dividends

The Board of Directors recommended a single tier final dividend of of 1.75 sen per share amounting to RM5,792,000 for the financial year ended 31 December 2023 subject to the approval of shareholders at the forthcoming Annual General Meeting (31 December 2022 - single tier final dividend of 1.50 sen per share amounting to RM4,966,000).

Notes to the Condensed Consolidated Interim Financial Statements

26. Earnings per ordinary share

	Three months ended 31 March 2024 Continuing operations RM'000	Three months ended 31 March 2023 Continuing operations RM'000	Current year to-date 31 March 2024 Continuing operations RM'000	Current year to-date 31 March 2023 Continuing operations RM'000
Profit for the period	14,350	12,968	14,350	12,968
	Three months ended 31 March 2024 '000 Shares	Three months ended 31 March 2023 '000 Shares	Current year to-date 31 March 2024 '000 Shares	Current year to-date 31 March 2023 '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 March 2024 Sen	Three months ended 31 March 2023 Sen	Current year to-date 31 March 2024 Sen	Current year to-date 31 March 2023 Sen
Earnings per share	4.34	3.92	4.34	3.92

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 2023 was not qualified.

28. Notes to the Condensed Statement of Comprehensive Income

	Three months ended 31 March 2024 RM'000	Year to-date 31 March 2024 RM'000
a) Other Operating Income	(5,026)	(5,026)
b) Interest Income	(485)	(485)
c) Interest expense on lease liabilities	3,123	3,123
d) Depreciation of property, plant and equipment	16,570	16,570
e) Depreciation of right-of-use assets	1,348	1,348