

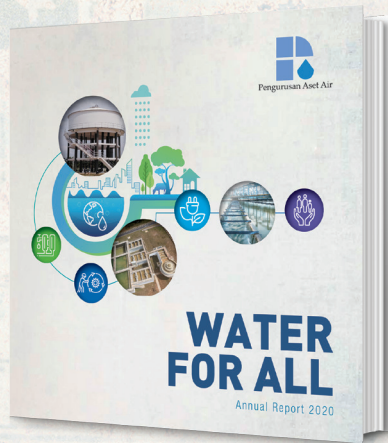


Pengurusan Aset Air



# WATER FOR ALL

Annual Report 2020



This year's annual report showcases a clean design that captures the structured and efficient management of the water delivery process and our focus on stakeholders throughout the process. These are depicted by the icons which interlink with images of different water delivery aspects.

To easily access our 2020 Annual Report Suite online, simply scan the QR code below:



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# ABOUT US

## CORPORATE PROFILE

Pengurusan Aset Air Berhad (PAAB) is a wholly owned company of the Minister of Finance Inc., incorporated on 5 May 2006 with the objective of being the holding company for the nation's water assets.

PAAB forms part of the Government's efforts to restructure the water services industry in the country to achieve better efficiency and quality, as well as to ensure sustainability of the industry.

Our main responsibility is to develop the nation's water infrastructure in Peninsular and the Federal Territory of Labuan, using competitive financing sourced and obtained from private financial market. The water assets are then leased to water operators licensed industry regulator, by Suruhanjaya Perkhidmatan Air Negara (SPAN) for operations and maintenance.

**ISO 9001:2015  
CERTIFICATION**



When we make a commitment towards organisational excellence, our work is never “done.” To satisfy customer needs, PAAB as a team must continually improve our business processes. Ultimately, on 17 July 2020, during the global pandemic, BSI Malaysia awarded PAAB with ISO 9001:2015 certification, an internationally recognised standard that ensures our products/services meet the needs of our stakeholders.



## Our Vision

# Centre of Excellence

### Mission Statement

#### **Provide creative solutions and nurture cost recovery in the national water services industry.**

Recognising the challenges faced by the national water services industry, PAAB strives to provide tailored creative solutions to help nurture cost recovery in the national water services industry.

#### **Revitalise the national water services industry through efficient deliverables.**

PAAB is committed towards provision of efficient deliverables to its stakeholders which in turn, helps revitalise the national water services industry.

#### **Cultivate talent and expertise to meet future industry demand.**

PAAB endeavours to attract, cultivate, and retain the right talent, expertise and skillsets in its drive towards fulfilling the prevalent aspiration of the national water services industry.

#### **Value creation for stakeholders through optimum operation.**

In cognisance of the various challenges and limitations faced by PAAB, it is critical to ensure PAAB creates value for its stakeholders by allocating the right balance of resources.

'Center of Excellence' is a pledge for PAAB to exceed expectations in ourselves and also to everyone we serve. We are committed to improve and go further in delivering our services. We constantly think of new ideas, improvements and initiatives to serve our stakeholders efficiently. We will always strive for continuous improvement in everything we do whilst thinking from the stakeholders' point of view. Exceeding expectations is our promise.

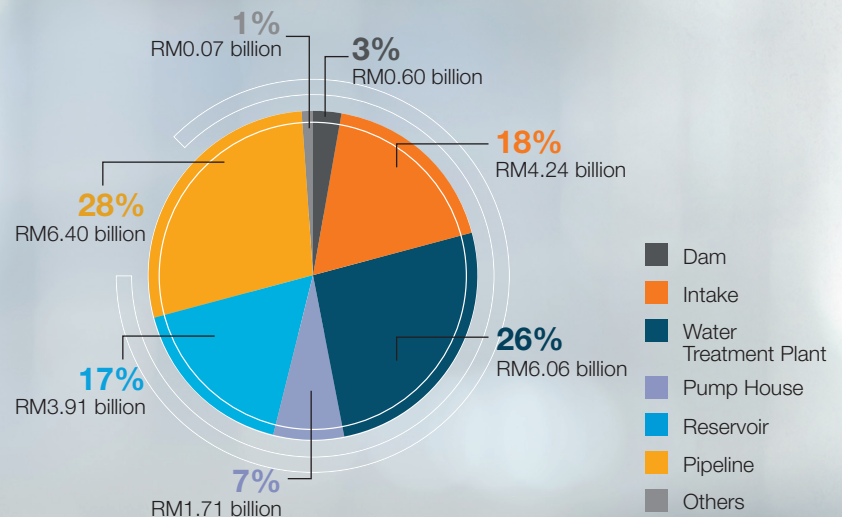
# CHAIRMAN'S STATEMENT

“ As the nation's water asset holding company, PAAB is mindful of our responsibility to achieve better efficiency and quality in our operations, as well as to ensure sustainability of the industry. While water is an essential resource for life, how water is managed and delivered to all stakeholders defines the stature of a nation. We regard our role in managing Malaysia's water systems as a great service to our nation. With RM23.7 billion in water asset value as at 2020, we continue our journey with a new vision to become a Centre of Excellence.

I feel privileged to share with you how PAAB has steadfastly elevated operational performance in the year 2020. ”

**YB Dato' Sri Hasan Arifin**  
Chairman

## PAAB WATER ASSETS



## DEAR STAKEHOLDERS,

In a year of unprecedented challenges, PAAB continued to make progress in developing, completing and delivering various water infrastructure projects all over the country. The continued vitality and resiliency of Malaysian cities relies on this infrastructure. Our efforts to ensure stable and sustainable water supply will, I believe, benefit the public and businesses.

In FY2020, we made good progress by executing the handover of Stream B Langat 2 to Air Selangor, completing due diligence for the migration of Pahang's water assets, and strengthening the reliability of water supply in the Kerian District of Perak. In every project, our unwavering focus is to achieve better efficiency and quality, as well as to ensure sustainability of the industry, as we develop the nation's water infrastructure.

## TOWARDS BECOMING A CENTRE OF EXCELLENCE

To mark a new chapter of growth, the key highlight for the year was the forging of a new vision to lead as a Centre of Excellence, driven by the following Mission Statements:

- Provide creative solutions and nurture cost recovery in the national water service industry.
- Revitalise the national water services industry through efficient deliverables.
- Cultivate talent and expertise to meet future industry demand.
- Value creation of stakeholders through optimum operation.

In line with our new vision, we have a heightened 'Commitment to Excellence' towards exceeding expectations in doing something to a greater degree, with stakeholder satisfaction as our end goal.

I am proud to announce that, focused on this promise, we achieved ISO 9001:2015 certification in July 2020 via remote independent audit by the British Standards Institution (BSI). The certification attests that our processes are based on best practices in line with ISO 9001:2015 providing a practical and workable Quality Management System for improving

and monitoring all areas in PAAB. This on target achievement comes three years after the mandate given by the PAAB Board of Directors to the Risk Management & Quality Assurance Department (RMQAD) to drive PAAB quality framework towards Company certification.

We hope the new ISO accreditation will motivate our employees to further improve PAAB's operations. Our promise of excellence commits PAAB to always strive to continually improve the quality of our services whilst thinking from the stakeholders' point of view, which in turn, increases the satisfaction of our clients, employees, other interested parties and society at large.

## PROGRESSING TOGETHER

With the outbreak of the pandemic, the interdependence of organisations and their ecosystems have become even more apparent, stressing the value of multi-stakeholders' engagements and cooperation.

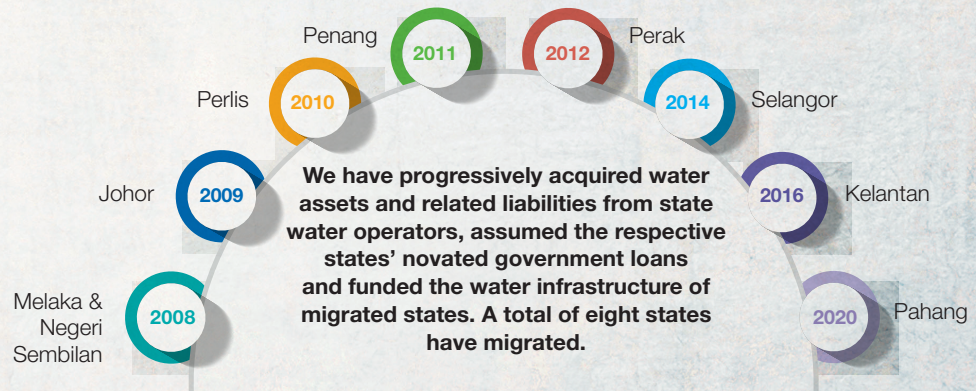
In recognising this, I would like to express my sincere gratitude to our key stakeholders – the Prime Minister's Department, Ministry of Environment and Water (KASA), Ministry of Finance, Suruhanjaya Perkhidmatan Air Negara, Economic Planning Unit, state governments, water operators, and other relevant ministries and their agencies for their continuous guidance and assistance.

Heartfelt thanks go out to my fellow Board members and PAAB's top management for their commitment and dedication in ensuring that PAAB continues to diligently discharge its mandate and, in doing so, foster progress and sustainability in the nation.

Thank you.

## Dato' Sri Hassan Ariffin

Chairman



# CEO'S MESSAGE

## Towards sustainable, efficient and quality water services



The year has seen PAAB making good progress on our national water restructuring mandate. To date we have completed 2,143.38 KM of pipelines and possess 2,416.38 MLD of water treatment plant capacity across Johor, Melaka, Kelantan, Perak, Selangor and Negeri Sembilan. In FY2020, amidst pandemic challenges, we focused on making steadfast progress on ongoing projects while resiliently adjusting to a new normal work environment, and embarking on a new strategic direction towards a Company-wide transformation as a Centre of Excellence.

I am happy to report progress was achieved on all these fronts.



