
P A A B

2014 ANNUAL REPORT



Pengurusan Aset Air



Pengurusan Aset Air

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CHAIRMAN'S STATEMENT

PERFORMANCE

The strong and stable financial position I reported in 2013 continues. Profit increased by RM3.9million to RM146.1million and we saw revenue rise 5.2% to RM546million.

Pengurusan Aset Air Berhad's (PAAB) strong operational and financial performance in 2014 reflects the investments, hard work and stretching targets set to deliver services that meet our customers' needs and our environmental and legislative responsibilities while ensuring lasting business value.

Our investments and activities remain focused on delivering the best to our customers in the most cost effective way possible. To achieve this, we are committed to identifying innovative and sustainable solutions, setting ourselves stretching targets and making prudent, responsible financial decisions that safeguard the value of our company for our shareholders.

CONTINUED DELIVERY

Our goal is to meet expectations by providing outstanding services in a sustainable yet cost-effective way. We invested more than RM200million for major and minor projects in Johor, Melaka and Negeri Sembilan in 2014, projects which added value to the industry. This on-going level of investments clearly demonstrates our commitment to invest in our assets which will ensure continuous excellent service to our customers.

More details on our completed projects are explained further in pages 26 to 33.

We have also started our awareness program to some water operators on PAAB's Water Asset Management System (WAMS) that was launched in 2013. With WAMS, water operators will be able to store, retrieve, manage, display, analyse and disseminate information on any particular asset.

This is just one of our efforts that reflect our guarantee that PAAB is and will continue to deliver its promise to business excellence and rise to the challenges while we are on our journey to become a world class asset provider.

OUR PEOPLE

The skills and commitment of our employees continue to be the key to the success of PAAB. We continue to engage with and provide opportunities for our employees to develop through a number of initiatives and strategies. This is evident with the launch of The Improvement and Innovative Idea Scheme that encouraged our employees to participate and

contribute ideas that could bring solutions or improvements to the Company, details of which are given in pages 34-35.

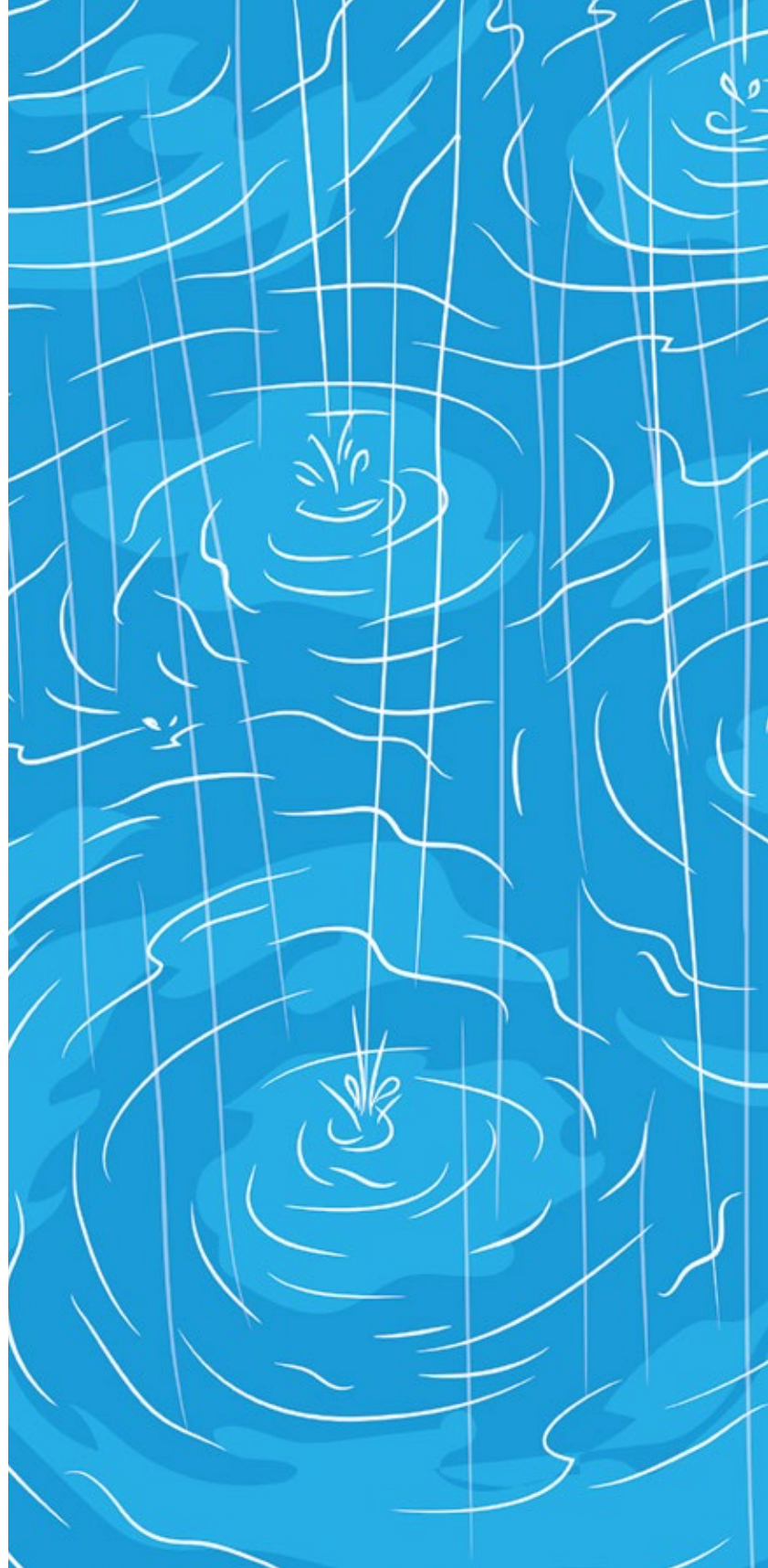
I personally thank every one of our employees for their outstanding contribution to PAAB. We start from a position of strength due to the commitment and professionalism of our staff, ensuring that we remain an excellently performing company delivering high quality services to our customers.

RESPONSIBLE CORPORATE CITIZEN

In 2014, we continued to embrace our role in the community, not just as the provider of quality water infrastructure, but as an organisation that supports the livability of the people around us.

This year, once again we had a series of Corporate Responsibility (CR) programs with states outside the Klang Valley, namely Johor, Melaka, and Negeri Sembilan. We got engaged with orphans from Pertubuhan Anak-Anak Yatim Darul Hanan, Pasir Gudang Johor and the less fortunate families in Serkam, Melaka by cleaning up their homes, as well as providing school supplies to children from low income families in Jelebu, Negeri Sembilan in conjunction with our Back to School Program.

In addition to that, for two consecutive years, we collaborated with Pertiwi Soup Kitchen, a Non-Governmental Organisation (NGO) established and managed by Pertubuhan Tindakan Wanita Islam (PERTIWI), and invited the homeless to celebrate Hari Raya Aidilfitri with us. Indeed there are many ways of measuring success. And one of them is knowing that the community around you is happy that someone cares.





ACKNOWLEDGEMENTS

In improving our efficiency and preparing for the future, I am indebted to my Board for their continuous support, commitment and dedication.

Over the year, Board membership changed. I would like to acknowledge and thank the contribution of Datuk Wira Ahmad Rusli Joharie, Tuan Haji Mohd. Radzi Hussein and Dato' Hawazain Shaari who left the Board in 2014. Together with other Board members, they managed to steer PAAB through challenges and left the organisation in a sound position. I would also like to welcome to the Board Dato' Dr. Halim Man, Ir. Mohd. Aminudin Mohd. Amin and En. Anuar Mohamad who bring strong operational and executive experiences.

On behalf of the Board and PAAB, I extend my thanks and appreciation to the Prime Minister's Department, Ministry of Finance, Ministry of Energy, Green Technology and Water, Suruhanjaya Perkhidmatan Air Negara, Economic Planning Unit, State Governments, Water Operators as well as other ministries and agencies for their endless co-operation, guidance and support in completing a year of strong achievement.

While we pride ourselves of having a good year, our real success will be determined by ensuring a lasting achievement. We have set targets that demand even higher standards. We intend to build on our success and become an industry-leader to push at the boundaries of what it means of being a world class water assets provider. This Annual Report demonstrates why we can look into the future with confidence.



Mohamad Tajol Rosli bin Mohd Ghazali
Chairman



PENGURUSAN ASET AIR BERHAD (PAAB) or Water Asset Management Company (WAMCO) was established on 5th May 2006 as a wholly owned company under Minister of Finance Incorporated. PAAB forms part of the Federal Government's efforts to restructure the water services industry in the country to achieve better efficiency and quality.



CORPORATE PROFILE

Our primary responsibility is to develop the nation's water infrastructure in Peninsular Malaysia and the Federal Territories of Putrajaya and Labuan in line with the Water Services Industry Act 2006 (Act 655).

We are tasked with the following objectives:

- Construct, refurbish, improve, upgrade, maintain and repair water infrastructure and all other assets in relation to the water systems.
- Source and obtain competitive financing for the development of the nation's water assets and lease such assets to water operators licensed by Suruhanjaya Perkhidmatan Air Negara (SPAN) for operations and maintenance.
- Assist SPAN to restructure the nation's water industry towards achieving the Government's vision for efficient and quality water services.

The Company has an authorised capital of RM1 billion and currently, the paid-up capital is at RM410 million.

We are committed to support the Government in achieving its national policy objectives for the water supply and sewerage services industry.

VISION

To Be A World Class Water Asset Provider.

MISSION

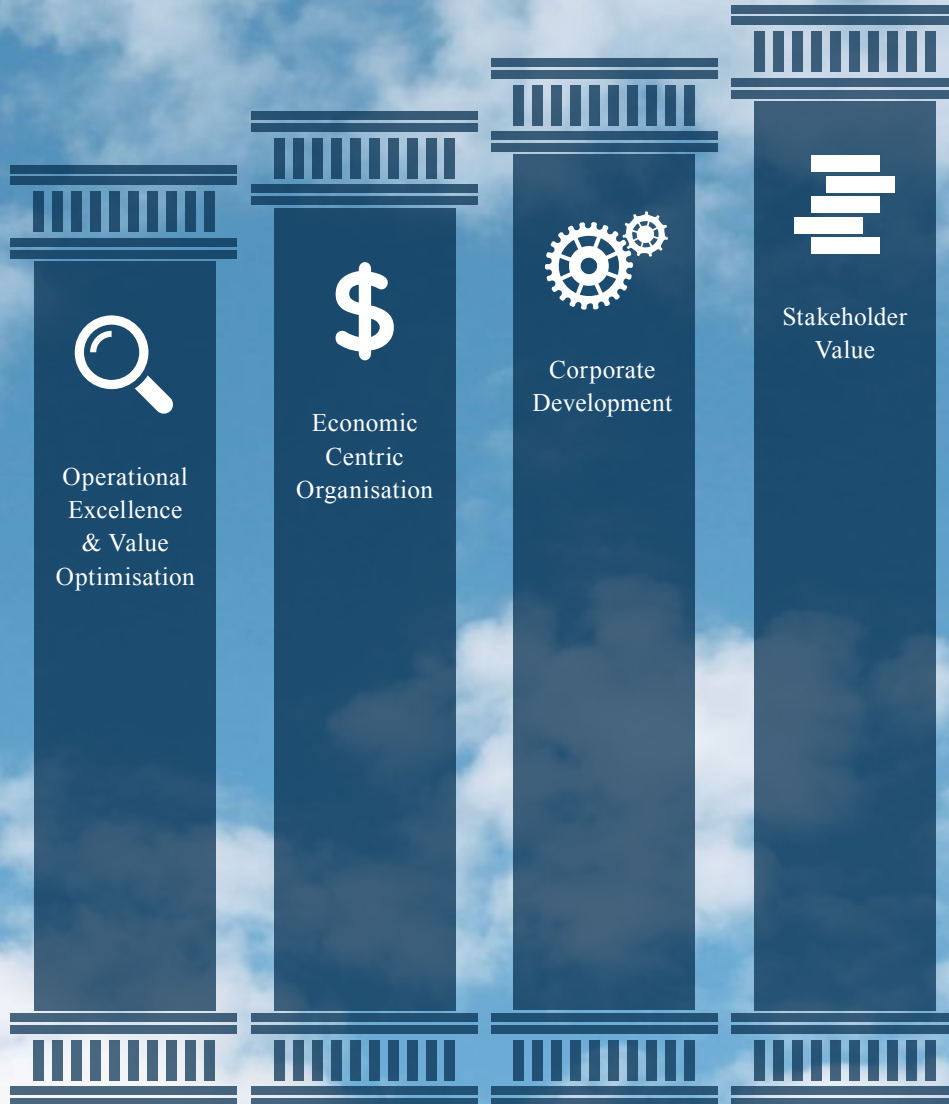
Commit to excellence in managing water assets, founded on the highest standards of ethics and technical innovation.

Promote continuous improvement in our business processes through the provision of the highest level of services.

Make a positive difference in the quality of water assets in supporting the delivery of quality water services to the consumer.

Add value to the industry by providing the most innovative solutions in the management of water assets.

PAAB'S 4 PILLARS





CEO'S MESSAGE

Our Group financial performance for the financial year ended 31 December 2014 marked PAAB's continuous progress in the journey towards achieving financial and industry sustainability. Ever since we embarked on this journey in the year 2006, marked improvements in all aspects of our business were achieved year after year.

In the midst of the rather gloomy global economic scenario and escalating costs, our strong and resilient financial results have been nothing short of outstanding. Thankfully, our basic business model of "spending within your means" helped us tremendously during this turbulent period. This year, our total shareholders fund has finally reached its first billion ringgit mark after just six years of full operations.