**Abdul Hadi Ali**

Chief Executive Officer



### 2,143 KM

Pipelines



### 706 ML

Reservoir Capacity



### 2,416 MLD

Water Treatment Plant Capacity

Our 2020 achievements reflect PAAB's capabilities in surmounting pandemic challenges to fulfil its responsibility to restructure the nation's water infrastructure across Peninsular Malaysia and Labuan, on time and within budget.

The coronavirus pandemic in 2020 has brought about a new normal in the socioeconomic spheres of life. Across the globe, working environments experienced the most changes as in just a matter of weeks, millions of people around the world began working from home for the very first time. A rapid digitalisation drive was unleashed within PAAB to surmount pandemic challenges, together with building a leaner, better-equipped and trained workforce for enhanced operational excellence. In the midst of these improvements, we continued to achieve all Key Performance Indicators (KPI) targets through effective implementation and management of ongoing water infrastructure projects plus prudent operational and cost control.

### **INNOVATING TOWARDS A NEW AND BETTER NORMAL**

It has also been a year of transformation and change catalysed by a pandemic that ushered in new normal in the way we live, work and come together as a society.

Within PAAB we rapidly adopted to the mandated standard operating procedures of the day, harnessing technology adoption and cybersecurity strategies to create a sustainable platform of virtual and online communication. Seeing opportunity amidst the need for change, PAAB has ensured that all changes were change for the better. As we doubled up on harnessing technology and digitalisation, other achievements have been made possible.

We launched PAAB e-Procurement in October 2020 to fully enable Request for Quotation (RFQ) and Purchasing process for OPEX via e-Procurement. Not only has this system allowed business as usual processes during the nationwide Movement Control Order (MCO) lockdown, it has proven to increase transparency, minimise human interference, provide better competitive prices with open participation, easy access into the Company for new contractors and suppliers, and more time to do business with less paperwork and travel for manual bid submissions.

### **COMMITMENT TO EXCELLENCE**

In every project, our unwavering focus is to achieve better efficiency and quality, as well as to ensure sustainability of the industry. PAAB's 'Commitment to Excellence' vision is a pledge to exceed expectations in satisfying our stakeholders.

As a testament to our efforts to enhance quality standard across our business operations, on 17 July 2020, BSI Malaysia awarded PAAB with the world's most recognised quality management system, ISO 9001:2015 certification for the 'Provision of Operation Management in Construction, Refurbishment, Improvement, Upgrading and Restoration of Water Supply Infrastructure/Water Systems for Existing and New Water Assets Nationwide', under ANAB (global) and DSM (Malaysia) accredited bodies. PAAB was the first company to be audited and certified remotely by BSI. During the assessment audit, all PAAB processes were determined to be carried out in conformity against the ISO 9001:2015 standard requirements with only two minor NCR (Non-Conformance Report) and one OFI (Opportunity for Improvement) findings recorded.

It was a big accomplishment for all as we did it together as team. We hope the new ISO accreditation will benefit employees and improve PAAB operations.

### **ENHANCING INTEGRITY AND GOVERNANCE**

When we make a commitment towards organisational excellence, integrity and governance comes hand in hand. The year saw us establishing PAAB's Integrity & Governance Department (IGD) to help the Company prepare Adequate Procedures while ensuring that every step or decision taken complies with the prescribed procedures.

We kickstarted development of PAAB's Corruption Risk Management (CRM) plan. A CRM workshop was conducted from 27 to 29 July 2020, facilitated by MACC's officers and attended by 24 representatives from all Departments. Pursuant to the workshop, series of reviews were conducted at Departmental and Senior Management level. In addition, input from MACC was obtained and incorporated accordingly. The CRM Plan was approved by PAAB's Board of Directors and is currently being implemented.

### **IN APPRECIATION**

Despite the headwinds, we have accomplished a lot in 2020, and positioned ourselves in readiness to escalate value delivery. There are many parties who supported PAAB along this journey and I would like to acknowledge them.

First and foremost, my thanks go to the various state governments and industry regulators for their trust and support. Next, I thank the Chairman and the Board of Directors for their wise counsel and encouragement which helped steer us in navigating the challenges that come our way.

I take this opportunity to applaud the PAAB team for giving their best. It is my privilege to work with such a dedicated team, and I thank them for their hard work and commitment to excellence.

Finally, my sincere gratitude goes to our shareholders, clients and partners, for your continued trust in us. We remain committed to delivering greater value and service excellence to you.

Thank you.

**Abdul Hadi Ali**  
Chief Executive Officer

# BOARD OF DIRECTORS

**YB DATO' SRI HASAN ARIFIN**  
CHAIRMAN



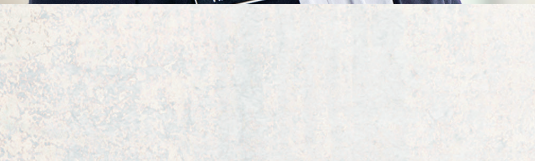
**SALMIAH RAMLI**  
INDEPENDENT AND  
NON-EXECUTIVE DIRECTOR



**ZAKIAH JAAFAR**  
NON-INDEPENDENT AND  
NON-EXECUTIVE DIRECTOR



**DATO' SRI IR. DR. ZAINI UJANG**  
NON-INDEPENDENT AND  
NON-EXECUTIVE DIRECTOR



**DATUK NIK AZMAN MOHD ZAIN**  
NON-INDEPENDENT AND  
NON-EXECUTIVE DIRECTOR



**DATO' IR. JAUHARI HAMIDI**  
INDEPENDENT AND  
NON-EXECUTIVE DIRECTOR

**MOHD HEDZIR HANAFI**  
INDEPENDENT AND  
NON-EXECUTIVE DIRECTOR



**WONG PEK YEE**  
INDEPENDENT AND  
NON-EXECUTIVE DIRECTOR



# DIRECTOR'S PROFILE

## YB DATO' SRI HASAN ARIFIN

CHAIRMAN



Date Appointed: 16 June 2020

### Qualification:

- Economics from University Malaya, Kuala Lumpur

### Past Appointments:

- 1995 - 1999, Deputy Chief Minister of Pahang
- Board Member of UDA Holdings Bhd and FELDA
- Chairman of Lembaga Kemajuan Perusahaan Pertanian Negeri Pahang (LKPP)
- Chairman of Lembaga Pembangunan Wilayah Pahang Tenggara (DARA)

### Present Appointments:

- Chairman, PERKIM Negeri Pahang and Sahabat Masjid Wilayah Persekutuan
- Chairman and Director of various plantation and downstream operation companies

### Expertise & Experience:

He has been involved in the field of water management. Among others, he was involved in planning for the provision of water supply to Felde Negeri Pahang and its rural areas. In addition to that, he also initiated crucial studies on water supply from Pahang to Negeri Sembilan and Selangor as well as on Non-Revenue Water in Pahang.

In other areas, he was responsible for the development of Gebeng Industrial Area, the construction of Pantai Timur Highway (Karak-Kuantan) and the extension of Kuantan Port.

**Qualifications:**

- Bachelor of Science (Hons), University of Malaya - 1974
- MBA, Roth Graduate School of Business, Long Island University in New York - 1977

**Past Appointments:**

- Financial Analyst, Exxon Mobil
- 1978 - 2011, Multiple positions including Assistant Consultant, Management Consulting Partner, Partner-in-Charge of Consulting operation, and Consulting Head - SGV (now Deloitte)

**Present Appointments:**

- Chairman, National Bank of Abu Dhabi
- Chairman, IRIS Technology Berhad FIC
- Chairman, Tender Board of the Royal Selangor Golf Club
- President, Glenmarie Golf and Country Club

**Expertise & Experience:**

Nik Azman is a seasoned practitioner in consulting with 35 years of experience, serving a multitude of private and public sector entities. His passion lies in the areas of competitive strategy and organisational renewal. He has helped clients develop business strategies and transform organisations, focusing their people in the areas of structure, organisational culture, competency, skill sets as well as reward systems. His numerous engagement focused on crafting winning strategies and producing high-performing organisations to deliver the required outcomes.

## DATUK NIK AZMAN MOHD ZAIN

NON-INDEPENDENT AND  
NON-EXECUTIVE DIRECTOR



Date Appointed: 12 April 2019

# DIRECTOR'S PROFILE

## DATO' SERI IR. DR. ZAINI UJANG

NON-INDEPENDENT AND NON-EXECUTIVE  
DIRECTOR



Date Appointed: 9 June 2020

### Qualifications:

- Fellow of the Swedish Royal Physiographic Society in Lund (Sweden)
- Fellow of the Science Academy (Malaysia)
- Fellow of the Institute of Chemical Engineering (UK)
- Fellow of the Chartered Institute of Water and Environmental Management (UK)
- Fellow of the Institute Water Association
- Fellow of the Institute of Engineers Malaysia
- Fellow of the Institute of Corporate Directors (M) (ICDM)
- Registered as a Professional Engineer (Malaysia), Chartered Engineer (UK), Chartered Scientist (UK), and Chartered Water and Environmental Manager (UK)

### Past Appointments:

- 2016 - 2018, Secretary-General, Ministry of Energy, Green Technology and Water
- 2015 - 2016, Secretary-General, Ministry of Higher Education
- 2013 - 2015, Secretary-General, Ministry of Education
- 2008 - 2013, Vice-Chancellor of Universiti Teknologi Malaysia

### Present Appointments:

He is currently the Secretary-General, Ministry of Environment and Water since 23 March 2020.

### Expertise & Experience:

He was Chairman of the task force for preparing Malaysia Greentech and Master Plan (2017 - 2030), Malaysia Higher Education Blueprint (2015 - 2025) and spearheaded the governance and financial sustainability shifts. He also initiated UTM's programme to be a technical research university, increasing enrolment of graduate students from 10% to 50% within five years (2008 - 2013); and initiated research collaborations with MIT, Imperial College London, Cambridge and Oxford.

His academic contributions are in the field of environmental management and technology, particularly water and wastewater treatment sustainable resource strategies and industrial ecology. Dato' Seri Ir. Dr. Zaini has written more than 300 scientific papers published in leading academic journals and proceedings, and 40 books on environmental engineering, water sustainability, higher education and learning innovation. He has published more than 2,000 articles in mainstream media since 1988.