In addition to that, together with the Federal Government and the State Government of Selangor, we have finally executed a Master Agreement on 12 September 2014 to restructure the water services industry in Selangor and Wilayah Persekutuan Kuala Lumpur and Putrajaya.

The importance of this particular migration cannot be emphasized enough. It will ensure the long-term sustainability of PAAB and the water industry in particular. Whilst there

are still some conditions and negotiations to be maneuvered through in the coming financial year, this critical milestone is a game-changer for the Company.

The potential income from Selangor will elevate PAAB's revenue to new heights. On the other hand, it also means that it requires a particularly prudent financial and risk management given the huge investments involved. Apart from that, the number of consumers makes up almost a third of the country's population, whilst the commercial and industrial users comprised of some of the most important industrial giants and strategic infrastructure providers. In short, this represents the greatest challenge for us ever and the Company must not rest on its laurel applauding the achievements but must buckle down and work harder than before to fulfill the aspirations of the Government, the operators, the consumers and all stakeholders.





Despite the ups and downs, 2014 has truly been an eventful year that will shape the future of PAAB and its people. We would not have been the institution that we are today if not for our staff. An ethical corporate culture and passionate set of people have made this Company a great place to work in. They have been the pillars of our strength. I would like to congratulate and thank our employees on their dedication and enthusiasm.

I would also like to extend my heartfelt gratitude to the Board of Directors, especially our Chairman who has been instrumental in providing guidance and valuable insights to the Management throughout the year. The excellent rapport between the Board and Management has contributed significantly to our growth in the last eight years.

Our utmost appreciation also goes to our shareholders for its continued trust and support in shaping the Company's direction and policies. Not forgetting, kudos to the Ministry of Finance, Ministry of Energy, Green Technology and Water and all their officers, National Water Services Commission and the relevant State Governments for the shared vision and policies that facilitate the continued growth in the water industry.

To our fellow business Partners-State Water Operators, Consultants, Contractors and Suppliers, we are grateful that you have given full support to us in developing the required infrastructure for the water industry.

Thank you and may Allah continue to guide us in our quest to fulfill our missions and achieve our vision for the water industry and the country.

Ahmad Faizal Abdul Rahman
Director & Chief Executive Officer



SPOTLIGHT ON
THE DIRECTORS



DATO' SERI DIRAJA MOHAMAD TAJOL ROSLI BIN MOHD GHAZALI

Chairman

Dato' Seri DiRaja Tajol Rosli Mohd Ghazali was appointed as Chairman of PAAB on 1 April 2009. He was formerly the Chief Minister of the State of Perak and had held various portfolios in the Government namely as Parliamentary Secretary of Rural Development in 1983, Deputy Minister National and Rural Development in 1986, Deputy Minister of Energy, Telecommunications and Post in 1990, Deputy Minister of Housing and Local Government in 1995, Deputy Minister of Home Affairs in 1997 and as Minister in the Prime Minister's Department in January 1999. Dato' Seri DiRaja has been an assemblyman since he was first elected in 1977 and was a Member of Parliament from 1978 to 1999.

Dato' Seri DiRaja also played an active role in the development and activities of youth, within Malaysia and the Asian region. He was the President of the Malaysian Youth Council and the Secretary General of the Working Committee for the ASEAN Youth Council from 1982 to 1986. From 1988 to 1991, he was the President of the Asian Youth Council.

In the private sector, among positions held were Director of Applied Management Consultant Sdn. Bhd. and Managing Director of Rosli, Gan & Co., which specialised in outsourcing of accounting and company secretarial services. Dato' Seri DiRaja is also currently the Chairman of Integrax Berhad and was appointed to the Board on 21 June 2011.



DATO' AHMAD FAIZAL BIN ABDUL RAHMAN

Director & Chief Executive Officer

Dato' Ahmad Faizal Abdul Rahman is the Chief Executive Officer of PAAB since 1 July 2009. He also sits on the Board of Directors of PAAB and several other companies under the Group. Prior to this appointment, Dato' Ahmad Faizal was the Deputy CEO of PAAB.

Prior to PAAB, Dato' had served as Deputy General Manager in Prokhas Sdn Bhd, and Maybank Investment Bank (previously known as Aseambankers). At Maybank Investment Bank, Dato' had held the position of Head of Corporate Banking and also a Director in PT Maybank Indocorp, Indonesia. He had also served in Pengurusan Danaharta Nasional Berhad.

Dato' Ahmad Faizal received his education in professional accounting and financial management in the United Kingdom and prior to his current stint in PAAB, had over 16 years of experience in the areas of banking and corporate finance.

DATO' MAT NOOR BIN NAWI

Director

Dato' Mat Noor Nawawi was appointed Director of PAAB on 14 December 2011. Currently, he sits on the Boards of Pelaburan Hartanah Berhad and Bank Rakyat.

Dato' Mat Noor Nawawi has been serving the Government for 34 years. He started his career in the Malaysian civil service in May 1981 as an Agriculture Economist at the Federal Agriculture Marketing Authority (FAMA) before joining Economic Planning Unit (EPU) in 1983.

He is currently the Deputy Secretary General (Policy) at the Ministry of Finance, following his recent transfer from EPU, the Prime Minister's Department in October 2011. He has since continued to serve EPU in various capacities. His last position in EPU was Deputy Director General before joining MOF.

He holds a Bachelor of Science Degree in Resource Economics from University Putra Malaysia and a Master of Science in Policy Economics from University of Illinois, Urbana-Champaign, United States of America.



DATO' DR HALIM MAN

Director

He was the former Secretary General of the Ministry of Energy, Green Technology and Water, Malaysia. Serving the Government for more than 35 years, he also held senior management positions such as the Director of INTAN, Bukit Kiara, Kuala Lumpur, the Registrar/General Manager (Administration) University of Malaya, Malaysia and the Deputy Secretary General of the Ministry of Energy, Water and Communications.

He is highly experienced in the development of national water and sewerage policy, involving in the pioneering efforts to restructure the water industry since 2006. He is also an expert in the development of human capital and consulting work in areas of leadership and organizational strategy and transformation. His significant contributions to public services, especially in leadership development has awarded him the US Eisenhower Fellowship USA in 2002.

Apart from a distinguished career in the public sector, he served as a board member of various organizations including Bank Simpanan Nasional (BSN), Telekom Smart School Sdn. Bhd., Multimedia Development Corporation (MDC), Multimedia University (MMU), Malaysia-Thailand Joint Development Authority (MTJA), Yayasan Inovasi Malaysia and Malaysia Energy Centre (PTM). During his leadership at PTM, he initiated the establishment of Malaysia Green Technology Corporation, an agency tasked with planning and implementing green technology programmes in Malaysia. He has also served as a Member of the Malaysian Communications and Multimedia Commission (MCMC) and as Commissioner of National Water Services Commission (SPAN). He is currently the Chairman and Corporate Advisor of a private company in Kuala Lumpur.

He holds a Doctor of Philosophy (PhD) degree in Human Resource Management and Business Strategy from the University of Birmingham, United Kingdom, a Master of Public Administration (MPA) from the University of Southern California, Los Angeles and a Bachelor of Arts and Social Sciences (BA (Hons) from Universiti Malaya.

AMIRUDIN ABD RAHMAN

Director

Amirudin was appointed to the Board of Directors of PAAB in October 2009.

He holds a Bachelor Degree in Laws (L.L.B (Hons) from the International Islamic University, Malaysia and has started his career in the Judicial and Legal Service since 1987. He has held various positions including a Magistrate, Deputy Public Prosecutor, Legal Adviser to the then Ministry of Energy, Communications and Multimedia and Senior Director, Legal and Enforcement Department of the Energy Commission, State Legal Adviser for Negeri Sembilan and Deputy Head II, Advisory Division of the Attorney General's Chambers.

Currently, he is the Legal Advisor of the Public Private Partnership, Prime Minister's Department and is responsible for the preparation and drafting of agreement for privatization and public private partnership projects. He also gives the opinions on issues arising from the said privatization public private partnership projects.



MOHD RADZI BIN HUSSEIN

Director

Mohd Radzi Hussein is PAAB's Independent Director since he retired as the Director of the Information Technology Management Division, Accountant General Department in 2011.

Mohd Radzi started his career with the Ministry of International Trade and Industry as a cost accountant. Subsequently, he held other various positions in Universiti Utara Malaysia, the Kedah State Treasury, Kedah Akuakultur Sdn. Bhd. and the Ministry of Home Affairs. He was appointed to the Board of Directors of PAAB in September 2007 and currently, he is also a Board member of Malaysian Biotechnology Corporation Sdn. Bhd.

He holds a Master Degree in Business Administration (MBA) from University of Wales, Aberystwyth, Wales, United Kingdom and a Bachelor in Accounting (Hons) from University of Malaya.

ANUAR BIN MOHAMAD

Director

Anuar bin Mohamad, a Chartered Accountant (CA) and holds a Masters Degree in Business Administration (Finance) from the Universiti Kebangsaan Malaysia (UKM).

Anuar retired as Financial Controller/Bursar for University of Malaya in August 2010. Prior to UM, he has served in various capacities in the government departments and agencies such as the Foreign Investment Committee (FIC) and Malaysian Administrative Modernisation and Management Planning Unit (MAMPU) at Prime Minister's Department, Ministry of Information and Accountant General's Department. He has more than 30 years of working experience in accounting and financial areas.



SUTEKNO AHMADBELON

Director

Sutekno Ahmadbelon was appointed to the Board of the Directors of PAAB in November 2010.

Currently, he is the Senior Undersecretary, Water Services Sector at the Ministry of Energy, Green Technology and Water. He has held various posts in the Ministry since 2003. He started his career as a civil servant in 1994 with MAMPU Sarawak as Assistant Director.

He holds a Corporate Master in Business Administration (CMBA) from Universiti Malaysia Sarawak (UNIMAS) and a B.Sc in Public Administration from University of Missouri at St Louis (UMSL), St Louis, USA.

He had attended various advanced management courses including Advanced Management Development Programme (AMDP) at INTAN in 2009; Wharton Advanced Management Program (AMP) at The Wharton School, University of Pennsylvania, Philadelphia in 2010; Advanced Leadership and Management Programme (ALMP) at INTAN in 2011; Advanced Leadership Development Programme (ALDP): The Executive Leadership Series at Razak School of Government (ROSG) in 2011; and RSOG Senior Leadership Programme (SLP): Dialogue Leadership at Razak School of Government (ROSG) in collaboration with Potential Ltd in 2013. He is also currently the Vice President of the Malaysian Water Association (MWA) and the Vice Chairperson of the Academic and Development Committee, ASEM Water Resources Research and Development Center (ASEMWATER).



IR. MOHD AMINUDIN BIN MD AMIN

Director

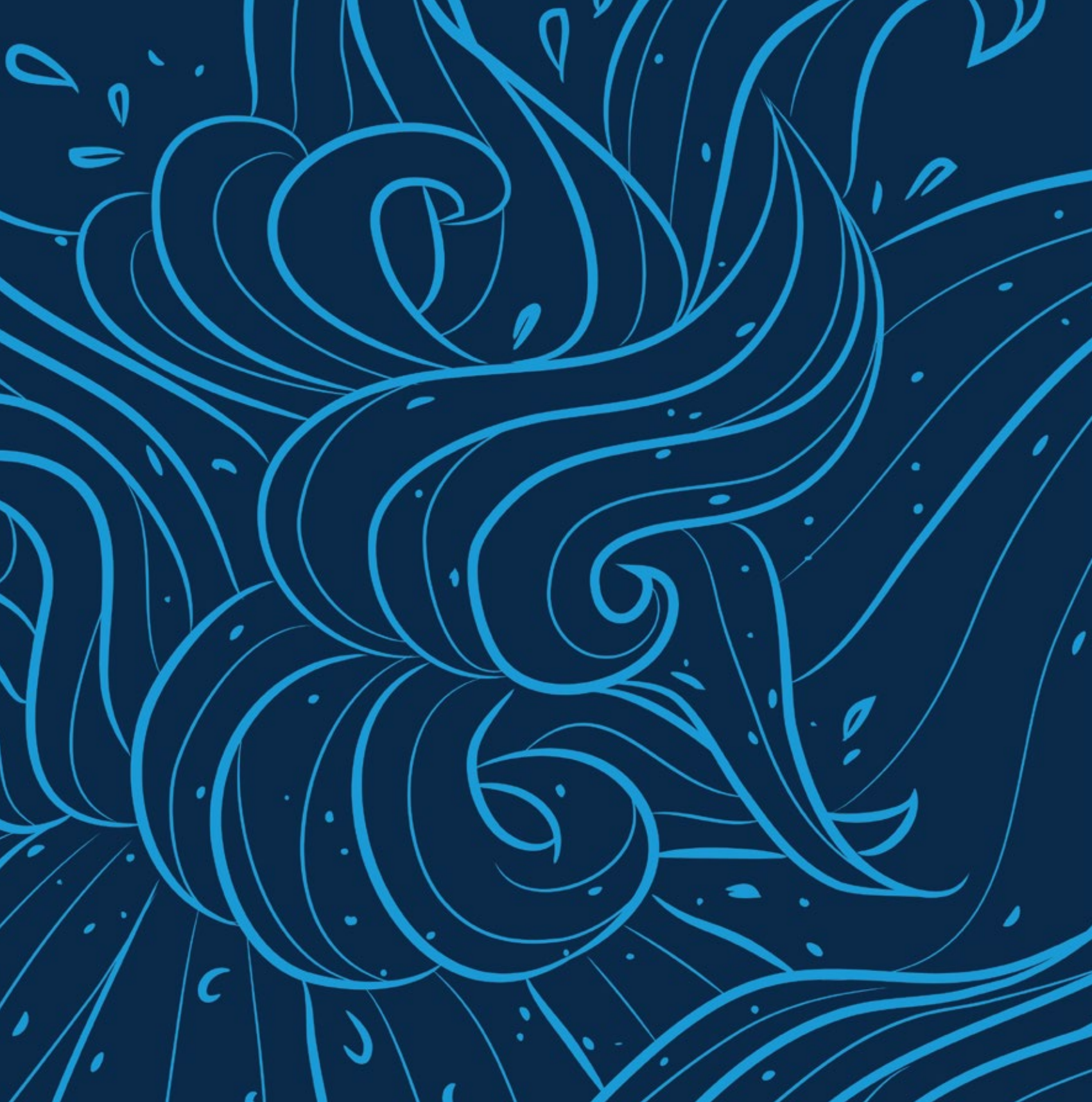
Ir. Mohd Aminudin bin Md Amin, graduated in Civil Engineering from the University of Salford, England. He also holds a Master of Science (MSc) in Structural Engineering from the University of Strathclyde, Scotland.