He is the first recipient of the prestigious Merdeka Award for the category of Outstanding Scholastics Achievement in 2009.

**Qualifications:**

- Bachelor of Science (Hons) degree in Civil and Structural Engineering, University College Cardiff, Wales, United Kingdom
- Senior Management Development Program, Harvard Business School

**Past Appointments:**

- 2016 - 2017, Managing Director, Sime Darby Property Berhad
- Multiple positions including Executive Vice President of Energy & Utilities Division (Non-China), Director of the Special Projects portfolio, Executive Vice President for the Utilities Division, Managing Director, and Director - Sime UEP Properties Berhad and Eastern & Oriental Berhad

**Present Appointments:**

None

**Expertise & Experience:**

Dato' Jauhari brings with him decades of experience in myriad corporate roles. From 2015 to 2018, he was the Chairman of Battersea Power Station Development Company (BPSDC), a project in the United Kingdom, owned by a consortium of Malaysian firms. Prior to that, he had a long-standing role within Sime Darby Berhad, and held various positions within the Group, serving in multiple departments for over 30 years.

He was the Managing Director of Oil & Gas Power Division from 2010 to 2015 led as the Managing and subsequently led as Director of Sime Darby Property Berhad from 2016 to 2017.

## DATO' IR. JAUHARI HAMIDI

INDEPENDENT AND  
NON-EXECUTIVE DIRECTOR



Date Appointed: 23 October 2019

# DIRECTOR'S PROFILE

## WONG PEK YEE

INDEPENDENT AND  
NON-EXECUTIVE DIRECTOR



Date Appointed: 5 July 2019

### Qualifications:

- Bachelor of Science in Economics & Accounting (Hons) from The University of Hull, United Kingdom
- Fellow of the Institute of Chartered Accountants in England & Wales
- Member of Malaysian Institute of Accountants

### Past Appointments:

- 1980 - 1989, Audit and Tax Consultant, PriceWaterhouse London and PriceWaterhouse Tax Services Sdn Bhd
- Multiple Senior Management positions in the financial and manufacturing industries, Hong Leong Group
- Group Financial Controller cum Acting Chief Executive Officer, Malaysian Newsprint Industries Sdn Bhd

### Present Appointments:

- Independent Non-Executive Director, RHB Insurance

### Expertise & Experience:

Ms Wong has over 37 years of experience working in London and Malaysia covering a wide spectrum of industries including tax consultancy, financial services and manufacturing sectors.

**Qualifications:**

- Advanced Diploma in Accountancy from Institute Teknologi MARA
- Master in Business Administration (Finance) from International Islamic University Malaysia
- Member of the Malaysia Institute of Accountant (MIA)
- Associate Member of CPA Australia
- Member of Chartered Institute of Public Finance and Accountancy (CIPFA)

**Past Appointments:**

- 1994, Accountant in the Multilateral Trade Relation Division, Ministry of International Trade and Industry (MITI)
- 2003, Principal Assistant Director in the Pension Trust Fund Division, Accountant General's Department of Malaysia
- 2007, Deputy Head of Accountant (Management), Royal Malaysian Customs head office
- 2007, Principal Assistant Secretary of the Investment, MOF (Incorporated) and Privatisation Division, Ministry of Finance Malaysia
- 2008, Chief Accountant for Financial Analysis Unit at Government Procurement Division, Ministry of Finance
- 2012, Deputy Director in the Accrual Accounting Implementation Team (PPPA)
- 2017 - 2019, Director of Information Technology Management Division (BPTM)

**Present Appointments:**

- Director of Central Operation and Agency Services Division (BPOPA), Ministry of Finance

**Expertise & Experience:**

Due to her experience in the anti-dumping procedures and investigations in MITI, she was appointed by the World Trade Organisation (WTO) in 2002 as one of the three Panelists for the Dispute Settlement Board on Anti-Dumping and Countervailing Measures between the United States and India.

She was also a representative of the Secretary-General of Treasury and sat on several ministries/agencies Procurement Board as well as Board of Directors.

## SALMIAH RAMLI

INDEPENDENT AND  
NON-EXECUTIVE DIRECTOR



Date Appointed: 31 Dec 2019

# DIRECTOR'S PROFILE

## ZAKIAH JAAFAR

NON-INDEPENDENT AND  
NON-EXECUTIVE DIRECTOR



Date Appointed: 16 Jan 2020

### Qualifications:

- Bachelor of Science (Hons) in Economics, University of Warwick, United Kingdom - 1990
- Master of Social Sciences in Economics, University of Birmingham, United Kingdom - 1991

### Past Appointments:

- Deputy Secretary-General (Macro) of the Ministry of Economic Affairs (MEA)

### Present Appointments:

- Deputy Secretary-General (Investment), Ministry of Finance (MOF)
- Board member of multiple companies, including Petroliam Nasional Berhad (PETRONAS), Employees Provident Fund (EPF), Majlis Amanah Rakyat (MARA) and Perbadanan PR1MA Malaysia.

### Expertise & Experience:

A technocrat with 28 years of experience in civil service, her current position mainly entails overseeing policies and monitoring the performance of Government-owned companies and statutory bodies as well as managing government loans and funding.

At MEA, her primary function was preparation of medium and long-term macroeconomic targets for the economy as well as overseeing policy directions for the manufacturing and services sectors, science & technology and innovation, environmental economics and knowledge-based economy. In addition, she headed the secretariat to monitor the progress of all Sustainable Development Goals (SDGs).

**Qualifications:**

- Bachelor of Accounting and Finance (Hons), South Bank University, London, United Kingdom

**Past Appointments:**

- Multiple assumed positions at CIMB Investment Bank Berhad and Bank Pembangunan dan Infrastruktur Malaysia Berhad

**Present Appointments:**

- Senior Vice President, AmlInvestment Bank Bhd

**Expertise & Experience:**

He has accumulated more than 20 years of experience in banking industry, primarily in project and privatisation/PPP advisory and infrastructure lending or project financing, covering various industries, namely energy, utility, transportation, toll road, special area development, renewable energy, healthcare, and telecommunication.

## MOHD HEDZIR HANAFI

INDEPENDENT AND  
NON-EXECUTIVE DIRECTOR



Date Appointed: 24 August 2020

# MANAGEMENT TEAM PROFILE

## ABDUL HADI ALI

CHIEF EXECUTIVE OFFICER



Date Appointed: 19 March 2019

### Qualifications:

- Masters in Business Administration (Finance), University of Missouri at Kansas City, USA
- Bachelor of Business Administration (Finance), Loyola University, New Orleans, USA

### Role & Responsibilities:

Abdul Hadi is currently the Chief Executive Officer of PAAB, effective from 18 August 2018. He plays an essential role in leading the team towards the development and operations of the nation's water infrastructure. He initially joined PAAB in April 2010 as an Assistant General Manager, Treasury under Finance Division and later was promoted to Chief Corporate Officer in 2013. He was designated as Chief Treasurer after an internal reorganisation in May 2018 which saw the Treasury function being assigned to him.

### Experience:

Abdul Hadi has over 20 years of treasury experience both in corporate and banking environments. In 1989, he started his career with PETRONAS in the money market and foreign exchange desk and later moved to fixed income portfolio management. He made his foray into the banking industry by joining Aseambankers Berhad in 1994 and he became the Chief Dealer and was later promoted to 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 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 institution's currency basket management (Islamic Dinar) and investments.

## HAJI KAMARUDDIN

## HAJI ABDUL RAZAK

HEAD OF SPECIAL  
PROJECTS DIVISION



Date Appointed: 2 May 2014

### Qualifications:

- Masters of Science in Public Health and Environmental Control Engineering, University of Strathclyde, Glasgow, Scotland, United Kingdom
- Bachelor of Science in Civil Engineering, University of Glasgow, Scotland
- Diploma in Civil Engineering, University Technology of Malaysia (UTM)

### Role & Responsibilities:

He is responsible for the establishment of quality standards and efficient management of the project undertaken by the Company in every state. In 2008, he joined PAAB to take charge of Langat 2 Water Treatment Plant project.

Prior to this appointment, he was the Head of Project Management Division from 2012 until 31 May 2022.

### Experience:

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 of Bachelor's degree study. Upon graduation, Haji Kamaruddin re-joined DBKL before he moved to KLCC Berhad in 1992. He developed and embarked on his professional career as the General Manager of Technical Services and subsequently the General Manager of Migration team to oversee the movement of the Prime Minister's Offices to the new administrative capital, Wilayah Persekutuan Putrajaya. In 2006, he was the Project Director of WWE Holdings Berhad. He spearheaded the design and build contract for the construction and completion of the sewerage treatment plant in Jelutong, Pulau Pinang.

## IR. ZAINAL BIN NAGIN

HEAD OF FACILITY &  
PLANNING DIVISION

Date Appointed: 2 January 2018



### Qualifications:

- Bachelor of Engineering degree (B.E. Mech), the University of Canterbury, Christchurch, New Zealand
- Registered Professional Engineer with Board of Engineers, Malaysia (BEM) and Institution of Engineers, Malaysia (IEM)

### Role & Responsibilities:

He is 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 February 2010 as a Manager. In 2012, he was promoted as the Head of Department of Southern Region and later headed the Project Management Division in January 2015. To date, he has accumulated over 23 years of experience, especially in the water industry.

### Experiences:

He started his career in 1991 as a project engineer in a contracting firm specialising in Power Plants and Water. In 2002 he joined a consultancy firm specialising in water as a senior mechanical engineer. He was involved in various projects focusing on the design, preparation of tender documents and implementation of new water treatment plants, plant upgrading and refurbishment as well as distribution systems in various states of Malaysia. One of his main project involvements was Kepong II Water Treatment Plant and its distribution systems located in Kuala Terengganu. The project consists of 150 MLD Water Treatment plant, intake, 1,400 mm dia raw water pipeline and distribution to consumers within the vicinity of Kuala Terengganu and Marang demand areas.

## MOHAMAD MOHAMAD NOR

HEAD OF COMMERCIAL DIVISION

Date Appointed: 1 January 2017



### Qualifications:

- BSc (Hons) in Chemical Engineering from University of Technology Malaysia, Johor Bahru

### Role & Responsibilities:

He has extensive experience in tender, contract and procurement, and has led assignments in performance improvement, project management and implementation.

### Experience:

Mohamad has over 15 years of experience in the areas of construction, project management and contract administration. He started his career as a Project Engineer with Petra Resources Sdn Bhd in 1993. Subsequently, he joined Transwater Engineering Sdn Bhd and served the company from 1995 to 1998 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 being seconded to PAAB in 2007 under the Tender and Contract Department.

He has a wide range of experience in the government and utilities sectors as well as involvement in numerous oil & gas services.

# MANAGEMENT TEAM PROFILE

## ROZAIFEE ABU ZAHARIM

HEAD OF FINANCE & TREASURY DIVISION

Date Appointed: 3 April 2017



### Qualifications:

- Chartered Accountant member of the Malaysian Institute of Accountants
- Associate Member of the Chartered Institute of Management Accountants (ACMA)
- Member of the Chartered Global Management Accountant (CGMA)

### Role & Responsibilities:

He is responsible for Accounts, Treasury and Corporate Finance functions of PAAB.

### Experience:

Prior to joining PAAB, Rozaifee was the Head of Finance Operations of UEM Edgenta Berhad. He has diverse Finance and Treasury experience over his 20 years' tenure with UEM Group ranging from Highway Concessionaire to Construction and Assets & Facilities Management Divisions. He also brings with him his experience in an overseas assignment, where he was the Head of Finance for one of UEM's subsidiary companies in India.

## ZULHAYATI YAHYA

HEAD OF HUMAN RESOURCES & ADMINISTRATION

Date Appointed: 1 January 2012



### Qualifications:

- Degree in Business Administration from Eastern Washington University, USA

### Role & Responsibilities:

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.

### Experience:

She has over 25 years of working experience in the Human Resources and Administration roles which she gained from her employment with several companies in 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 moving 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 in the banking services before joining PAAB.

## MOHD FAUZI OMAR

HEAD OF PROJECT  
MANAGEMENT DIVISION

Date Appointed: 31 May 2019



### Qualification:

- Bachelor in Chemical Engineering (Honours), University Technology of Malaysia (UTM)
- Registered member, Board of Engineers, Malaysia (BEM)
- Registered member, Institution of Engineers, Malaysia (IEM)

### Responsibilities:

Mohd Fauzi leads and oversees overall project management and implementation of approved projects for migrated states, from the Preliminary Stage until completion, including the defect liability period of the projects.

### Experience:

With over 20 years of working experience in water-related projects, prior to joining PAAB in August 2007 as a Process Design Manager, Mohd Fauzi was attached to a consultancy firm where he specialised in water and infrastructure works. As a Process Engineer, he was responsible for the design, preparation of tender documents and project completion. During that time, he had completed relevant waterworks projects for JBA and JKR including Research and Development projects.

Mohd Fauzi had also gained experience in the food and plastic manufacturing industry as a Production Engineer as well as in a contracting firm where he was involved in the construction of water and wastewater works; Electro-chlorination and Power Plants.

## DR. WAFI NAZRIN DR. ABDUL HAMID

HEAD OF CORPORATE  
SERVICES DIVISION

Date Appointed: 1 November 2019



### Qualifications:

- First Class Degree in Law, International Islamic University of Malaysia
- Master in Law, Cambridge University
- Ph.D in Law from Southampton University
- MBA in Applied Finance & Investment, UKM
- Post Graduate Diploma in European Union Competition Law, King's College, London

### Responsibilities:

Bringing in his high-level experience from past companies, he is a key figure in the implementation of high-level and fast-track projects, and is instrumental in building stakeholder relationships and strengthening corporate governance.

### Experience:

He has leadership experience in maritime, oil and gas, aviation, automotive and manufacturing, construction/land development, and water industries in MISC Berhad, Petronas, Malaysia Airlines, and UMW. He was part of the senior management in several Government Linked Companies, including the ones aforementioned.

He was an advocate, solicitor, and contributing author to the legal reference "ASEAN Competition Laws". He won the Interlaw Corporate Counsel Award in 2004 and in 2010 was recognised by the International Law Office, New York as a leading anti-trust counsel.

# PAHANG MIGRATION

PAAB successfully performed water assets due diligence exercise for the purpose of migration of State of Pahang in 2020. The due diligence was made according to the assets list provided by Setiausaha Kerajaan Negeri (SUK) of Pahang. The migration of assets value should be equivalent to the balance of the Federal Government's loan to-be-novated to PAAB amounting to RM1.9 billion. Due diligence was carried out on the information provided by Pengurusan Air Pahang Berhad (PAIP) as well as site verification on all selected assets according to the locations.



## Chronology of the Restructuring Process of the Pahang Water Supply Services Industry

19  
July  
2013

Pahang State Water Supply's Service Industry Restructuring Scheme offer letter is submitted to the Pahang State Government.

8  
June  
2016

MOF's decision on approvals granted in 2013 was deemed to be binding.

8  
Jan  
2014

The Pahang State Government postponed the decision on the offer of proposed scheme.

21  
March  
2018

The Water Services Industry Restructuring Pre-Council Meeting Pahang State Water Supply.

15  
Dec  
2016

A Ministry letter was sent to the Pahang State Government to reconsider the offer of the Water Services Restructuring Scheme.

2  
May  
2018

The Water Services Industry Restructuring Pre-Council Meeting Pahang State Water Supply.

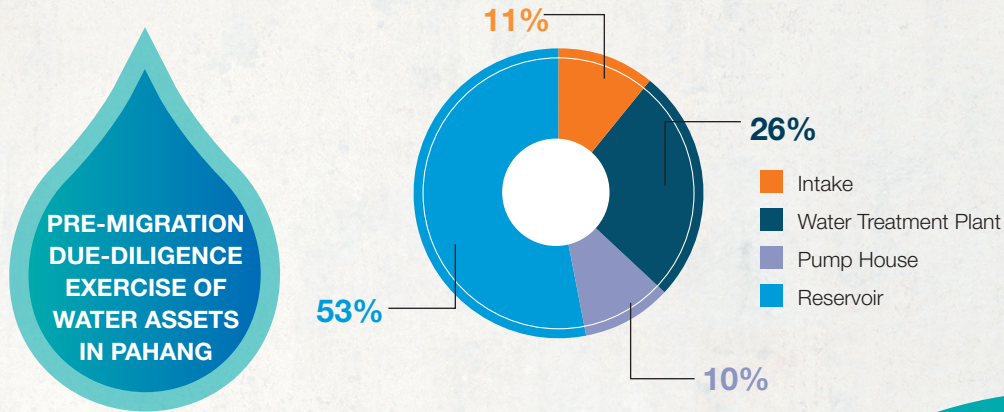
23  
Dec  
2020

Pahang Water Services Industry Restructuring Agreement Signing Ceremony.

6  
Sept  
2018

YAB Menteri Besar of Pahang announces the Pahang State Government's agreement to restructure the water supply services in the state of Pahang.

### PAAB WATER ASSETS IN PAHANG (BY CATEGORY)



Due-diligence exercises were conducted in three (3) phases with the following findings over land and assets:

First phase was conducted from 29 January 2020 until 11 February 2020 with ninety-seven (97) assets involved according to the list provided by PAIP.

Second phase was conducted from 1 July 2020 to 3 July 2020 for information assessment and was resumed from 8 July 2020 until 10 July 2020 for site verification with ninety-nine (99) assets involved.

Finally, the third phase was conducted on 6 August 2020 with additional of six (6) assets involved.

In a year of unprecedented challenges, PAAB continued to make progress in developing, completing and delivering various water infrastructure projects all over the country. The continued vitality and resiliency of Malaysian cities relies on this infrastructure. Our efforts to ensure stable and sustainable water supply should benefit the public, businesses and stakeholders.



A total of one hundred eighteen (118) water assets within seventy-one (71) sites were finalised in this pre-migration exercise. Only water assets with active operating status have been considered.

# PROJECT PROGRESS IN 2020

PAAB made steadfast progress on all ongoing projects amidst the year's pandemic disruptions. A summary of our progress to date is provided below.

## 2,143 KM

Pipelines

## 706 ML

Reservoir Capacity

## 2,416 MLD

Water Treatment Plant Capacity

### Perak

WTP Capacity (MLD) : 40 (Ongoing)  
WTP (Nos) : 1 (Ongoing)  
Reservoir (ML) : 0  
Pipeline (KM) : 13

### Kelantan

WTP Capacity (MLD) : 59.5 (Ongoing)  
WTP (Nos) : 4 (Ongoing)  
Reservoir (ML) : 8.04 (Ongoing)  
Pipeline (KM) : 24

### Selangor

WTP Capacity (MLD) : 1,235  
WTP (Nos) : 2  
Reservoir (ML) : 490  
Pipeline (KM) : 97.51