Ir. Mohd Aminudin started his career with Jabatan Kerja Raya (JKR) Malaysia on 15 August 1979 as a Project Engineer in the East-West Highway Project, Gerik/Jeli. He retired as the Director of Corporate Management Branch JKR Headquarters on 15 August 2013. During his service, he has held the positions of Director of Complex Project Management Branch, Head of Structural Engineering Forensic Unit, Head of Concrete Pavement Research Unit (IKRAM), District Engineers of Klang and Kuala Langat, Project Manager and as a structural designer. He has also been seconded to KL International Airport Berhad (KLIAB) from 1995 till 2000, as a Construction General Manager and Head of KLIAB Central Laboratory.

He is a registered Professional Engineer (PE) with the Board of Engineers Malaysia and has been certified as 'Certified Practising Project Director (CPPD, 2010-2013)' by the Australian Institute of Project Management. Throughout his careers, he has been awarded the Excellent Service Awards in year 1996, 2003, 2004 and 2005.

MANAGEMENT PROFILES





ABDUL HADI ALI

Chief Corporate Officer

Abdul Hadi is the Chief Corporate Officer since April 2013. In 2010, he joined as an Assistant General Manager, Treasury under Finance Division and was responsible for the treasury management activities in the Company.

Abdul Hadi has over 20 years of treasury experience both in corporate and banking environment. In 1989, he started his career with PETRONAS in money market and foreign exchange desk and later moved to fixed income portfolio management. He made his foray into banking industry by joining Aseambankers Berhad in 1994 and he became the Chief Dealer and later promoted as the Head of Treasury in 1999. He moved to Hwang DBS Securities in 2002 to establish the private debt securities (PDS) trading desk and joined KAF Discount Berhad (later known as KAF Investment Bank), in 2003 as the Head of Sales. In 2008, Abdul Hadi left Malaysia to join the Islamic Development Bank, a multilateral development bank based in Jeddah, Kingdom of Saudi Arabia as a Financial Market Specialist. His main responsibility was in the area of liquidity and currency basket management (Islamic Dinar).

Abdul Hadi graduated from University of Missouri at Kansas City, USA with Masters in Business Administration (Finance) and Bachelor of Business Administration (Finance) from Loyola University, New Orleans in USA.



NOR IFUAN MD NOR

Chief Operating Officer

Nor Ifuan Md Nor was promoted to Chief Operating Officer in April 2013. He joined in 2009 as Head of Procurement and Corporate Services Department and was responsible for overseeing the management and co-ordination of all matters relating to tendering and awarding of contracts, central procurement contracts, corporate communications, ICT support services and office administration. He was redesignated as Head of Corporate Services in 2010 and subsequently as Head of Commercial Division in 2012.

Nor Ifuan started his career as consultant Quantity Surveyor with Baharuddin Ali & Low Sdn. Bhd. and later specialised in contractual disputes and arbitration with CIC-QS Services Sdn. Bhd. He then moved to RHB Property Management Sdn. Bhd. as Head of Special Projects. Subsequently, he joined a project management company as Project Director before joining Ranhill Berhad as Project Control Advisor in Group COO's office.

Nor Ifuan graduated with a BSc (Hons) in Quantity Surveying from University Of Salford, United Kingdom and has over 21 years of experience in the areas of construction, project management, contracts management and costs control.

MAHADZIR MUSTAFA

Head of Finance & Treasury

Mahadzir Mustafa is the Head of Finance and Treasury, responsible for the overall financial management and treasury functions.

Mahadzir brings with him over 19 years of experience in areas of financial and management accounting, taxation, corporate finance and treasury matters. Starting with a career in KPMG, he has a diverse finance experience in various industries, GLCs and MNCs, ranging from manufacturing, trading and distribution, highway concessionaire and e-commerce.

Prior to joining PAAB, Mahadzir was the Senior Finance Manager heading the Regional Financial Operations of Emery Oleochemicals Sdn Bhd, a JV between Sime Darby and PTT Global Chemical. Earlier, he managed various finance functions within the Chemical Company of Malaysia Bhd, culminating as the finance head for the Chemicals Division.

Mahadzir graduated with a BSc (Economics) in Accounting & Finance from the University of Wales, Aberystwyth. He is a Fellow of the Association of Chartered Certified Accountants and a chartered accountant with the Malaysian Institute of Accountants.



HAJI KAMARUDDIN ABDUL RAZAK

Head of Project Management

Haji Kamaruddin is the Head of Project Management Division since 2012. He is responsible in establishing quality standards and efficient management of the projects undertaken by the Company in every state. In 2008, he joined PAAB to take charge of Project Loji Rawatan Air Langat 2 (LRAL2).

He brings with him 30 years of experience in civil engineering, sewerage & drainage and infrastructure. He started his career in Dewan Bandaraya Kuala Lumpur in 1980 and continued his 3 years Bachelor degree study. Upon graduation, HJ Kamaruddin re-joined DBKL before he moved to KLCC Berhad in 1992. He developed and embarked his professional career as the General Manager of Technical Services and subsequently the General Manager of Migration team to oversee the movement of Prime Minister's Offices to the new administrative capital, Wilayah Persekutuan Putrajaya. In 2006, as the Project Director of WWE Holdings Berhad, he spearheaded the design and build contract for the construction and completion of sewerage treatment plant in Jelutong, Pulau Pinang.

Haji Kamaruddin graduated from University of Strathclyde, Glasgow, Scotland, United Kingdom with Masters of Science in Public Health and Environmental Control Engineering and holds a Bachelor of Science in Civil Engineering from University of Glasgow in Scotland and Diploma in Civil Engineering from University Technology of Malaysia (UTM).

SHAHARUDDIN NOR MOHAMED

Head of Facility & Planning

Shaharuddin Nor Mohamed is the Head of Facility & Planning Division of PAAB. He was entrusted to lead and oversee the overall capital expenditure (CAPEX) implementation exclusively on CAPEX planning, approval process, budgetary as well as asset and land management. He joined PAAB in November 2007 as Civil and Structural Engineer and later headed the Project Management Department under Projects Division in July 2010.

He started his career as a design engineer in a consultancy firm with direct involvement in water supply projects. He has undertaken various projects focusing in designing and managing new water treatment plant, plant upgrading and refurbishment as well as distribution systems namely in the states of Terengganu Darul Iman, Kelantan Darul Naim and Pahang Darul Makmur.

Shaharuddin graduated in Bachelor of Engineering (Civil and Structural) from Universiti Kebangsaan Malaysia in 1997. He is as well a member of Board of Engineers, Malaysia (BEM) and the Institution of Engineers, Malaysia (IEM).



MOHAMAD MOHAMAD NOR

Head of Commercial

Mohamad Mohamad Nor was promoted to Head of Commercial Division in January 2013. He has extensive experience in tender, contract and procurement. He started his career as a Project Engineer with Petra Resources Sdn Bhd in 1993. Subsequently, joined Transwater Engineering Sdn Bhd and served the company in project management.

He joined Indah Water Konsortium and served in various departments within the Consortium namely Project Management and Contract Administration from 1998 to 2007 before seconded to PAAB in 2007 under the Tender and Contract Department.

Mohamad holds BSc (Hons) in Chemical Engineering from University of Technology Malaysia, Johor Bahru and has over 15 years of experience in areas of construction, project management and contract administration. As a professional, Mohamad has led assignments in performance improvement, project management and implementation. He has a wide range of experience in the government and utilities sectors as well as numerous commitment in oil & gas services.

ZULHAYATI YAHYA

Head of Human Resources & Administration

Zulhayati Yahya joined PAAB on 1 July 2008. She was promoted to Senior Manager, Human Resource on 1 January 2011 and was re-designated to the current position following the merger of the Human Resource Department and the Administration Department on 1 January 2012.

She holds a Degree in Business Administration from the Eastern Washington University, USA and has with her over 25 years of working experience in the Human Resource and Administration roles which she had gained from her employment with several companies of various industries.

She started her first career with Uniphone Sdn Bhd before joining Coopers & Lybrand 2 years later. She stayed with Coopers & Lybrand for 4 years before moved on to join Bumiputra Merchant Bankers Berhad, which later merged with Amanah Merchant Bank to become Alliance Merchant Bank and later known as Alliance Investment Bank. She spent 13 years working with the banking industry before joining PAAB.





MANAGEMENT TEAMS

Corporate Division

- 1 Norlida Mohd Ariff [Senior Manager, Corporate Communications](#)
- 2 Yuzaimi Abdullah [Senior Manager, Information Technology](#)
- 3 Kumaresan Muthusamy [Senior Manager, Risk Management](#)
- 4 Donald Khoo Kah Hong [Manager, Corporate Finance](#)

Finance Division

- 5 Mazwin Abu Bakar [Manager, Treasury](#)
- 6 Nazmul Qomar Mahmud Budiman [Manager, Accounts](#)

Human Resources and Administration Division

- 7 Rosdin Roslee [Manager, Administration](#)

Commercial Division

- 8 Rohaidah Bahariyah [Senior Manager, Tender Evaluation](#)
- 9 Azman Mohd Ihsan [Senior Manager, Contract](#)
- 10 Hasnul Hadi Hashim [Senior Manager, Procurement](#)

Facility & Planning Division

- 11 Dato' Abu Zar Omar [Advisor, Land Management](#)
- 12 Zolkarnain Aman [Manager, Land Management](#)
- 13 Shamsunazaruddin Shah Mohd Salleh [Manager, Project Planning](#)
- 14 Rohizan Mohamad [Manager, Project Planning](#)
- 15 Mohd Hazley Halim [Manager, Asset Management](#)

Project Management Division

- 16 Zainal Nagin [Senior Manager, Southern Region](#)
- 17 Zamri Hassan [Senior Manager, Northern Region](#)
- 18 Mohd Fauzi Omar [Senior Manager, Central Region & Special Projects](#)
- 19 Fauziah Hanim Nordin [Senior Manager, Eastern Region](#)
- 20 Mohd Yazid Ahmad [State Manager, Negeri Sembilan](#)
- 21 Zailani Mohamad [State Manager, Melaka](#)
- 22 Johari Sinal [State Manager, Johor](#)



REMARKABLE DEVELOPMENTS

2014 PROJECT UPDATES

SG. RENGIT / Pengerang Distribution Improvement

Package 1 - 2 ML Bukit Tempayan Reservoir

Project Brief: The previous existing reservoir was insufficient to meet the water demand in Sri Medan and had leakage problem. It also did not comply with SPAN's requirement of one day storage. A new reservoir was proposed to replace the existing reservoir in order to meet these requirements.

The Outcome: The new reservoir had successfully served the demand areas and fulfilled its purpose to cater sufficient supply and boost water pressure at Sri Medan in Batu Pahat district.



2 ML Bukit Tempayan Reservoir

Package 2 - Sg. Sayong Sludge Treatment Facility

Project Brief: The sludge treatment facility was proposed in Sg. Sayong Water Treatment Plant to meet DOE's requirement in treating the sludge produced. The existing chemical building was modified to house the sludge decanter. Other process units in the system were sludge thickener and sludge holding tanks.

The Outcome: The project had achieved the desired result of Standard B and met all necessary DOE's requirements in handling scheduled waste and avoid plant operation disturbance due to non-compliance.



Sludge Decanter



Switch Board & Polymer Transfer Pumps in Sludge Decanter Building



Sludge Thickener Tank



Sludge Holding Tank

YONG PENG - PACKAGE 5 - DISTRIBUTION IMPROVEMENT FROM PENGKALAN BUKIT A RESERVOIR TO KG. MESJID AND SUPPLY IMPROVEMENT SYSTEM AT BAKRI, MUAR



3.5 ML Jalan Bakri Reservoir

Project Brief: The project was implemented due to water shortage and low pressure from Pengkalan Bukit A Reservoir to Kg. Mesjid and inconsistency of supply to the consumers at Bakri, Muar.

The Outcome: With the completion of this project, it had overcome the water shortage problem and low pressure at Muar District especially at Sakeh Baru, Pt. Bakar, Pt. Jawa and Sri Menanti and able to reduce inconsistency of supply at Pesona, Jalan Hj. Kosai, Jeram, Bkt. Perah and Pt. Jamil.



700mm Dia. Mild Steel Pipeline



450mm Dia. Mild Steel Pipeline

MAJOR PROJECTS COMPLETED IN MELAKA

Bertam DAF Phase 2 Water Treatment Plant - Package 2

Design Capacity: 120 MLD

Project Brief: Bertam DAF Phase 2 WTP was designed to supply 120 MLD of treated water and cater the demand growth in Melaka Tengah and south west portion of Alor Gajah districts. This is to be done through pumping to New Bertam Balancing Reservoir and gravitate to New Sg. Udang, New Air Salak and Existing Cheng Reservoirs.

The Outcome: With the completion of the WTP, it is expected to boost the water supply and cater the developments in Lendu, Sg. Udang and Klebang.



Aerator



Filter Gallery



View of Flocculation Tanks and Dissolved Air Flotation (DAF) Building



Dissolved Air Flotation (DAF) Tanks



Electro-Chlorination Building



Contact and Clear Water Tank



View of Wash Water Recovery Tank & Pumping Station and Sludge Thickeners

Parcel 1 & 2 – Trunk Main Replacement & Upgrading Works

Package 2

Project Brief: Consisted of trunk main replacement & upgrading works from Kolam Bukit Asu to Gedong Lalang, from Kolam Cheng to Simpang Klebang and from Simpang Pulau Gadong to Tanjung Kling Pumphouse. The project was primarily to replace aging AC pipes that frequently burst and to increase connectivity in the network distribution system.

The Outcome: Reduction in NRW and pipes burst in the district of Melaka Tengah, Melaka.



- (1) 600mm Dia. Mild Steel Pipeline from Kolam Cheng to Simpang Klebang
- (2) 600mm Dia. Mild Steel Pipeline from Pulau Gadong to Tanjung Kling Pumphouse
- (3) 600mm Dia. Mild Steel Pipeline crossing Sg. Malim



Package 3

Project Brief: Consisted of trunk main replacement & upgrading works from Lebu AMJ to Simpang Kelemak, Pipeline Installation from Kolam Bukit Tiga to Simpang Taman Mutiara, from Taman Merak (Padang Keladi) to Pekan Durian Tunggal and alternative supply to Bandar Hijau Hang Tuah Jaya. The project was primarily to replace aging AC pipes which experienced frequent pipe burst and to increase connectivity in the network distribution system.

The Outcome: Reduction in NRW and pipes burst in districts of Jasin and Alor Gajah and to provided alternative supply to Bandar Hijau Hang Tuah Jaya, Melaka.

- (1) 400mm Dia. Mild Steel Pipeline from Taman Merak (Padang Keladi) to Pekan Durian Tunggal
- (2) 700mm Dia. Mild Steel Pipeline from Kolam Bukit Tiga to Simpang Taman Mutiara
- (3) 400mm Dia. Mild Steel Pipeline from Lebu AMJ to Simpang Kelemak

MAJOR PROJECTS COMPLETED IN NEGERI SEMBILAN

Jempol Water Treatment Plant

Design Capacity: 54.6 MLD

Project Brief: The existing Jempol Water Treatment Plant had been in operation for more than 20 years. Due to vast development and increasing water demand at the supply area, the plant was upgraded to an ultimate capacity of 54.6 MLD. The treated water produced is pumped to Bukit Taisho and Serting Reservoirs.

The Outcome: With the completion of Jempol WTP water supply to Jempol District had increased, especially for Bahau and Serting to cater the vast development in these areas.



Rubber Weir across Sg. Muar



Raw Water Intake Plant at Kg Jambu Lapan



Aerator



Overview of Aerator, Flocculation Tanks and Clarifiers



Lamella Plate Clarifiers



Filter Tank



Residual Holding Tank & Thickener Tank



Thickened Residual Building

Seremban Barat - Package 3 - Supply & Install Mild Steel Pipe 750mm Dia. And Related Work From Gadong Balancing Tank To Suction Tank Nusari Bayu, Sendayan
Project Brief: Laying of approximately 12.0 km of 750 mm diameter gravity main MS pipe from the new Gadong Balancing Reservoir to existing Nusari Bayu Suction Tank at Sendayan.

The Outcome: This pipeline will cater to the demand for the massive developments in Sendayan, Gadong, part of Enstek and part of Vision City area in Seremban 2.



750mm Mild Steel Pipeline

Pipe Replacement - Package 3A

Project Brief: Pipe replacement works in district of Tampin and Jempol on the existing water supply network system that involved replacement of AC pipes in various sizes to multilayer uPVC pipes.

The Outcome: Reduced non-revenue water in Negeri Sembilan by focusing on the reduction of physical losses particularly in district of Tampin and Jempol.



S-bend at Kg Mahsan, Jempol

MINOR PROJECTS COMPLETED IN JOHOR, MELAKA AND NEGERI SEMBILAN

Projects Brief: Affected areas were experiencing frequent pipes burst leading to complaint from public due to water interruption.
The Outcome: Reduced complaints from public on water disruption, reduction of NRW and saving on operational cost.

8 Minor Projects in Johor – Pipe rehabilitation works in Batu Pahat, Johor Baharu, Kluang Kota Tinggi, Mersing and Pontian.
1 Minor Project in Melaka – Pipe rehabilitation works in Melaka Tengah.
3 Minor Projects in Negeri Sembilan – Pipe rehabilitation works in Port Dickson.



IMPROVEMENT AND INNOVATIVE SCHEME FOR PAAB

The Improvement and Innovative Idea Scheme was part of the Employee Rewards and Recognition Programs for PAAB that was approved by our Board of Directors (BOD) on 28 February 2014. The objective of this scheme was to encourage employees to participate in contributing creative and innovative thinking ideas that could bring solutions or improvements to current issues, or bring new ideas for implementation within the department, division or across the Company.

Participations were open to all staff, either in Individual or Group submissions (maximum four members per group),

using "Improvement & Innovation Idea Proposal Form" that was made available in PAAB's Intranet, Aqualibrium.

All proposals submitted were evaluated by the Evaluation Committee appointed by CEO and winners were selected based on the selection criteria determined by the Committee. The winners for 2014 each received a Certificate and RM500 cash prize.

This scheme, which was officially launched on 9 October 2014, will be an annual event.



For this inaugural competition, the Committee received two (2) proposals from group submissions, namely as follows:

- Proposal 1:
Project Outcome Report
- Proposal 2:
Coaching Program for Small Bumi Consultants

Proposal 1 had already been implemented by Project Planning Department and it was one of the Department's KPIs for 2014. The project outcome report will be used as guideline by Project Evaluation Committee (PEC) in evaluating future

projects and as well as a reference for both PAAB and Water Operators in implementing any projects in the future.

As for Proposal 2, it is still a concept paper and requires further feasibility study by Project Planning Department before it can be implemented.

Both Groups were declared winners by the Committee. This was in recognition of their time and efforts in putting up the proposals and also as encouragement for other staff to participate in this scheme next time.



SO CUTE

GVVY

Emirates

Part of the...
XEMEN

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2014 CALENDAR



EVENTS & ACTIVITIES



21 JANUARY 2014

Inaugural visit of Minister of Energy, Green Technology and Water (KeTTHA) to PAAB's HQ

YB Datuk Seri Panglima Dr. Maximus Johnity Ongkili visited PAAB's HQ Kuala Lumpur office, accompanied by other officials from the Ministry.

PAABians were honoured with YB Minister working visit for his time and attention.



27 FEBRUARY 2014

Minister of KeTTHA visit to
Langat 2 site

KeTTHA's Minister, YB Datuk Seri Panglima Dr. Maximus Johnity Ongkili, accompanied by officials from Suruhanjaya Pengurusan Air Negara and officials for other Government Department visited Langat 2 Water Treatment Plant site for a working visit. Upon arrival, YB Datuk Seri Panglima Dr. Maximus Johnity Ongkili was briefed on the work progress which was on track. He then visited the worksite accompanied by other officials and indicated that he was pleased with the overall progress of the project.



23 - 25 MAY 2014

Teambuilding

PAABians was enthralled by the combination of adventurous activities. All participants were challenged through a number of complex scenarios and exploring team dynamics. It was a two days action packed activities in an idyllic location, Pulau Desaru.



5 AUGUST 2014

PAAB's Corporate Hari Raya Open House

With special guests in the month of Syawal - the homeless and less fortunate together with more than 400 guests from water agencies, government and officials; came to celebrate Hari Raya Open House. Held at Sime Darby Convention Centre, the tranquil ground and excellent food provided were an excellent backdrop to be acquainted with stakeholders and officials.

20 OCTOBER 2014

CSR at Persatuan Darul Hanan, Johor Bahru

This time around, we decided to join hands with SAJH for community program at the home of Persatuan Kebajikan Darul Hanan located in Pasir Gudang. It is a home for orphanage and under-privilege children. YB Puan Normala binti Abdul Samad, Pasir Gudang member of parliament came to grace the spirit of community service. We came together for 'gotong royong' activities to clear the weeds from a patch of the home gardening compound, making it safer and for children to carry on with their home fruits and vegetables planting activities. A talk on water education session was organised for the children and ended with a fun-filled 'water saving' pop-quiz session. Water pipe system restoration and repair was extended to the children home too.



16 - 17 NOVEMBER 2014

Family Day

PAAB's family day was organised at Bayou Lagoon Water Park Resort in Malacca a wonderful mix of modern living and centuries' old heritage, with the tagline 'Visiting Malacca, visiting Malaysia'. It is a small state but has plenty to offer. The weekend kicked off with fun-thrilled activities during the telematch, bumper car rides, 9D movie theatre as well as games room, children's playground and swimming pool. In the evening, we explored Melaka Zoo & Night Safari with tram rides and was given the opportunity to watch a Multi Animals Show. Finale was the 45-minute ride Melaka River Cruise with the chance to see the best bits of this historical city, offering sights such as the traditional Malay village Kampung Morten and the beautiful murals alongside Jonker Walk to end a memorable weekend.

20 NOVEMBER 2014

CSR at Kg Pulau Barat, Serkam, Melaka

We collaborated with Syarikat Air Melaka (SAMB) in restoring and repairing ‘Nenek Som Salleh’ home, aged 66 who lives in the village. Repair works were done for water pipe and roofing. Nenek Som’s house was painted wholly and her home ground which was full of weeds were cleared to ensure that she can stay safe on her own. Serkam assemblyman, YB Encik Zaidi bin Atan was present for the ‘Back to School’ segment where donations and school bags were given away to 50 under-privilege children in the village. During this program, a health screening desk was open for villagers to check their glucose level and blood pressure.



21 NOVEMBER 2014

CSR at Jelebu, Negeri Sembilan

We took the opportunity to partake in community ‘Back to School’ program which coincides with officiating SAINS new office. Negeri Sembilan State Secretary, YB Dato’ Haji Mat Ali bin Hassan was pleased to be giving away School Bags to children of Jelebu and a mini educational talk was presented to community.

SPORTS ACTIVITIES



RC Go Cart



RC Futsal



RC Badminton



Friendly Match with SAINS

FINANCIAL STATEMENTS

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DIRECTORS' REPORT

The directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activities of the Company are developing and managing the nation's water infrastructure in Peninsular Malaysia and the Federal Territories of Putrajaya and Labuan.

The principal activities of the subsidiaries are disclosed in Note 7 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

RESULTS

	Group RM '000	Company RM '000
Profit for the year	146,108	3,387

The results of the operations of the Group and of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

DIVIDEND

The amount of dividend paid by the Company since 31 December 2013 was as follows:

In respect of the financial year ended 31 December 2013 as reported in the Directors' Report of that year :

Final ordinary exempt dividend of approximately 3.35 sen net per share on
410,000,000 ordinary shares, paid on 30 July 2014

Company
RM '000

13,718

At the forthcoming Annual General Meeting, a first and final dividend in respect of the current financial year ended 31 December 2014, of approximately 8.50 sen per share on 510,000,000 ordinary shares amounting to a total dividend of RM43,328,333 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect the proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the next financial year ending 31 December 2015.

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are :

Dato' Seri Diraja Mohamad Tajol Rosli bin Mohd Ghazali
Dato' Mat Noor bin Nawī
Amirudin bin Abd Rahman
Dato' Ahmad Faizal bin Abdul Rahman
Datuk Wira Ahmad Rusli bin Joharie (Resigned on 17 January 2014)
Dato' Hawazain binti Shaari (Resigned on 29 January 2014)
Mohd Radzi bin Hussein (Resigned on 5 September 2014)
Sutekno bin Ahmadbelon (Resigned on 23 January 2015)
Ir. Mohd Aminuddin bin Md Amin (Appointed on 16 June 2014)
Dato' Dr Halim bin Man (Appointed on 20 June 2014)
Anuar bin Mohamad (Appointed on 6 November 2014)
Datuk Loo Took Gee (Appointed on 26 February 2015)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire

benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 22 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporations with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

DIRECTORS' INTEREST

None of the directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

OTHER STATUTORY INFORMATION

- (a) Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps :
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that no provision for doubtful debts was required; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances :

(i) that would render any amount to be written off as bad debts or provided for as doubtful debts in the financial statements of the Group and of the Company, or

(ii) that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading, or

(iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

(iv) not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(c) At the date of this report, there does not exist :

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(d) In the opinion of the directors :

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

ISSUE OF SHARES

During the financial year, the Company increased its issued and paid-up share capital from RM410,000,000 to RM510,000,000 by way of the issuance of 100,000,000 ordinary shares of RM1 each for cash for additional working capital purposes.

AUDITORS

The auditors, Saifudin & Co., have indicated their willingness to accept re-appointment.

Signed on behalf of the Board in accordance with a resolution of the directors.



Dato' Seri Diraja Mohamad Tajol Rosli
bin Mohd Ghazali



Dato' Ahmad Faizal bin Abdul Rahman

27 April 2015, Kuala Lumpur.

STATEMENT BY DIRECTORS

Pursuant to Section 169(15) of the Companies Act, 1965

We, Dato' Seri Diraja Mohamad Tajol Rosli bin Mohd Ghazali and Dato' Ahmad Faizal bin Abdul Rahman, being two of the directors of PENGURUSAN ASET AIR BERHAD, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 51 to 107 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial positions of the Group and of the Company as at 31 December 2014 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors.