### Negeri Sembilan

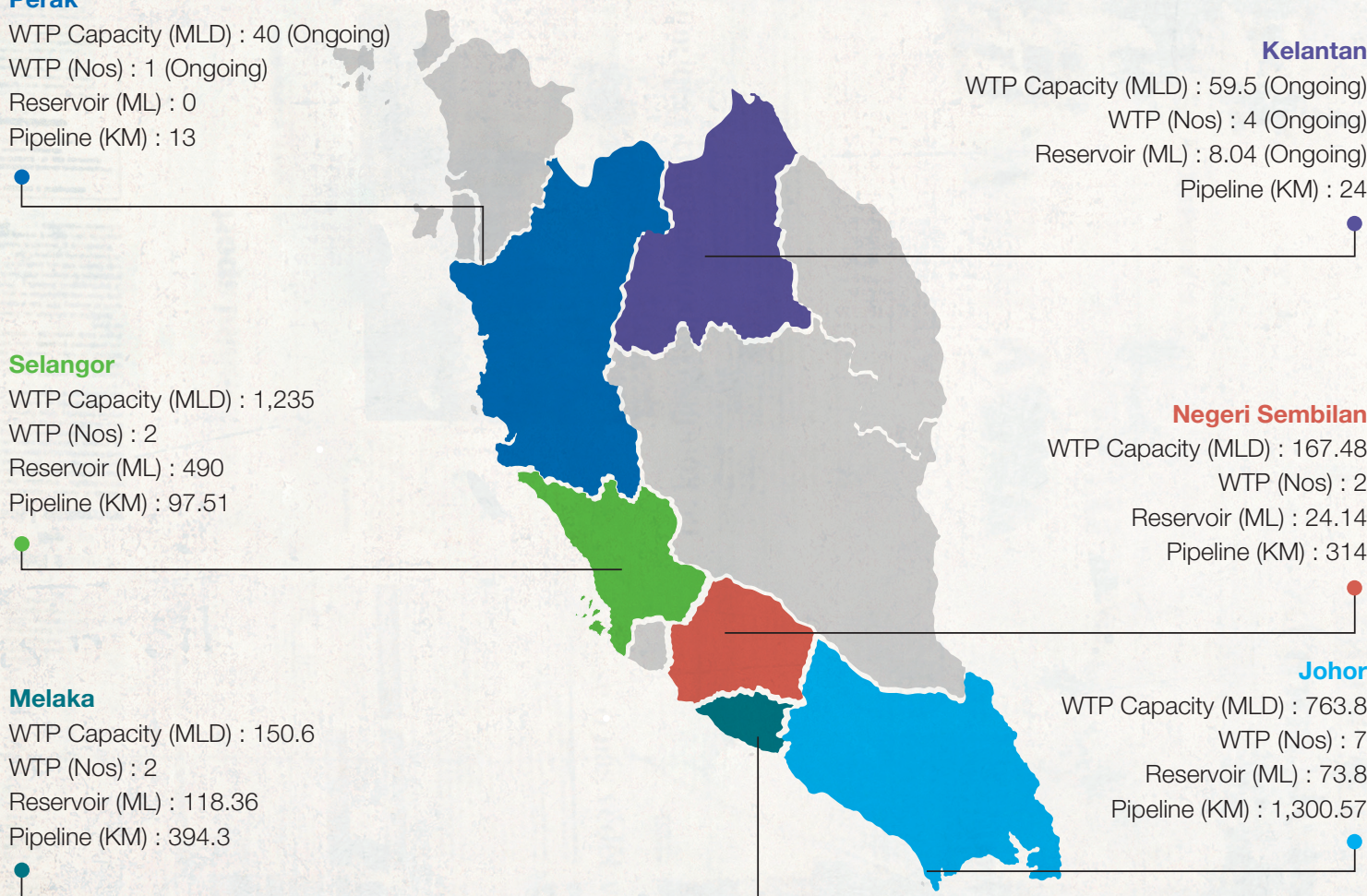
WTP Capacity (MLD) : 167.48  
WTP (Nos) : 2  
Reservoir (ML) : 24.14  
Pipeline (KM) : 314

### Melaka

WTP Capacity (MLD) : 150.6  
WTP (Nos) : 2  
Reservoir (ML) : 118.36  
Pipeline (KM) : 394.3

### Johor

WTP Capacity (MLD) : 763.8  
WTP (Nos) : 7  
Reservoir (ML) : 73.8  
Pipeline (KM) : 1,300.57



## STUDYING WATER SUPPLY NEEDS IN THE KERIAN DISTRICT OF PERAK.



The Kerian district has a very high growth potential with several development projects proposed for this district. PAAB has been enlisted by Lembaga Air Perak (LAP) to upgrade the existing water treatment facilities and distribution system in order to meet future water demand.

The project objectives include identifying and implementing another source of water for the district in order to meet the future demand.

This will provide LAP a better distribution system of which the new Kerian supply will serve the central and northern part of Kerian District up to the Penang/Kedah border, the existing Jalan Baru system serves on the coastal side and Gunung Semanggol system on the southern side inclusive Taiping and Kamunting in the Larut, Matang/Selama district.

The projected demand from the Sg Kerian source is targeted to be 80 MLD but as the current demand is not up to the projected demand, the new Sg Kerian source is implemented in two stages of 40 MLD each with the construction of new Treatment Plant at Sg. Rawa (*structure 80 MLD & M&E 40 MLD*). Furthermore, new raw water pipeline from the new Bagan Serai Intake to the existing Jalan Baru WTP is proposed as a backup system during draught season.

The project scope comprises the supply of all resources necessary for the execution, completion, testing, commissioning and maintenance of the new supply.

# PROJECT PROGRESS IN 2020



## HANDOVER OF LANGAT 2 WATER TREATMENT PLANT (PHASE 1) STREAM B TO AIR SELANGOR

The year kicked off to a good start with the handover of the Langat 2 WTP Stream B to Air Selangor on 21 January 2020. The facility increased Air Selangor's treated water distribution capacity from 325 MLD to 430 MLD at the end of 2020 to several locations, including Hulu Langat, Cheras, Pudu and Semenyih.

The system operation is equipped with modern technology such as Lamella Plates, Centrifuge Decaners, Static Mixers, Granula Activated Carbon. The distribution system comprises 4.2 KM of mild steel pipeline, from Bukit Enggang Balancing Reservoir to Existing Langat Reservoir, externally protected with double reinforced bitumen enamel wrapping and internally fortified with cement lining against corrosion.

## ONGOING UPGRADE OF MERLIMAU WATER TREATMENT PLANT (WTP) AND DISTRIBUTION SYSTEM

The upgrade of Merlimau WTP was initiated in 2017 due to the ever-growing demand for treated water for the state. Once the Merlimau water treatment plant upgrading works are completed in 2021, it is targeted to be able to treat 110 MLD together with a distribution system that supplements Melaka Tengah demand for treated water. This will provide additional water supply to Melaka City and the surrounding area especially during the festive season.

Project scope includes construction of a new elevated water tank (4.54 ML); 22 KM of new treated water pipeline; upgrading of the existing pump house system with new pumps and control panels; construction of 20m length Crest Gate Rubber Dam across Sg. Kesang at existing Lanchang Intake, and a new treated water pipeline from proposed Bukit Batu Reservoir to Pengkalan Jaya.



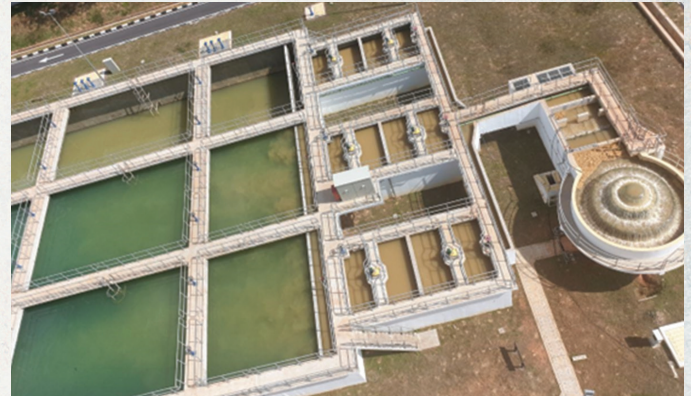
## COMPLETION OF THE NEW BULUH KASAP WATER TREATMENT PLANT

This project aims to provide additional water supply to meet the increasing water demand in Segamat, Johor up to the horizon year 2020. However, the civil and structure design of the project has been designed to cater facilities and expansion up to the horizon year 2030.

The plant, completed in externally protected, covers supply areas in Mukim Buluh Kasap. In tandem with construction of Buluh Kasap water treatment plant, the water supply distribution system was re-zoned to meet projected water demands in Mukim Jementah

For Package 1 works, the proposed Buluh Kasap WTP is intended to cater increasing water demand in Segamat, Johor as well as new developments within the area. It covers supply area such as Pekan Buluh Kasap, Jalan Buluh Kasap, Taman Yayasan 1 & 2 and Batu Anam New Village.

While for Package 2 and 3 works, the proposed upgrading of existing Kg Alai Booster station and pipe line to NV Jementah reservoir (17 KM length) is intended to resolve water issues such as insufficient of supply and low pressure in Mukim Gemereh and upper parts of Mukim Jementah during peak time and festive season.



## CONSTRUCTION OF PAGOH WATER TREATMENT PLANT

Sime Darby Pagoh Development Sdn. Bhd. proposed to develop an area of 4,081.58 acres of Lanadron Estate in Pagoh, Mukim Jorak, Muar District into an education hub. The development plans consists of a few universities with its supporting facilities and other development components such as mixed development, commercial and residential areas. The new water demand for Pagoh Edu Hub and the increasing demand in the vicinity areas, required the construction of a new water treatment plant in Pagoh complete with a new distribution system.

# ADVANCING AS A CENTRE OF EXCELLENCE

## New Vision Centre of Excellence

### New Mission Statements



Provide creative solutions and nurture cost recovery in national water service industry.



Revitalise the national water services industry through efficient deliverables.



Cultivate talent and expertise to meet future industry demand.



Value creation for stakeholders through optimum operation.

## New Promise Commitment to Excellence

The new PAAB missions are supported by four (4) Key Result Areas (KRAs). These KRAs encapsulate the strategy of the Company towards achieving its mission and vision, as illustrated below:



### Sustainable Financial Position

Ensuring long-term capability of PAAB to play its mandated roles in national water services industry restructuring exercise.



### Efficient Deliverables

Supports the Federal government's agenda in improving the national water services industry.



### Competent Human Capital

Ensures our people are equipped with the right skill set to drive PAAB towards fulfilling the prevalent aspiration of the national water services industry.



### Optimum Business Processes

Ensures optimal allocation of the Company's resources.