Dato' Seri Diraja Mohamad Tajol Rosli
bin Mohd Ghazali



Dato' Ahmad Faizal bin Abdul Rahman

27 April 2015, Kuala Lumpur.

STATUTORY DECLARATION

Pursuant to Section 169(16) of the Companies Act, 1965

I, Mahadzir bin Mustafa, being the officer primarily responsible for the financial management of PENGURUSAN ASET AIR BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 51 to 107 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed
Mahadzir bin Mustafa at Kuala Lumpur in the Federal
Territory on 27 April 2015.

)
)
)



Before me,

Mahadzir bin Mustafa



Lot 12, Pusat Penjaja Park & Rid
Pekan Sungai Besi,
57000 Kuala Lumpur.

INDEPENDENT AUDITORS' REPORT

to the members of PENGURUSAN ASET AIR BERHAD (732544-D) - (Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of PENGURUSAN ASET AIR BERHAD, which comprise the statements of financial position as at 31 December 2014 of the Group and of the Company, and statements of profit or loss, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 51 to 107.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements

that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2.2 to the financial statements. As stated on the statements of financial positions of the Group and the Company as at 31 December 2014, the Group and the Company have net current assets amounting to approximately RM6,161,695,000

and RM5,657,260,000 respectively, and as of this date, the Group and the Company recorded accumulated profit of approximately RM556,896,000 and RM129,711,000 respectively.

A wholly owned subsidiary, Acqua SPV Berhad, as stated in Note 7 to the financial statements, was incorporated by the Company to acquire conventional and islamic debt instruments from the existing water operators in a State, in a process undertaken by the holding company to acquire the State's water assets. The carrying amount of the amount due from the subsidiary as at 31 December 2014 is approximately RM5,743,441,000.

The Group and the Company's ability to continue as going concern and the ability of the Company to recover the amount due from the subsidiary shall depend on the realisation from these investments or from continuing coupon and principal payments based on expected contractual cash flows should the finalisation of the acquisition of the State's water assets defers to a later date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following :

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial

statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

- (c) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



SAIFUDIN & CO.
No. AF 1451
Chartered Accountants



AHMAD SAIFUDIN BIN ABDULLAH
No. 2340/07/16 (J/PH)
Chartered Accountant

Kuala Lumpur.
27 April 2015

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2014

	NOTE	Group				Company	
		31.12.2014 RM '000	31.12.2013 RM '000 Restated	1.1.2013 RM '000 Restated	31.12.2014 RM '000	31.12.2013 RM '000 Restated	1.1.2013 RM '000 Restated
ASSETS							
Non-current assets							
Plant and equipment	5	33,549	31,323	31,180	33,549	31,323	31,180
Investment properties	6	10,000,661	9,984,257	9,754,248	10,000,661	9,984,257	9,754,248
Investment in subsidiaries	7	-	-	-	1,000	1,000	1,000
Investments	8	-	-	120,782	-	-	120,782
Trade and other receivables	9	938,109	752,590	491,464	938,109	752,590	491,464
		<u>10,972,319</u>	<u>10,768,170</u>	<u>10,397,674</u>	<u>10,973,319</u>	<u>10,769,170</u>	<u>10,398,674</u>
Current assets							
Investments	8	6,149,945	6,259,560	6,250,295	-	-	49
Trade and other receivables	9	264,436	201,625	353,200	208,095	200,281	352,947
Amount due from subsidiary	10	-	-	-	5,743,441	5,940,499	6,126,261
Cash and cash equivalents	11	710,646	556,612	285,362	668,946	514,936	243,688
		<u>7,125,027</u>	<u>7,017,797</u>	<u>6,888,857</u>	<u>6,620,482</u>	<u>6,655,716</u>	<u>6,722,945</u>
TOTAL ASSETS		<u>18,097,346</u>	<u>17,785,967</u>	<u>17,286,531</u>	<u>17,593,801</u>	<u>17,424,886</u>	<u>17,121,619</u>

The accompanying notes form an integral part of the financial statements.

	NOTE	Group				Company	
		31.12.2014 RM '000	31.12.2013 RM '000	1.1.2013 RM '000	31.12.2014 RM '000	31.12.2013 RM '000 Restated	1.1.2013 RM '000 Restated
EQUITY AND LIABILITIES							
Equity attributable to owners of the parent company							
Share capital	12	510,000	410,000	410,000	510,000	410,000	410,000
Retained earnings		556,896	424,506	291,448	129,711	140,042	201,994
Total Equity		<u>1,066,896</u>	<u>834,506</u>	<u>701,448</u>	<u>639,711</u>	<u>550,042</u>	<u>611,994</u>
Non-current liabilities							
Loans and borrowings	13	13,921,898	12,336,413	13,233,389	2,979,193	2,888,867	2,310,773
Deferred income	14	2,145,220	2,248,765	2,839,203	2,145,220	2,248,765	2,839,203
Amount due to subsidiary	15	-	-	-	10,866,455	-	-
		<u>16,067,118</u>	<u>14,585,178</u>	<u>16,072,592</u>	<u>15,990,868</u>	<u>5,137,632</u>	<u>5,149,976</u>
Current liabilities							
Amount due to subsidiary	15	-	-	-	863,834	11,648,303	11,299,664
Loans and borrowings	13	883,436	2,291,978	452,416	19,602	14,714	-
Other payables	16	76,801	70,469	56,836	76,691	70,359	56,746
Provisions	17	2,945	3,323	3,239	2,945	3,323	3,239
Provision for tax		150	513	-	150	513	-
		<u>963,332</u>	<u>2,366,283</u>	<u>512,491</u>	<u>963,222</u>	<u>11,737,212</u>	<u>11,359,649</u>
Total liabilities		<u>17,030,450</u>	<u>16,951,461</u>	<u>16,585,083</u>	<u>16,954,090</u>	<u>16,874,844</u>	<u>16,509,625</u>
TOTAL EQUITY AND LIABILITIES		<u>18,097,346</u>	<u>17,785,967</u>	<u>17,286,531</u>	<u>17,593,801</u>	<u>17,424,886</u>	<u>17,121,619</u>

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF PROFIT OR LOSS

For the year ended 31 December 2014

	NOTE	Group 31.12.2014 RM '000	Group 31.12.2013 RM '000	Company 31.12.2014 RM '000	Company 31.12.2013 RM '000
Revenue	18	546,022	519,009	546,022	519,009
Other income	19	16,713	38,698	1,407	1,509
Depreciation expense		(290,214)	(282,806)	(290,214)	(282,806)
Administrative expenses		(23,496)	(24,601)	(23,106)	(24,273)
Other expenses		(62,015)	(60,113)	(62,015)	(85,340)
Operating profit		187,010	190,187	172,094	128,099
Finance income	20	497,026	474,436	369,221	98,271
Finance cost	21	(537,192)	(521,866)	(537,192)	(278,623)
Net finance costs		(40,166)	(47,430)	(167,971)	(180,352)
Profit/(Loss) before tax	22	146,844	142,757	4,123	(52,253)
Income tax expense	25	(736)	(513)	(736)	(513)
Profit/(Loss) for the year		146,108	142,244	3,387	(52,766)
Profit attributable to owners of the company		146,108	142,244	3,387	(52,766)

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2014

	NOTE	Share Capital RM '000	Retained Earnings RM '000	Equity Attributable to Owners of the Company RM '000
GROUP				
As at 1 January 2013		410,000	291,448	701,448
Profit for the year		-	142,244	142,244
Dividends to owners of the Company	26	-	(9,186)	(9,186)
As at 31 December 2013		410,000	424,506	834,506
As at 1 January 2014		410,000	424,506	834,506
Issuance of share capital		100,000	-	100,000
Profit for the year		-	146,108	146,108
Dividends to owners of the Company	26	-	(13,718)	(13,718)
As at 31 December 2014		510,000	556,896	1,066,896
COMPANY				
Balance as at 1 January 2013		410,000	201,994	611,994
Loss for the year		-	(52,766)	(52,766)
Dividends to owners of the Company	26	-	(9,186)	(9,186)
Balance as at 31 December 2013		410,000	140,042	550,042
Balance as at 1 January 2014		410,000	140,042	550,042
Issuance of share capital		100,000	-	100,000
Profit for the year		-	3,387	3,387
Dividends to owners of the Company	26	-	(13,718)	(13,718)
Balance as at 31 December 2014		510,000	129,711	639,711

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2014

	Group 31.12.2014 RM '000	Group 31.12.2013 RM '000	Company 31.12.2014 RM '000	Company 31.12.2013 RM '000
Cash flows from operating activities				
Profit/(Loss) before tax	146,844	142,757	4,123	(52,253)
Adjustments for :				
Amortisation of government grants	103,545	81,096	103,545	81,096
Depreciation of plant and equipment	290,214	282,806	290,214	282,806
Finance income	(1,193,631)	(474,435)	(369,221)	(98,271)
Finance costs	1,130,252	440,770	433,647	197,527
Gain on disposals of :				
Plant and equipment	(35)	(4)	(35)	(4)
HTM investments	-	(257)	-	(257)
Net impairment on receivables	58,522	82,934	58,522	82,934
(Reversal of impairment) / Impairment on investments	-	(40,511)	-	-
Doubtful debts	-	15,283	-	-
Doubtful debts recovered	(15,283)	(37,182)	-	-
Operating profit before changes in working capital	520,428	493,257	520,795	493,578
Change in receivables	(251,856)	(394,101)	(251,856)	(186,045)
Change in payables	5,954	211,359	5,954	211,338
Cash generated from operations	274,526	310,515	274,893	518,871
Interest received	410,997	401,010	23,614	11,749
Interest paid	-	(456,215)	-	(209,129)
Tax paid	(1,099)	-	(1,099)	-
Net cash generated from operating activities	684,424	255,310	297,408	321,491

The accompanying notes form an integral part of the financial statements.

	Group 31.12.2014 RM '000	Group 31.12.2013 RM '000	Company 31.12.2014 RM '000	Company 31.12.2013 RM '000
Cash flows from investing activities				
Acquisition of investment properties	(284,798)	(485,278)	(284,798)	(485,278)
Acquisition of plant and equipment	(3,151)	(970)	(3,151)	(970)
Redemption of HTM investment	50,000	40,000	-	-
Advances to subsidiary	(343)	-	(343)	429,006
Repayment from subsidiary	437,389	-	437,389	-
Proceeds from disposal of HTM investments	-	121,370	-	121,370
Proceeds from disposal of plant and equipment	35	4	35	4
Dividend paid	(13,718)	(9,186)	(13,718)	(9,186)
	<u>185,414</u>	<u>(334,060)</u>	<u>135,414</u>	<u>54,946</u>
Net cash (used in) / generated from investing activities				
Cash flows from financing activities				
Proceeds from issuance of share capital	100,000	-	100,000	-
Proceeds from loans and debt instruments	-	350,000	-	-
Advances from/(to) holding company	(81,334)	-	-	-
Repayment from/(to) holding company	(437,389)	-	-	-
Repayment/Redemption of loans and dept instrument	(2,208,330)	-	(8,330)	-
Proceeds from debt instrument	2,300,000	-	-	-
Coupon payments	(18,269)	-	-	-
Advances to subsidiary	(372,699)	-	(372,699)	(105,189)
Advances from a subsidiary	2,217	-	2,217	-
	<u>(715,804)</u>	<u>350,000</u>	<u>(278,812)</u>	<u>(105,189)</u>
Net cash generated from/(used in) financing activities				
Net increase/(decrease) in cash and cash equivalents	154,034	271,250	154,010	271,248
Cash and cash equivalents at beginning of the year	556,612	285,362	514,936	243,688
	<u>710,646</u>	<u>556,612</u>	<u>668,946</u>	<u>514,936</u>
Cash and cash equivalents at end of the year				

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

1 - GENERAL INFORMATION

The Company is a public limited liability company incorporated and domiciled in Malaysia. The addresses of the principal place of business and registered office of the Company are as follows :

Principal place of : Tingkat 24, Menara Multi-Purpose
business Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur.

Registered office : Tingkat 7, Bangunan Setia 1
15, Lorong Dungun
Bukit Damansara
50490 Kuala Lumpur.

The consolidated financial statements of the Company for the financial year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the “Group”).

The principal activities of the Company are developing and managing the nation’s water infrastructure in Peninsular Malaysia and the Federal Territories of Putrajaya and Labuan and the principal activities of the subsidiaries are as disclosed in Note 7 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

The immediate and ultimate holding corporation is Minister of Finance (Incorporated), incorporated in Malaysia under the Minister of Finance (Incorporation) Act 1957.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 24 March 2015.

2 - BASIS OF PREPARATION

The financial statements of the Group have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards (“IFRS”) and the Companies Act, 1965 in Malaysia.

2.1 Changes in Accounting Policies and Disclosures

The following are new and amended accounting standards applicable to the Group that have been issued by the Malaysian Accounting Standards Board (“MASB”) :

STANDARD	TITLE	NOTE	Effective date	New and Amended Standards adopted	Standards not yet effective and not yet adopted
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)	(b)	1 Jan 2015		•
	Financial Instruments (IFRS 9 issued by IASB in October 2010)	(b)	1 Jan 2015		•
MFRS 12	Investment Entities (Amendments to MFRS 10, MFRS 12 and MFRS 127)	(a)	1 Jan 2014	•	
MFRS 136	Recoverable Amount Disclosures for Non-Financial Assets (Amendments to MFRS 136)	(a)	1 Jan 2014	•	
MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting (Amendments to MFRS 139)	(a)	1 Jan 2014	•	
MFRS 132	Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 132)	(a)	1 Jan 2014	•	

NOTES:

- (a) The initially applied standards have no material impact on the financial statements of the Group.
- (b) At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the Malaysian Accounting Standards Board but are not yet effective and have not been adopted early by the Group. The new standards and interpretations are not expected to have a material impact on the Group's financial statements.

2.2 Going Concern Assumption

As stated on the statements of financial positions of the Group and the Company as at 31 December 2014, the Group and the Company have net current assets amounting to approximately RM6,161,695,000 and RM5,657,260,000 respectively, and as of this date, the Group and the Company recorded accumulated profit of approximately RM556,896,000 and RM129,711,000 respectively.

A wholly owned subsidiary, Acqua SPV Berhad, as stated in Note 7 to the financial statements, was incorporated by the holding company to acquire conventional and islamic debt instruments from the existing water operators in a State, in a process undertaken by the holding company to acquire the State's water assets. The carrying amount of the amount due from the subsidiary as at 31 December 2014 is approximately RM5,743,441,000.

The Directors expect that the investments in conventional and islamic debt instruments will be recovered in full upon finalisation of the acquisition of the State's water assets in the financial year ending 31 December 2015 via exchange of water assets by the State's Special Purpose Entity.

The financial statements have been prepared on the basis of going concern based on the assumption that all the investments will be realised in full in the financial year ending 31 December 2015 or the Company shall continue receiving payments from the subsidiary from coupons and principal payments based on the expected contractual cash flows should the water assets acquisition by the holding company defers to a later date.

The Company's ability to continue as going concern shall depend on the continuous financial support from the holding company and the Minister of Finance (Incorporated) should the amount or future payments from the debt instruments' issuers are not recoverable in full or partly recoverable.

2.3 Basis of Measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in the significant accounting policies in Note 3.

2.4 Functional and Presentation Currency

The financial statements are presented in Ringgit Malaysia (“RM”), which is the Group’s functional currency. All financial information is presented in RM and has been rounded to the nearest thousand (RM’000), unless otherwise stated.

2.5 Use of Estimates and Judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effects on the amounts recognised in the financial statements other than as disclosed below :

Note 6	- Investment properties
Note 9	- Trade and other receivables
Note 10	- Amount due from subsidiary
Note 15	- Amount due to subsidiary

3 - SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

3.1 Basis of Consolidation

(a) Subsidiaries

Subsidiaries are entities over which the Company has the power to govern the financial and operating policies so as to obtain benefits from their activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in profit or loss.

(b) Special purpose entities

The Company has incorporated 2 special purpose entities ("SPE") for acquisition of a portfolio of investments from the existing water operators in a State and issuance of Islamic debt instruments purposes. SPEs controlled by the Company were established under terms that impose strict limitations on the decision-making powers of the SPEs' management and that result in the Company receiving the majority of the benefits related to the SPEs' operations and net assets, being exposed to the majority of risks incident to the SPEs' activities and retaining the majority of the residual or ownership risks related to the SPEs or their assets.

(c) Transaction eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

3.2 Financial Instruments

(a) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value, plus in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

(b) Categories and subsequent measurement

The Group categorise financial instruments as follows :

Financial assets

(i) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

As at the reporting date, the Group and the Company have not designated any of their financial assets as financial assets at fair value through profit or loss.

(ii) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

(iii) Held-to-maturity investments

Held-to-maturity investments category comprises debt instruments that the Group or the Company has the positive intention and ability to hold them to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

As at the reporting date, the Group has not designated any of its financial assets as held-to-maturity investments.

(iv) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

As at the reporting date, the Group and the Company have not classified any of their financial assets as available-for-sale financial assets.

All financial assets are subject to review for impairment. The policies for the recognition and measurement of impairment are in accordance with Note 3.6(a).

Liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivatives that is a financial guarantee contract or designated and effective hedging instruments) or financial liabilities that are specifically designated into this category upon initial recognition.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

As at the reporting date, the Group and the Company have not designated any of their financial liabilities as financial liabilities at fair value through profit or loss.

(c) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3.3 Plant and Equipment and Depreciation

All items of plant and equipment are initially recorded at cost. The cost of an item of plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

The carrying amounts of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. The policies for the recognition and measurement of impairment losses are in accordance with Note 3.6(b).

Assets under construction (classified as projects-in-progress) included in plant and equipment are not depreciated as these assets are not yet available for use.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows :

Office renovation	20%
Furniture and fittings	20%
Office equipment	20%
Computer equipment	33%
Motor vehicles	20%

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of plant and equipment and shall be adjusted prospectively, if appropriate.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

3.4 Investment Properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both.

Investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses. Investment properties are depreciated on a straight line basis over the lease period of the assets varying from 30 to 45 years.

Investment properties are initially measured at cost, including related transaction costs and borrowing costs. Borrowing costs are incurred for the purpose of acquiring, constructing or producing a qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway and cease once the asset is substantially complete, or suspended if the development of the asset is suspended.

Investment properties are derecognised when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the profit or loss in the year in which they arise.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for plant and equipment set out in Note 3.3 up to the date of change in use.

3.5 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand and at bank, short-term deposits with licensed banks and other corporations.

3.6 Impairment

(a) Financial assets

All financial assets are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised.

For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the financial asset's recoverable amount is estimated.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(b) Non-financial assets

The carrying amounts of other non-financial assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

3.7 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

3.8 Equity Instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

Ordinary shares are classified as equity instrument. Dividends on ordinary shares are recognised in equity in the period in which they are declared, net of related income tax benefit.

3.9 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.10 Government Grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant and are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

3.11 Employee Benefits

(a) Short term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term

accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(b) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years.

Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund (“EPF”).

(c) Termination benefits

Termination benefits are recognised as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as expenses if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

3.12 Leases

Leases, where the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases. Payment made under operating leases is recognised in profit or loss on straight-line basis over the term of the lease. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for lease rental income is set out in Note 3.13(a).

3.13 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received and receivable.

(a) Rental income from investment properties

Rental income from investment properties is recognised on a straight-line basis over the respective lease terms to systematically reflect the time pattern in which the benefit is derived from the leased assets.

(b) Finance income

Finance income is recognised using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing.

3.14 Income Tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

4 - FINANCIAL RISK MANAGEMENT

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and market risk.

4.1 Credit Risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and investment in debt instruments. The Group's exposure to credit risk arises principally from investments in debt instruments and trade and other receivables.

Loans & Receivables Reclassified from HTM Investments

Investments are made only with counterparties that have reasonable credit ratings. As at the end of the reporting period, the Group has only invested in domestic bonds and islamic debt instruments.

The investments are unsecured. The management does not expect any counterparties to fail to meet their repayment obligations in the following investments :

	Carrying amount* RM
Investments in :	
Conventional corporate bonds	829,641,340
Islamic corporate bonds	3,024,074,344
Islamic medium-term notes	2,296,229,736
	<hr/>
	6,149,945,420

* The amounts are expected to be recoverable in full as disclosed in Note 8 to the financial statements.

The maximum exposure to credit risk is represented by the carrying amount in the Statement of Financial Position.

(a) Trade and other receivables

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. The Group uses ageing analysis to monitor the credit quality of the receivables.

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

As at the reporting date, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the Statements of Financial Position.

(b) Amount due from a subsidiary

The Company provides unsecured advances to a subsidiary. The Company monitors the performance of the subsidiary regularly. Advances are only provided to a subsidiary which is wholly owned by the Company.

As at the end of the reporting period, there was no indication that the advances to a subsidiary is not recoverable.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the Statements of Financial Position.

4.2 Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises primarily from possible mismatches of the maturities of financial assets and liabilities. The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

4.3 Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The other investments and borrowings carry fixed-rated interests and as such, the Group's exposure to interest rate risk is minimised.

4.4 Market Price Risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group is not exposed to market price risk as the Group only deposit its surplus funds in short-term deposits and fixed-rated investments.

5 - PLANT AND EQUIPMENT

	GROUP AND COMPANY					
	Office Renovation	Furniture and Fittings	Office and Computer Equipment	Motor Vehicles	Projects-in- Progress	Total
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
2014						
Cost						
At 1 January 2014 (restated)	2,252	149	3,146	206	29,399	35,152
Additions	350	210	343	485	1,895	3,283
Reclassification	(48)	-	-	-	48	-
Disposals	-	-	(17)	(214)	-	(231)
At 31 December 2014	2,554	359	3,472	477	31,342	38,204
Accumulated depreciation						
At 1 January 2014 (restated)	1,182	53	2,495	99	-	3,829
Depreciation for the year	472	46	350	57	-	925
Disposals	-	-	(10)	(89)	-	(99)
At 31 December 2014	1,654	99	2,835	67	-	4,655
Carrying amount						
At 1 January 2014 (restated)	1,070	96	651	107	29,399	31,323
At 31 December 2014	900	260	637	410	31,342	33,549

	GROUP AND COMPANY					
	Office Renovation	Furniture and Fittings	Office and Computer Equipment	Motor Vehicles	Projects-in- Progress	Total
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
2013						
Cost						
At 1 January 2013 (restated)	1,821	75	2,859	94	29,369	34,218
Additions	100	74	324	112	361	971
Reclassification	331	-	-	-	(331)	-
Disposals	-	-	(37)	-	-	(37)
At 31 December 2013 (restated)	2,252	149	3,146	206	29,399	35,152
Accumulated depreciation						
At 1 January 2013 (restated)	753	34	2,163	88	-	3,038
Depreciation for the year	429	19	369	11	-	828
Disposals	-	-	(37)	-	-	(37)
At 31 December 2013 (restated)	1,182	53	2,495	99	-	3,829
Carrying amount						
At 1 January 2013 (restated)	1,068	41	696	6	29,369	31,180
At 31 December 2013 (restated)	1,070	96	651	107	29,399	31,323

6 - INVESTMENT PROPERTIES

	GROUP / COMPANY		
	Completed investment properties RM '000	IPUC, at cost RM '000	Total RM '000
2014			
Cost			
At 1 January 2014	10,048,829	995,493	11,044,322
Additions	176,901	107,898	284,799
Capitalisation of borrowing cost	-	20,896	20,896
At 31 December 2014	<u>10,225,730</u>	<u>1,124,287</u>	<u>11,350,017</u>
Accumulated depreciation :			
At 1 January 2014	1,060,065	-	1,060,065
Depreciation for the year	289,291	-	289,291
At 31 December 2014	<u>1,349,356</u>	<u>-</u>	<u>1,349,356</u>
Net carrying amount	<u>8,876,374</u>	<u>1,124,287</u>	<u>10,000,661</u>

2013**Cost**

	GROUP / COMPANY		
	Completed investment properties RM '000	IPUC, at cost RM '000	Total RM '000
At 1 January 2013	9,844,018	688,317	10,532,335
Additions	133,745	363,020	496,765
Reclassification	71,066	(71,066)	-
Capitalisation of borrowing cost	-	15,222	15,222
At 31 December 2013	<u>10,048,829</u>	<u>995,493</u>	<u>11,044,322</u>
Accumulated depreciation :			
At 1 January 2013	778,087	-	778,087
Depreciation for the year	281,978	-	281,978
At 31 December 2013	<u>1,060,065</u>	<u>-</u>	<u>1,060,065</u>
Net carrying amount	<u>8,988,764</u>	<u>995,493</u>	<u>9,984,257</u>

Capitalisation of borrowing costs

Included in Investment Property Under Construction (“IPUC”) at cost, are borrowing costs capitalised during the financial year ended 31 December 2014 of RM20,896,456 (2013 : RM15,221,852) as disclosed in Note 21.

Investment properties- Cost model

The principal activity of the Company is to act as the nation’s water assets management company (“WAMCO”) by acquiring all the water assets and the related loans and borrowings from the existing water operators in Peninsular Malaysia and the Federal Territories of Putrajaya and Labuan in line with the Water Services Industry Act 2006 (Act 655).

The Company adopts cost model accounting on the acquired water assets and those assets are recorded at cost less accumulated depreciation and any allowance for impairment losses. Depreciation is provided on a straight line basis over the lease period of the assets varying from 30 to 45 years.

The Company finance the purchase of the water assets mostly via issuance of islamic debt instruments. Loans are classified as other financial liabilities, which are measured initially at fair value and subsequently at amortised cost at the end of each reporting period. There is a possibility of accounting mismatch due to the different models being used in recording the investment properties at historical cost while the all loans and borrowings are measured at amortised cost.

Should fair value model is adopted on the investment properties, the fair value of the investment properties is estimated to be RM10,065,516,573 (2013 : RM9,846,570,389). The comparison of the fair value estimation, using the discounted cash flow method, is tabulated below :

	2014 RM '000	2013 RM '000
Investment properties at :		
Cost less accumulated depreciation and allowance for impairment losses	10,000,661	9,984,257
Fair value	<u>10,065,517</u>	<u>9,846,570</u>

The fair value of all investment properties was determined by considering the aggregate of the present value of the estimated cash flows expected to be received from renting out the property using the discount rates of 4.06% (2013 : 3.02%) that reflect the uncertainty in the amount and timing of the cash flows.