**STRATEGIC OBJECTIVES:****Key Result Area****1****Sustainable  
Financial Position**

- (i) Ensure Cost Recovery from Leasing Activities
- (ii) Streamline Operating Expenditures
- (iii) Diversify Source of Funding for Project Implementation
- (iv) Maximise Returns from Liquid Funds Investing Activities

**Key Result Area****2****Efficient  
Deliverables**

- (i) Deliver Projects on Time within Approved Budget
- (ii) Improve Quality of Water Assets via Design and Process
- (iii) Minimise Execution Gap in Project Implementation
- (iv) Ensure Settlement of Federal Loans based on Agreed Repayment Schedule

**Key Result Area****3****Competent  
Human Capital**

- (i) Promote Empowerment of Employees
- (ii) Inculcate Culture of Excellence
- (iii) Empower HR as a Strategic Partner of the Company
- (iv) Instil Sense of Belonging among Employees

**Key Result Area****4****Optimum Business  
Processes**

- (i) Enhance Governance Structure of PAAB
- (ii) Streamline Internal Business Processes throughout the Entire Value Chain
- (iii) Gear towards Digital and Environment-Savvy Organisation
- (iv) Commit towards International Standards for Best Practices

# ADVANCING AS A CENTRE OF EXCELLENCE

## COMMITMENT TO EXCELLENCE

As part of its 'Commitment to Excellence', PAAB works towards continually improving our business processes based on best practices. Towards this end, in 2017, the Risk Management & Quality Assurance Department (RMQAD) was given mandate by PAAB Board of Directors to obtain ISO 9001:2015 certification within three (3) years, as this provides a practical and workable Quality Management System for improving and monitoring all areas in PAAB. Implementing an effective and robust Quality Management System (QMS) from the year 2017 helped the Company to focus on important areas of business and improve efficiency to meet customer and regulatory requirements.

After three years of implementing PAAB quality framework towards company certification, PAAB was independently assessed, via remote audit, for certification by the British Standards Institution (BSI) in June 2020. BSI was chosen as its certification partner due to its standing on the current ranking of well renowned certification body globally. Not only is BSI accredited by UKAS and ANAB, it is the world's first national standards body to pioneer the development of management systems standards world-wide, and was instrumental in the formation of ISO back in 1947. PAAB was the first company to be audited and certified remotely from BSI.

During the three-day assessment audit, all PAAB processes were determined to be carried out in conformity against the ISO 9001:2015 standard requirements with only two minor NCR (Non-Conformance Report) and one OFI (Opportunity for Improvement) findings recorded. On 17 July 2020, BSI Malaysia awarded PAAB with the world's most recognised quality management system, ISO 9001:2015 certification for the '**Provision of Operation Management in Construction, Refurbishment, Improvement, Upgrading and Restoration of Water Supply Infrastructure/Water Systems for Existing and New Water Assets Nationwide**', under ANAB (global) and DSM (Malaysia) accredited bodies.



**CERT. No.: FS 725241**  
**ISO 9001:2015**



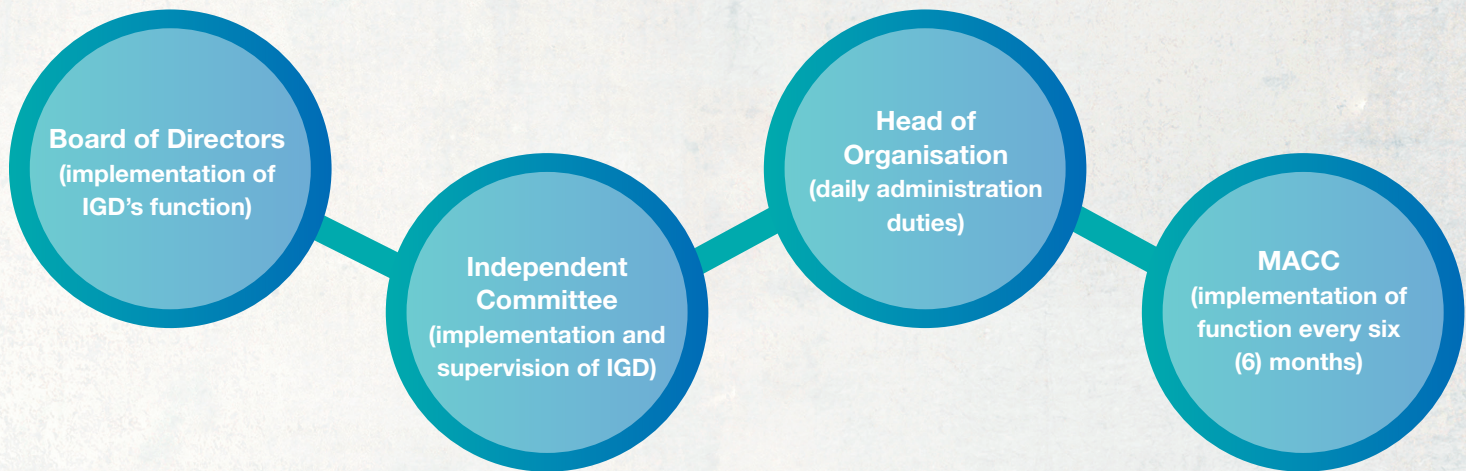
**CERT. No.: FS 725242**  
**ISO 9001:2015**



**QS 16122016 CB 16**

## ENHANCING INTEGRITY AND GOVERNANCE

Another key milestone towards transformation and excellence was the establishment of PAAB's Integrity and Governance Department (IGD) in 2020 as an initiative to promote culture of integrity, enhancement of governance and anti-corruption efforts. This fortifies integrity and governance as a critical function within the Company, whereby the Head of IGD reports to top governing bodies such as the:-



The department kicked off a series of integrity strengthening sharing, talks and workshop during the year. These included a Corruption Risk Management (CRM) Workshop for the purpose of CRM Plan development. The workshop was facilitated by MACC officers and attended by 24 representatives from all departments across the Company.

Pursuant to the workshop, a series of reviews were conducted at Divisional and Senior Management level. In addition, input from MACC was obtained and incorporated accordingly. The CRM Plan was approved by the Board and is currently being implemented. Monitoring and assessment are carried out every six months to ensure proposed initiatives are executed.

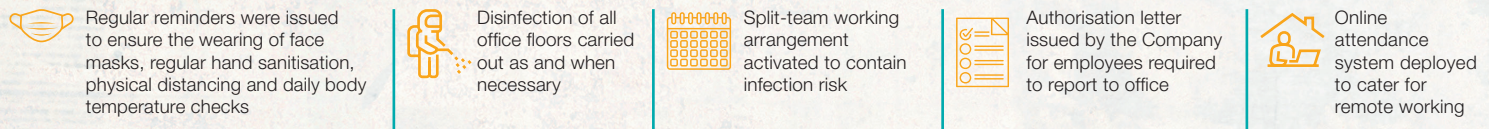
Later in the year, a talk by an MACC officer was held to provide awareness and understanding to PAAB staff on corruption offences. More of such awareness initiatives will be organised in actively cultivating a culture of integrity.

# INNOVATING TOWARDS A NEW AND BETTER NORMAL

The coronavirus pandemic in 2020 revolutionised the way we worked and communicated with the heightening of safety measures, and rapid adoption of new digital technologies to overcome limitations posed in travel and face to face engagements. This was the year when work processes were transformed by leveraging on new technologies, channels and communication strategies to meet the demands of a new normal.

New safety measures were implemented to adhere to the guidelines issued by the Malaysian National Security Council and the Ministry of Health. A MySejahtera Check-in QR Code was provided for all employees, and Visitor Health declaration form implemented at PAAB's office.

The following key measures were implemented as the Company faced the pandemic:



This shift in the operational activities required PAAB's IT Department to cope with a series of new responsibilities. In ensuring effectiveness of remote technology, several key action plans were prioritised. This included awareness and training on available technology. Employees were also provided access to learning materials in the form of documents, video, and tutorials in an online library. Most critically, the IT Department mobilised vital instant support to its remote workforce via online and social media channels, as well as less immediate support via the IT Helpdesk system for non-urgent matters.

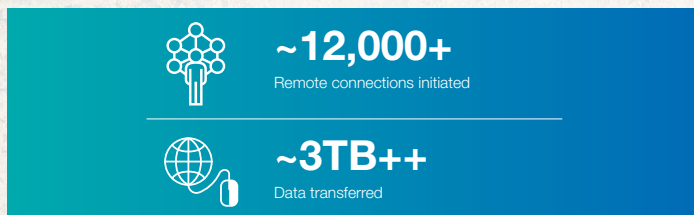
The following technologies and software were deployed to ensure continuous support to PAAB's business and operation:



## a) Virtual Private Network (VPN)

VPN provides businesses with a securely encrypted connection to the network over public internet. It provides an essential piece of layered security that is important for data protection, gives user the ability to remotely access critical network resources and connect to PAAB's office system.

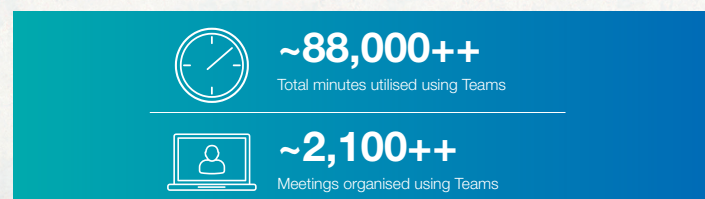
Statistics recorded in PAAB since Movement Control Order (MCO) enforcement is as per below:



## b) Office Collaboration and Automation

Having already launched Microsoft 365 in January 2020, the IT Department quickly rolled out additional tools within Microsoft 365's families to provide a quick transition to productivity, collaboration and secured environments. These included Microsoft Teams, Microsoft SharePoint and OneDrive, Microsoft Power Automate. Through these document management and collaboration tools, our employees could communicate, exchange data, share and documents and leverage on more efficient automated workflows and business processes across PAAB.

Statistics on PAAB's utilisation of Microsoft Teams secured communication and collaboration platform since commencement of the MCO are as below:





### c) Fortifying Cybersecurity

With digital transformation comes the need to ensure protection and security online as the rise and demand of technology needs opens us up to continuous cybersecurity risk. In mitigating these, PAAB's IT Department implemented a framework covering Process, People and Technology.