The following is recognised in profit or loss in respect of investment properties :

	Company 2014 RM '000	Company 2013 RM '000
Rental income :		
current year	546,022	535,647
prior year	-	(16,638)
	<u>546,022</u>	<u>519,009</u>

7 - INVESTMENT IN SUBSIDIARIES

	Company 31.12.2014 RM	Company 31.12.2013 RM
At cost :		
Unquoted shares	<u>1,000,000</u>	<u>1,000,000</u>

Details of the subsidiaries, all of which are incorporated in Malaysia, are as follows :

Name of subsidiaries	Principal activities	Ordinary paid-up capital as at	Effective ownership interest	
		31.12.2014 RM	2014 %	2013 %
Pengurusan Air SPV Berhad	Special purpose entity for the purpose of issuance of islamic debt instruments for its holding company to developing and managing nation's water infrastructure in Peninsular Malaysia and the Federal Territories of Putrajaya and Labuan	500,000	100	100
Acqua SPV Berhad	Special purpose entity to acquire a portfolio of investments in relation to holding company's acquisition of water assets in Selangor	500,000	100	100

8 - INVESTMENTS

	Group 2014 RM	Group 2013 RM
Investments :		
Conventional corporate bonds	829,641,340	743,279,901
Islamic corporate bonds	3,024,074,344	3,173,121,018
Islamic medium-term notes	2,296,229,736	2,343,159,205
	<u>6,149,945,420</u>	<u>6,259,560,124</u>

(a) Reclassification of HTM Investments as Loans & Receivables and Critical Judgement

The Company, via a wholly owned subsidiary, Acqua SPV Berhad, has acquired conventional bonds and islamic debt instruments' liabilities from the existing water operators in Selangor as part of the holding company's planned acquisition of the water assets in the State.

The Company is a wholly owned subsidiary of Minister of Finance (Incorporated).

The subsidiary company has reclassified all the investments from HTM Investments as Loans & Receivables in the subsidiary's financial statements for the financial year ended 31 December 2014 based on the subsidiary company directors' assumption and judgement that the investments will be recovered in full in the financial year ending 31 December 2015.

Should the acquisition do not materialise as expected, the subsidiary company may have to continue holding the investments as HTM investments and shall rely on expected contractual cash flows from coupons and principal payments and consequently, the Company shall have to rely on the contractual cashflows from its subsidiary.

The Company's ability to continue as going concern shall depend on the continuous financial support from the holding company and the Minister of Finance (Incorporated) should the amount or future payments from debt issuers are not recoverable in full or partly recoverable.

9 - TRADE AND OTHER RECEIVABLES

	Group 2014 RM '000	Group 2013 RM '000	Company 2014 RM '000	Company 2013 RM '000
Non-current				
Trade receivables	1,114,699	871,080	1,114,699	871,080
Other receivables	5,480	5,058	5,480	5,058
	<u>1,120,179</u>	<u>876,138</u>	<u>1,120,179</u>	<u>876,138</u>
Allowance for impairment	(182,070)	(123,548)	(182,070)	(123,548)
	<u>938,109</u>	<u>752,590</u>	<u>938,109</u>	<u>752,590</u>
Current				
Trade receivables	191,138	186,738	191,138	186,738
Other receivables :				
Other receivables	73,178	30,156	16,837	13,529
Advances to employees	120	14	120	14
	<u>264,436</u>	<u>216,908</u>	<u>208,095</u>	<u>200,281</u>
Provision for doubtful debt	-	(15,283)	-	-
	<u>264,436</u>	<u>201,625</u>	<u>208,095</u>	<u>200,281</u>
	<u>1,202,545</u>	<u>954,215</u>	<u>1,146,204</u>	<u>952,871</u>

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 days' term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

(b) Advances to employees

Advances to employees are unsecured and non-interest bearing.

(c) Receivables that are past due but not impaired

As of 31 December 2014, none of the trade receivables are past due but not impaired.

(d) Receivables that are impaired

The movement of the allowance for impairment account to record the impairment on the trade receivables that are impaired at the end of reporting year are as follows :

	GROUP / COMPANY	
	2014 RM '000	2013 RM '000
At 1 January	123,548	40,614
Impairment during the year	58,522	82,934
At 31 December	<u>182,070</u>	<u>123,548</u>

The Company considered the expected timing of cash flow to be received by the Company to recover the receivables in determining the allowance for impairment.

(e) Analysis of trade and other receivables aging as at 31 December are as follows :

	Group 2014 RM '000	Group 2013 RM '000	Company 2014 RM '000	Company 2013 RM '000
Within 1 year	264,436	201,625	208,095	200,281
1-2 years	196,069	189,540	196,069	189,540
2-5 years	573,964	549,854	573,964	549,854
5 years or more	168,076	13,196	168,076	13,196
	<u>1,202,545</u>	<u>954,215</u>	<u>1,146,204</u>	<u>952,871</u>

10 - AMOUNT DUE FROM SUBSIDIARY

(a) Nature of relationship

The Group is controlled by the ultimate parent corporation, Minister of Finance (Incorporated). The subsidiary, Acqua SPV Berhad, is controlled by Pengurusan Aset Air Berhad which has the power to govern the financial and operating policies of the subsidiary. The principal activity of the subsidiary is disclosed in Note 7 to the financial statements.

The amount represents advances made to the subsidiary in respect of acquisitions of Selangor water related bonds and islamic debt instruments in various corporations in line with the Group's objective in consolidating the nation's water assets.

The amount due from the subsidiary is unsecured and repayable on demand as and when the holding company requires funding to meet its financial obligations.

The amount due from the subsidiary bears finance charge equivalent to the finance costs incurred by the holding company on its borrowings as disclosed in Note 13.

(b) Related party transactions

Transactions between the Company and its subsidiary took place at terms agreed between the parties during the financial year

	Company 2014 RM '000	Company 2013 RM '000
Amount due from a subsidiary :		
At 1 January	5,940,499	6,126,261
Advances made to the subsidiary	343	263
Finance costs charged to subsidiary	239,988	243,243
Repayments made by the subsidiary	(437,389)	(429,268)
At 31 December	<u>5,743,441</u>	<u>5,940,499</u>

are as follows :

(c) Estimation uncertainty and critical judgements

The amount due from subsidiary is dependent upon the financial requirement of the Company to repay a related company on the issuance of islamic financial instruments raised by the related company and the finalisation of the acquisition of the water assets in Selangor.

The management classifies the amount due from subsidiary as an asset to be receivable on demand.

11 - CASH AND CASH EQUIVALENTS

	Group 2014 RM '000	Group 2013 RM '000	Company 2014 RM '000	Company 2013 RM '000
Short-term deposits with :				
Licensed banks	117,128	81,847	117,128	81,848
Other corporations	591,391	471,878	550,220	430,707
Cash and bank balances	2,127	2,887	1,598	2,381
	<u>710,646</u>	<u>556,612</u>	<u>668,946</u>	<u>514,936</u>

Short-term deposits with licensed banks and other corporations are made for varying periods depending on the immediate cash requirements of the Group and the Company, and earn interests at the respective short-term deposit rates.

12 - SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each		Amount	
	Company 2014	Company 2013	Company 2014 RM '000	Company 2013 RM '000
Authorised :				
Ordinary shares of RM1 each				
At 1 January/31 December	1,000,000	1,000,000	1,000,000	1,000,000
Issued and fully paid shares classified as equity instruments :				
Ordinary shares of RM1 each				
At 1 January	410,000	410,000	410,000	410,000
Issued during the year	100,000	-	100,000	-
At 31 December	510,000	410,000	510,000	410,000

During the financial year, the Company increased its issued and paid-up share capital from RM410,000,000 to RM510,000,000 by way of the issuance of 100,000,000 ordinary shares of RM1 each for cash for additional working capital purposes.

13 - LOANS AND BORROWINGS

	Group 2014 RM '000	Group 2013 RM '000	Company 2014 RM '000	Company 2013 RM '000
Non-current				
Unsecured :				
Loans from the Government of Malaysia ("GoM") [Note (a)]	2,979,193	2,888,867	2,979,193	2,888,867
Islamic Medium Term Notes ("IMTN") [Note (b)]	10,942,705	9,447,546	-	-
	<u>13,921,898</u>	<u>12,336,413</u>	<u>2,979,193</u>	<u>2,888,867</u>
Current				
Unsecured :				
Loans from the Government of Malaysia ("GoM") [Note (a)]	19,602	14,714	19,602	14,714
Islamic Medium Term Notes ("IMTN") [Note (b)]	863,834	2,277,264	-	-
	<u>883,436</u>	<u>2,291,978</u>	<u>19,602</u>	<u>14,714</u>
	<u>14,805,334</u>	<u>14,628,391</u>	<u>2,998,795</u>	<u>2,903,581</u>

(a) Loans from the Government of Malaysia ("GoM")

Loans from GoM are unsecured, non-interest bearing and are expected to be repayable over the periods of 25 years commencing from the date of each loan agreement. These loans represent federal loans taken over from the States of Melaka, Negeri Sembilan, Johor, Pulau Pinang and Perak as part of the Company's acquisition of the nation's water assets.

(b) Islamic Medium Term Notes (“IMTN”)

The nominal value and the carrying amounts of the outstanding IMTNs issued as at 31 December 2014 categorised into the respective maturity date are as follows :

	Maturity date	Nominal value RM	Tenure	Profit rate (per annum)	Carrying amount RM
IMTN 7	17 Jun 15	400,000,000	4 years	3.79%	399,634,901
IMTN 2 - B	8 Feb 16	1,000,000,000	5 years	3.92%	1,012,580,101
IMTN 4 - A	29 Apr 16	500,000,000	5 years	3.87%	503,437,234
IMTN 8	17 Jun 16	1,400,000,000	5 years	3.84%	1,400,312,130
IMTN 15	9 Jun 17	200,000,000	2 years	3.87%	200,576,056
IMTN 9	16 Jun 17	1,500,000,000	6 years	3.98%	1,501,546,698
IMTN 10	15 Jun 18	1,500,000,000	7 years	4.04%	1,502,327,030
IMTN 13	7 Feb 19	1,000,000,000	4 years	4.16%	1,011,397,645
IMTN 16	7 Jun 19	400,000,000	4 years	4.06%	401,389,004
IMTN 11	17 Jun 19	500,000,000	8 years	4.15%	501,201,145
IMTN 3 - A	5 Nov 19	650,000,000	10 years	5.05%	655,552,369
IMTN 12	1 Jul 20	350,000,000	7 years	3.72%	357,854,854
IMTN 17	5 Nov 20	500,000,000	6 years	4.10%	503,551,695
IMTN 3 - B	8 Feb 21	500,000,000	10 years	4.43%	509,539,838
IMTN 14	7 Feb 21	200,000,000	6 years	4.42%	203,733,101
IMTN 5 - A	29 Apr 21	500,000,000	10 years	4.38%	505,083,466
IMTN 4 - B	11 Nov 21	430,000,000	10 years	4.16%	433,198,366
IMTN 5 - B	5 Aug 22	200,000,000	10 years	3.90%	203,623,829
		<u>11,730,000,000</u>			<u>11,806,539,462</u>

During the financial year, IMTN 1, IMTN 6 and IMTN 2 – A had matured and the Company has issued new IMTN as follows :

	Maturity date	Nominal value RM	Tenure	Profit rate (per annum)
IMTN 13	7 Feb 19	1,000,000,000	4 years	4.16%
IMTN 14	7 Feb 21	200,000,000	6 years	4.42%
IMTN 15	9 Jun 17	200,000,000	2 years	3.87%
IMTN 16	7 Jun 19	400,000,000	4 years	4.06%
IMTN 17	5 Nov 20	500,000,000	6 years	4.10%
		2,300,000,000		

(c) The remaining maturity of the loans and borrowings as at 31 December as follows :

	Group 2014 RM '000	Group 2013 RM '000	Company 2014 RM '000	Company 2013 RM '000
Within 2 years	3,349,532	2,652,017	33,568	29,428
2-5 years	5,910,844	6,010,518	136,854	77,285
5 years or more	5,544,958	5,965,856	2,828,373	2,796,868
	14,805,334	14,628,391	2,998,795	2,903,581

(d) The issuance of the islamic debt instruments were made solely to finance the operation of the holding company for the purpose of acquire national water assets and to finance the holding company's development and construction of new water assets and the related working capital requirement.

The holding company has provided, and shall continue providing financial support to the Company as and when the borrowings become due.

(e) Weighted average effective interest rates :

	GROUP AND COMPANY	
	2014 %	2013 %
Islamic medium-term notes	4.08	4.07

14 - DEFERRED INCOME

	GROUP / COMPANY	
	2014 RM '000	2013 RM '000
Government grant		
At 1 January	2,632,066	3,100,722
Reversal during the year	(184,467)	(468,656)
At 31 December	2,447,599	2,632,066
Accumulated amortisation		
At 1 January	383,301	261,519
(Accretion)/Amortisation during the year	(80,922)	121,782
At 31 December	302,379	383,301
Net carrying amount	2,145,220	2,248,765

Deferred income relates to the estimated value of Government's assistance in providing interest-free loans and loans with interests at below market rate to the Company. Government grant is amortised over the period of the respective loans.

There are no unfulfilled conditions or contingencies attached to these grants.

15 - AMOUNT DUE TO SUBSIDIARY

a) Nature of relationship

The subsidiary, Pengurusan Air SPV Berhad, is controlled by Pengurusan Aset Air Berhad which has the power to govern the financial and operating policies of the subsidiaries. The principal activity of the subsidiary is disclosed in Note 7 to the financial statements.

The amount represents advances made by the subsidiary to the holding company in respect of proceeds from issuance of islamic debt securities, transfer of finance income from surplus funds and finance charges on the debt instruments.

The amount due to subsidiary is unsecured and repayable on demand by the holding company as and when the subsidiary's islamic debt instruments' principals and profit amounts are due for payments.