#### Process

- Support secure remote-working tools;
- Test and adjust DR. (Disaster Recovery) capabilities;
- Widen the scope of organisation-wide monitoring activities, particularly for data and endpoints;
- Sustain good procurement practices.

#### People

- Increase awareness of social engineering and security-at-home;
- Online security awareness session for all staff;
- Notify users on recent updates, issues and security concerns.

#### Technology

- Accelerate patching for critical systems;
- Rapidly deploy solutions with minimal or zero investment.

In addition to the above strategies, the IT Department also continuously following guidelines and recommendation from Malaysian National Security Council, National Cyber Coordination and Command Centre (NC4) and National Cyber Security Agency for effective security measures.



### d) e-Procurement

PAAB e-Procurement was initiated in October 2020 using Procurehere platform developed by Privasia Sdn. Bhd. Since then, Request for Quotation (RFQ) and Purchasing process for OPEX are fully done via e-Procurement.

A total of RM550,000 worth of procurement of OPEX was performed via PAAB e-Procurement in 2020. The system is proven to increase transparency, minimise human interference, provide better competitive prices with open participation, easy access into the company for new contractors and suppliers and more time to do business with less paperwork and travel for manual bid submissions.

During the nationwide MCO, cloud-based online system enabled PAAB to continue daily business from home, without any delays as every process was done digitally.

The system will be continuously monitored and improved for better performance.



### e) Strategic Communications

Since 2009, PAAB's medium of communication is mainly via email, which is limited in usage. Corporate Communications has come up with a comprehensive Communications Strategy to boost our communication platform to engage, inform and motivate employees, utilising new channels that were popular during the MCO

At the start of the MCO, there was heavy utilisation of communication via WhatsApp and email, to make sure relevant information was disseminated effectively to management and members of the staff. Soon after, in early 2020, Digital Signage was introduced in PAAB whereby digitised information was created and shared instantly to expedite understanding and awareness. This has become the primary means of communication between PAAB member of the staff.

Using these channels, the Corporate Communications department initiated a team-building PAAB Mini Quiz to build awareness and engagement with PAAB's new vision to become a Centre of Excellence. Prizes were awarded to create excitement and garner greater participation.

# CALENDAR OF EVENTS



## Jan 06

### PAAB Schools Sustainability Programme Launch

Admin Building, Langat 2 Water Treatment Plant

## Jan 21

### Handover Ceremony & Operation of Stream B Langat 2 WTP to Air Selangor

Langat 2 Water Treatment Plant



## Jan 22

### Site Visit by MB Selangor

Langat 2 Water Treatment Plant



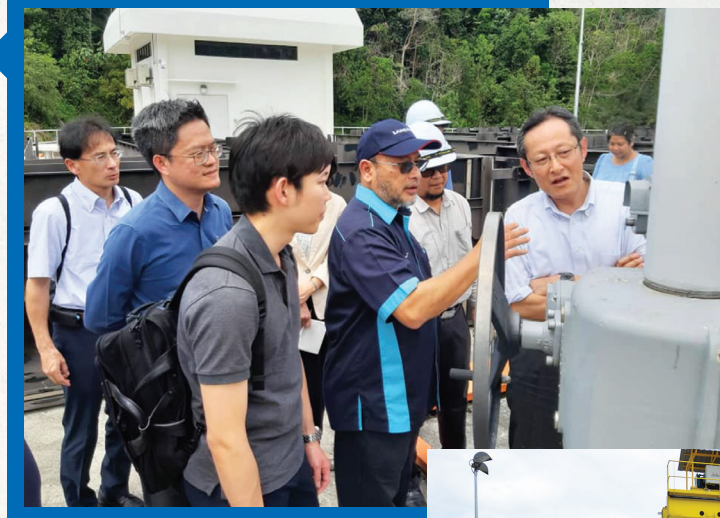


Jan  
28

**Stakeholder Engagement  
Programme Visit by Minister  
of Finance (Incorporated)**  
Langat 2 Water Treatment Plant

FEB  
05

**Site Visit by Board  
of Audit Japan**  
Langat 2 Water  
Treatment Plant



# CALENDAR OF EVENTS

## JUN 18

**Technical Visit by  
YB Dato Tuan Ibrahim  
Tuan Man, Minister of  
Environment and Water**  
Sg Labu Water  
Treatment Plant



## JUL 24

**PAAB Prihatin Corporate  
Contribution Presentation  
Ceremony**

Menara Multi-Purpose,  
Capital Square Kuala Lumpur





**NOV  
26**

**Technical Visit by YB Dato  
Tuan Ibrahim Tuan Man,  
Minister of Environment  
and Water**

Langat 2 Water Treatment Plant



**DEC  
23**

**Pahang Water Services  
Industry Restructuring  
Agreement Signing  
Ceremony**

The Zenith Hotel,  
Kuantan Pahang





# FINANCIAL STATEMENTS

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# DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2020.

## 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.

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

## IMMEDIATE HOLDING CORPORATION

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

## SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 7 to the financial statements.

## RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to owners of the company	116,375	116,184

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

## DIVIDENDS

Since the end of the previous financial year, the Company paid a final single tier ordinary dividend of 3.03 sen per ordinary share totalling RM22,146,400 on 25 August 2020 in respect of the financial year ended 31 December 2019 as reported in the Director's report of that year.

## DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

### DIRECTORS OF THE COMPANY

Directors who served during the financial year until the date of this report are:

Dato' Ir. Jauhari bin Hamidi	
Datuk Zurinah binti Pawanteh	- resigned on 01.04.2020
Datuk Seri Dr. Nik Norzrul bin N. Hassan Thani	- resigned on 15.06.2020
Dato' Dr Halim bin Man	- resigned on 19.06.2020
Alice Loke Yee Ching	- resigned on 01.07.2020
Wong Pek Yee	- resigned on 30.08.2020
Salmiah binti Ramli	- resigned on 01.09.2020
Datuk Nik Azman bin Mohd Zain	- resigned on 12.04.2021
Zakiah binti Jaafar	- appointed on 16.01.2020
Dato' Seri Ir. Dr. Zaini bin Ujang	- appointed on 09.06.2020
Dato' Sri Hasan bin Arifin	- appointed on 16.06.2020
Mohd Hedzir bin Hanafi	- appointed on 24.08.2020
Muniandy a/l Govindasamy	- appointed on 12.10.2020
Suzana binti Atan	- appointed on 12.10.2020

### DIRECTORS' INTERESTS IN SHARES

None of the Directors holding office at 31 December 2020 had any interest in the shares of the Company and of its related corporations during the financial year.

### DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or of related corporations with the Directors or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### ISSUE OF SHARES

There were no changes in the issued and paid-up capital of the Company during the financial year.

### OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

## DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

### INDEMNITY AND INSURANCE COSTS

During the financial year, the Company effected a Group Directors and Officers Liability Insurance Policy covering its subsidiaries. The aggregate amount of insurance premium paid was RM25,013.

### OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- (i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- (ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- (i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or
- (ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- (iii) which have arisen which 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, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

- (i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- (ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2020 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

## DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

### AUDITORS

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 23 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:



**Dato' Sri Hasan bin Arifin**  
Director



**Mohd Hedzir bin Hanafi**  
Director

Date: 18 June 2021

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Assets</b>					
<b>Non-current assets</b>					
Plant and equipment	3	1,343	1,633	1,343	1,633
Intangible assets	4	1,397	2,269	1,397	2,269
Right-of-use assets	5	4,603	5,901	4,603	5,901
Assets under construction	6	3,576,974	3,644,326	3,576,974	3,644,326
Investment in subsidiaries	7	-	-	1,000	1,000
Lease receivables	8	23,661,659	22,943,410	23,661,659	22,943,410
Trade receivables	9	211,952	244,449	211,952	244,449
		<b>27,457,928</b>	26,841,988	<b>27,458,928</b>	26,842,988
<b>Current assets</b>					
Trade receivables	9	20,053	5,879	20,053	5,879
Lease receivables	8	64,865	118,042	64,865	118,042
Other receivables	10	35,364	25,272	35,210	25,211
Current tax assets		21	-	-	-
Other investments	11	604,502	586,038	604,502	586,038
Cash and cash equivalents	12	414,940	562,270	274,236	483,323
		<b>1,139,745</b>	1,297,501	<b>998,866</b>	1,218,493
<b>Total assets</b>		<b>28,597,673</b>	28,139,489	<b>28,457,794</b>	28,061,481

## STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Equity and liabilities</b>					
<b>Equity attributable to owners of the Company</b>					
Share capital		730,000	730,000	730,000	730,000
Retained earnings/(Accumulated losses)		225,161	130,932	(727,263)	(821,301)
Fair value reserve		21,391	19,601	21,391	19,601
<b>Total equity</b>	13	<b>976,552</b>	880,533	<b>24,128</b>	(71,700)
<b>Non-current liabilities</b>					
Deferred income	14	2,025,854	2,340,712	2,025,854	2,340,712
Loans and borrowings	15	19,344,028	19,210,508	3,463,838	3,620,508
Amount due to subsidiaries	16	-	-	15,880,190	15,590,000
Deferred tax liabilities	18	2,984,621	2,703,042	2,984,621	2,703,042
Lease liabilities		3,468	4,688	3,468	4,688
		<b>24,357,971</b>	24,258,950	<b>24,357,971</b>	24,258,950
<b>Current liabilities</b>					
Loans and borrowings	15	2,421,248	2,714,638	98,827	97,971
Trade and other payables	17	822,307	281,391	821,702	280,799
Amount due to subsidiaries	16	-	-	3,135,571	3,491,961
Lease liabilities		1,608	1,486	1,608	1,486
Provision for tax		17,987	2,491	17,987	2,014
		<b>3,263,150</b>	3,000,006	<b>4,075,695</b>	3,874,231
<b>Total liabilities</b>		<b>27,621,121</b>	27,258,956	<b>28,433,666</b>	28,133,181
<b>Total equity and liabilities</b>		<b>28,597,673</b>	28,139,489	<b>28,457,794</b>	28,061,481

The notes on pages 52 to 108 are an integral part of these financial statements.