The amount due to subsidiary bears finance charge equivalent to the finance costs incurred by the subsidiary on its borrowings as disclosed in Note 13.

b) Related party transactions

Transactions between the Company and its subsidiary took place at terms agreed between the parties during the financial year are as follows :

	Company 2014 RM '000	Company 2013 RM '000
Amount due from a subsidiary :		
At 1 January	11,648,303	11,299,664
Advances from the subsidiary	2,217	350,988
Repayments to the subsidiary	(372,699)	(456,260)
Finance costs charged by the subsidiary	454,542	455,992
Finance income received by the subsidiary	(2,074)	(2,081)
At 31 December	<u>11,730,289</u>	<u>11,648,303</u>

c) Estimation uncertainty and critical judgement

The Company shall repay to its subsidiary based on the expected cash flows of the subsidiary to meet its obligation to the Islamic debt instrument holders.

The amount due to the subsidiary is repayable when the principal and profit amounts of Islamic debt instruments' are due for payments. The management classifies the amount owing to the subsidiary as a liability to be repayable on demand and as when needed.

16 - OTHER PAYABLES

	Group 2014 RM '000	Group 2013 RM '000	Company 2014 RM '000	Company 2013 RM '000
Current				
Contract creditors :				
Retention monies	35,629	36,572	35,629	36,572
Progress claims	30,212	29,088	30,212	29,088
Developers' contributions	*	*	*	*
	65,841	65,660	65,841	65,660
Other payables	10,960	4,809	10,850	4,699
	76,801	70,469	76,691	70,359

* Developers' contributions at 31 December 2014 is RM1 (2013 : RM1).

Developers' contributions represent contributions made by property developers in respect of capital works required to be undertaken on new development projects carried out in the State of Johor.

17 - PROVISIONS

	2014 RM '000	2013 RM '000
Group / Company		
2014 :		
At 1 January	3,323	3,239
Provisions recognised during the year	3,493	2,406
Provisions paid during the year	(3,871)	(2,322)
At 31 December	<u>2,945</u>	<u>3,323</u>

The provision for license fee is related mainly to licensing requirement by the Water Services Industry Act 2006 (“WSIA”) regarding the operation of states water operator for the purpose of providing treated water to the public. The provision is made based on 1% of lease rental received from the states water operator.

18 - REVENUE

	GROUP / COMPANY	
	2014 RM '000	2013 RM '000
Rental income from investment properties	<u>546,022</u>	<u>519,009</u>

19 - OTHER INCOME

	Group 2014 RM '000	Group 2013 RM '000	Company 2014 RM '000	Company 2013 RM '000
Doubtful debts recovered	15,283	37,182	-	-
Gain on disposal of plant and equipment	35	4	35	4
Gain on disposal of investments	-	257	-	257
Tender fees	419	246	419	246
Fixed deposit interest income	23	-	-	-
Miscellaneous income	953	1,009	953	1,002
	<u>16,713</u>	<u>38,698</u>	<u>1,407</u>	<u>1,509</u>

20 - FINANCE INCOME

	Group 2014 RM '000	Group 2013 RM '000 (Restated)	Company 2014 RM '000	Company 2013 RM '000 (Restated)
Interest/finance income from :				
Short-term deposits with licensed banks and other corporations	25,688	19,262	25,688	19,262
Investments in subsidiary	-	-	239,988	-
Amortisation of deferred capital grant	103,545	78,727	103,545	78,727
Investments	3 67,793	376,447	-	282
	<u>497,026</u>	<u>474,436</u>	<u>369,221</u>	<u>98,271</u>

21 - FINANCE COST

	Group 2014 RM '000	Group 2013 RM '000	Company 2014 RM '000	Company 2013 RM '000
Interest expense/finance costs on :				
Government loans	103,545	81,096	103,545	81,096
Islamic debt instruments	454,543	455,992	454,543	212,749
	<u>558,088</u>	<u>537,088</u>	<u>558,088</u>	<u>293,845</u>
Finance costs capitalised on investment properties (Note 6)	(20,896)	(15,222)	(20,896)	(15,222)
	<u>537,192</u>	<u>521,866</u>	<u>537,192</u>	<u>278,623</u>

22 - PROFIT/(LOSS) BEFORE TAX

The following amounts have been included in arriving at profit/(loss) before tax :

	NOTE	Group 2014 RM '000	Group 2013 RM '000	Company 2014 RM '000	Company 2013 RM '000
Profit/(Loss) for the year is arrived at after charging/(crediting) :					
Auditors' remuneration		260	240	180	160
Rental of office premise		2,190	2,029	2,190	2,029
Directors' remuneration :					
Executive director	23	745	726	755	726
Non-executive directors	23	455	449	455	449
Employee benefits expense	24	15,796	15,920	15,796	15,920
Gain on disposal of Plant and equipment		(35)	(4)	(35)	(4)
		<u>(35)</u>	<u>(4)</u>	<u>(35)</u>	<u>(4)</u>

23 - DIRECTORS' REMUNERATION

	GROUP / COMPANY	
	2014 RM '000	2013 RM '000
Executive director :		
Basic salaries, bonus and allowance	614	598
Defined contribution plan	131	92
Other emoluments	-	26
	<u>745</u>	<u>716</u>
Estimated value of benefit-in-kind	10	10
	<u>755</u>	<u>726</u>
Non-executive directors :		
Fees	298	314
Other emoluments	157	135
	<u>455</u>	<u>449</u>

24 - EMPLOYEE BENEFITS EXPENSE

	GROUP / COMPANY	
	2014 RM '000	2013 RM '000
Wages and salaries	9,026	8,260
Bonus	2,445	3,608
Contributions to defined contribution plans	1,847	1,848
Other employee benefits	2,478	2,204
	<u>15,796</u>	<u>15,920</u>

25 - INCOME TAX EXPENSE

	Group 2014 RM '000	Group 2013 RM '000	Company 2014 RM '000	Company 2013 RM '000
Income tax :				
Tax expense for the year	736	513	736	513

Income tax is calculated at the Malaysian statutory tax rate of 25% (2013 : 25%) of the estimated assessable profit for the year. A reconciliation of income tax expense applicable to profit/(loss) before tax at the statutory income tax rate to income tax expense at the effective income tax of the Group and of the Company is as follows :

	Group 2014 RM '000	Group 2013 RM '000	Company 2014 RM '000	Company 2013 RM '000
Profit/(Loss) before tax	146,844	142,757	4,123	(52,253)
Income tax calculated using Malaysian tax rate of 25% (2013 : 25%)	36,711	35,689	1,031	(13,063)
Effect of small and medium enterprise in Malaysia tax saving	-	-	-	-
Effect of expenses not deductible for tax purpose	80,861	195,940	112,726	141,364
Income not subject to tax *	(9)	(103,338)	(9)	-
Unutilised current year's tax loss	11	10	-	-
Utilisation of capital allowances	(113,748)	(127,788)	(113,748)	(127,788)
Finance income, exempted from tax	(3,826)	-	-	-
Finance income	736	-	736	-
Total Income tax expense	736	513	736	513

* The tax authorities in Malaysia has granted an exemption on finance income to a subsidiary for a period of 6 years to the financial year ending 31 December 2016.

26 - DIVIDEND

	Sen per share	Total amount RM '000	Date of payment
Dividend recognised and paid by the Company :			
2014			
Final dividend on ordinary shares for the year 2013	3.35	13,718	30 July 2014
2013			
Final dividend on ordinary shares for the year 2012	2.24	9,186	4 October 2013

At the forthcoming Annual General Meeting, a first and final dividend in respect of the current financial year ended 31 December 2014, of approximately 8.50 sen per share on 510,000,000 ordinary shares amounting to a total dividend of RM43,328,333 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect the proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the next financial year ending 31 December 2015.

27 - CAPITAL COMMITMENTS

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows :

	GROUP / COMPANY	
	2014 RM '000	2013 RM '000
Approved and contracted for :		
Capital commitments in respect of fixed money payment	280	15,455
Capital commitments in respect of investment properties	190,798	1,136,575
	<u>191,078</u>	<u>1,152,020</u>
Approved but not contracted for :		
Capital commitments in respect of investment properties	<u>1,001,971</u>	<u>130,270</u>

28 - FINANCIAL INSTRUMENTS

(a) Classification of Financial Instruments

The following table analyses the financial assets and liabilities of the Group and the Company in the Statements of Financial Position by the classes of financial instrument to which they are assigned and the measurement basis.

	Loans and receivable at amortised cost RM '000	Held to maturity investments at amortised cost RM '000	Other financial liabilities at amortised cost RM '000	Total RM '000
At 31 December 2014				
Financial assets				
Group				
Investments	-	6,149,945	-	6,149,945
Trade and other receivables	1,202,545	-	-	1,202,545
Cash and cash equivalents	710,646	-	-	710,646
	<u>1,913,191</u>	<u>6,149,945</u>	<u>-</u>	<u>8,063,136</u>
Company				
Trade and other receivables	1,146,204	-	-	1,146,204
Amount due from subsidiary	5,743,441	-	-	5,743,441
Cash and cash equivalents	668,946	-	-	668,946
	<u>7,558,591</u>	<u>-</u>	<u>-</u>	<u>7,558,591</u>

	Loans and receivable at amortised cost RM '000	Held to maturity investments at amortised cost RM '000	Other financial liabilities at amortised cost RM '000	Total RM '000
Financial liabilities				
Group				
Loans and borrowings	-	-	14,805,334	14,805,334
Other payables	-	-	76,801	76,801
	<u>-</u>	<u>-</u>	<u>14,882,135</u>	<u>14,882,135</u>
Company				
Amount due to subsidiary	-	-	11,730,289	11,730,289
Loans and borrowings	-	-	2,998,795	2,998,795
Other payables	-	-	76,691	76,691
	<u>-</u>	<u>-</u>	<u>14,805,775</u>	<u>14,805,775</u>

	Loans and receivable at amortised cost RM '000	Held to maturity investments at amortised cost RM '000	Other financial liabilities at amortised cost RM '000	Total RM '000
At 31 December 2013				
Financial assets				
Group				
Investments	-	6,259,560	-	6,259,560
Trade and other receivables	954,215	-	-	954,215
Cash and cash equivalents	556,612	-	-	556,612
	<u>1,510,837</u>	<u>6,259,560</u>	<u>-</u>	<u>7,770,387</u>
Company				
Trade and other receivables	952,871	-	-	952,871
Amount due from subsidiary	5,940,499	-	-	5,940,499
Cash and cash equivalents	514,936	-	-	514,936
	<u>7,408,306</u>	<u>-</u>	<u>-</u>	<u>7,408,306</u>

	Loans and receivable at amortised cost RM '000	Held to maturity investments at amortised cost RM '000	Other financial liabilities at amortised cost RM '000	Total RM '000
Financial liabilities				
Group				
Loans and borrowings	-	-	14,628,391	14,628,391
Other payables	-	-	70,469	70,469
	<u>-</u>	<u>-</u>	<u>14,698,860</u>	<u>14,698,860</u>
Company				
Amount due to subsidiary	-	-	11,648,303	11,648,303
Loans and borrowings	-	-	2,903,581	2,903,581
Other payables	-	-	70,359	70,359
	<u>-</u>	<u>-</u>	<u>14,622,243</u>	<u>14,622,243</u>

b) Fair Value

The carrying amounts of the current assets and current liabilities are reasonable approximation of fair values due to their short-term nature.

The following are the comparisons by each class of financial instrument of the carrying amounts and fair values of the Group and the Company's financial instruments that are carried in the Statements of Financial Position :

	NOTE	2014 Carrying amount RM '000	2014 Fair value RM '000	2013 Carrying amount RM '000	2013 Fair value RM '000
Financial assets :					
Group					
Trade and other receivables (non-current)	9	938,109	936,778	752,590	728,610
Company					
Trade and other receivables (non-current)	9	938,109	936,778	752,590	728,610
Financial liabilities :					
Group					
Loans and borrowings (non-current)	13	13,921,898	12,331,444	12,336,413	12,422,436
Company					
Loans and borrowings (non-current)	13	2,979,193	2,883,897	2,888,867	2,920,740

The following summarises the method used in determining the fair value of the financial instruments reflected in the above table :

(i) Investments

Due to non-availability of market data input, fair value of investments are measured using a discounted cash flow method based on individual instruments' interest/profit rates ranging from 3.00% to 11.00% (2013 : 3.00% to 11.00%).

(ii) Trade and other receivables

Fair value of trade and other receivables are measured using a discounted cash flow method based on the weighted average cost of capital rate of 4.06% (2013 : 3.99%).

(iii) Loans and borrowings

Due to non-availability of market data input, fair value of loans and borrowings are measured using a discounted cash flow method based on profit rates ranging from 3.72% to 5.05% (2013: 3.72% to 5.05%).

30 - CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain stakeholders' confidence and to sustain the future development of the business.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial year ended 31 December 2014.

31 - COMPARATIVE FIGURES

The following corrections have been made in the financial statements of the Group and the Company as follows :

- (a) The directors of the subsidiary expects that the investments will be settled in full during the financial year ending 31 December 2015 via exchange with water assets from a State; and
- (b) Accretion of deferred capital grant to profit or loss has been reclassified from Other Income to Finance Income.

The effects of the correction of errors are as follows :

	Group 31.12.2013 As restated RM '000	Group 31.12.2013 As previously stated RM '000	Group 1.1.2013 As restated RM '000	Group 1.1.2013 As previously stated RM '000
Statement of Financial Positions				
Investments (Non-Current)	-	4,694,973	-	4,713,375
Investments (Current)	6,259,560	1,564,587	6,250,295	1,536,920
<hr/>				
	GROUP / COMPANY			
	31.12.2013 As restated RM '000	31.12.2013 As previously stated RM '000		
Statement of Profit or Loss				
Other income			-	78,727
Financial income			78,727	-



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