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue	19	995,347	667,231	995,347	667,231
Gain from the loan waiver		395,699	1,086,111	395,699	1,086,111
Amortisation of government grants		132,799	131,893	132,799	131,893
Other income	20	7,289	43,987	7,757	44,651
Loss from waiver of lease rental		(310,621)	(1,094,187)	(310,621)	(1,094,187)
Depreciation expenses		(1,924)	(1,965)	(1,924)	(1,965)
Amortisation of intangible assets		(1,002)	(6,997)	(1,002)	(6,997)
Personnel costs	24	(26,817)	(25,847)	(26,817)	(25,847)
Reversal of impairment/(Impairment loss) on assets under construction		853	(111,970)	853	(111,970)
Investment income		-	256,791	-	-
Net reversal of impairment of financial instruments		2,844	16,475	2,844	16,475
Other expenses		(21,324)	(14,614)	(20,648)	(13,966)
<b>Results from operating activities</b>		<b>1,173,143</b>	946,908	<b>1,174,287</b>	691,429
Finance income	21	44,200	58,269	42,348	276,042
Finance costs	22	(799,893)	(725,936)	(799,893)	(725,936)
<b>Profit before tax</b>	23	<b>417,450</b>	279,241	<b>416,742</b>	241,535
Tax expense	25	(301,075)	(57,777)	(300,558)	(57,343)
<b>Profit for the year</b>		<b>116,375</b>	221,464	<b>116,184</b>	184,192
<b>Other comprehensive income, net of tax</b>					
<b>Items that are or may be reclassified</b>					
<b>subsequently to profit or loss</b>					
Other investments measured at fair value through other comprehensive income		1,790	11,561	1,790	11,561
<b>Other comprehensive income for the year, net of tax</b>		<b>1,790</b>	11,561	<b>1,790</b>	11,561
<b>Total comprehensive income for the year</b>		<b>118,165</b>	233,025	<b>117,974</b>	195,753

The notes on pages 52 to 108 are an integral part of these financial statements.

# STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Attributable to owners of the Company			Total equity RM'000
		Non-distributable Share capital RM'000	Fair value reserve RM'000	Distributable Retained earnings RM'000	
<b>Group</b>					
<b>At 1 January 2019</b>		730,000	8,040	(60,969)	677,071
Other investments measured at fair value through other comprehensive income		-	11,561	-	11,561
Profit for the year		-	-	221,464	221,464
<b>Total comprehensive income for the year</b>		-	11,561	221,464	233,025
<i>Contributions by and distributions to owners of the Company</i>					
- Dividends to owners of the Company	26	-	-	(29,563)	(29,563)
<b>Total transactions with owners of the Company</b>		-	-	(29,563)	(29,563)
<b>At 31 December 2019/1 January 2020</b>		<b>730,000</b>	<b>19,601</b>	<b>130,932</b>	<b>880,533</b>
Other investments measured at fair value through other comprehensive income		-	1,790	-	1,790
Profit for the year		-	-	116,375	116,375
<b>Total comprehensive income for the year</b>		-	1,790	116,375	118,165
<i>Contributions by and distributions to owners of the Company</i>					
- Dividends to owners of the Company	26	-	-	(22,146)	(22,146)
<b>Total transactions with owners of the Company</b>		-	-	(22,146)	(22,146)
<b>At 31 December 2020</b>		<b>730,000</b>	<b>21,391</b>	<b>225,161</b>	<b>976,552</b>

The notes on pages 52 to 108 are an integral part of these financial statements.

## STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Attributable to owners of the Company			Total equity RM'000
		Non-distributable			
		Share capital RM'000	Fair value reserve RM'000	Accumulated losses RM'000	
<b>Company</b>					
At 1 January 2019		730,000	8,040	(975,930)	(237,890)
Other investments measured at fair value through other comprehensive income		-	11,561	-	11,561
Profit for the year		-	-	184,192	184,192
<b>Total comprehensive income for the year</b>		-	11,561	184,192	195,753
<i>Contributions by and distributions to owners of the Company</i>					
- Dividends to owners of the Company	26	-	-	(29,563)	(29,563)
<b>Total transactions with owners of the Company</b>		-	-	(29,563)	(29,563)
<b>At 31 December 2019/1 January 2020</b>		<b>730,000</b>	<b>19,601</b>	<b>(821,301)</b>	<b>(71,700)</b>
Other investments measured at fair value through other comprehensive income		-	1,790	-	1,790
Profit for the year		-	-	116,184	116,184
<b>Total comprehensive income for the year</b>		-	1,790	116,184	117,974
<i>Contributions by and distributions to owners of the Company</i>					
- Dividends to owners of the Company	26	-	-	(22,146)	(22,146)
<b>Total transactions with owners of the Company</b>		-	-	(22,146)	(22,146)
<b>At 31 December 2020</b>		<b>730,000</b>	<b>21,391</b>	<b>(727,263)</b>	<b>24,128</b>

The notes on pages 52 to 108 are an integral part of these financial statements.

# STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Cash flows from operating activities</b>					
Profit before tax		417,450	279,241	416,742	241,535
<i>Adjustments for:</i>					
Amortisation of government grants		(132,799)	(131,893)	(132,799)	(131,893)
Amortisation of intangible assets	4	1,002	6,997	1,002	6,997
Depreciation of plant and equipment	3	626	667	626	667
Depreciation of right-of-use assets	5	1,298	1,298	1,298	1,298
Finance costs	22	799,893	725,936	799,893	725,936
Finance income	21	(44,200)	(58,269)	(42,348)	(276,042)
Gain on disposals of plant and equipment		-	(7)	-	(7)
Gain on disposals of intangible assets		-	(25)	-	(25)
Foreign exchange gain	20	(2,243)	(529)	(2,243)	(529)
Net reversal of impairment of financial instruments		(2,844)	(16,475)	(2,844)	(16,475)
Loss from waiver of lease rental		310,621	1,094,187	310,621	1,094,187
Gain from the loan waiver		(395,699)	(1,086,111)	(395,699)	(1,086,111)
Net (reversal of)/impairment loss on assets under construction	6	(853)	111,970	(853)	111,970
<b>Operating profit before working capital changes</b>		<b>952,252</b>	926,987	<b>953,396</b>	671,508
Change in lease receivables		186,455	69,617	186,455	69,617
Change in trade and other receivables		16,930	18,286	17,023	18,339
Change in trade and other payables		548,105	86,768	548,093	86,254
Change in amount due to subsidiaries		-	-	(828,286)	3,056,997
Change in deferred income		(2,702)	-	(2,702)	-
Change in assets under constructions		(1,011,608)	(1,059,027)	(1,011,608)	(1,059,027)
<b>Cash generated from operations</b>		<b>689,432</b>	42,631	<b>(137,629)</b>	2,843,688
Interest paid		-	(287)	-	(287)
Tax paid		(4,021)	(3,007)	(3,006)	(3,007)
Tax refund		-	2,140	-	2,140
<b>Net cash generated from/(used in) operating activities</b>		<b>685,411</b>	41,477	<b>(140,635)</b>	2,842,534

## STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Cash flows from investing activities</b>					
Acquisition of plant and equipment	3	(336)	(612)	(336)	(612)
Acquisition of intangible assets	4	(130)	(188)	(130)	(188)
Proceeds from disposal of plant and equipment		-	15	-	15
Proceeds from disposal of intangible assets		-	109	-	109
Interest received		27,526	228,751	25,674	112,842
Cash proceeds for Selangor water assets migration		-	(2,565,389)	-	(2,565,389)
<b>Net cash generated from/(used in) investing activities</b>		<b>27,060</b>	<b>(2,337,314)</b>	<b>25,208</b>	<b>(2,453,223)</b>
<b>Cash flows from financing activities</b>					
Repayment of federal loan		(70,028)	(80,695)	(70,028)	(80,695)
Redemption of debt instrument		(2,450,000)	(2,750,000)	-	-
Issuance of Islamic Medium-Term Notes ("IMTN")		2,453,548	6,200,000	-	-
Interest paid in relation to IMTN		(769,689)	(686,695)	-	-
Payment of lease liabilities		(1,098)	(1,025)	(1,098)	(1,025)
Interest paid in relation to lease liabilities		(388)	(461)	(388)	(461)
Dividend paid	26	(22,146)	(29,563)	(22,146)	(29,563)
<b>Net cash (used in)/generated from financing activities</b>		<b>(859,801)</b>	<b>2,651,561</b>	<b>(93,660)</b>	<b>(111,744)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(147,330)</b>	<b>355,724</b>	<b>(209,087)</b>	<b>277,567</b>
Cash and cash equivalents at 1 January		562,270	206,546	483,323	205,756
<b>Cash and cash equivalents at 31 December</b>	12	<b>414,940</b>	<b>562,270</b>	<b>274,236</b>	<b>483,323</b>

### Cash outflows for leases as a lessee

		Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Included in net cash from operating activities:</b>					
Payment relating to leases of low-value assets		127	121	127	121
<b>Included in net cash from financing activities:</b>					
Interest paid in relation to lease liabilities		388	461	388	461
Payment of lease liabilities		1,098	1,025	1,098	1,025
<b>Total cash outflows for leases</b>		<b>1,613</b>	<b>1,607</b>	<b>1,613</b>	<b>1,607</b>

## STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

### Reconciliation of movements of liabilities to cash flows arising from financing activities

	Loans and borrowings		Lease liabilities		Total	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Group</b>						
<b>As at 1 January</b>	<b>21,925,146</b>	18,641,068	<b>6,174</b>	7,199	<b>21,931,320</b>	18,648,267
<b>Changes from financing activities</b>						
Repayment of loan from government	(70,028)	(80,695)	-	-	(70,028)	(80,695)
Redemption of debt instrument	(2,450,000)	(2,750,000)	-	-	(2,450,000)	(2,750,000)
Issuance of debt instruments ("IMTN")	2,453,548	6,200,000	-	-	2,453,548	6,200,000
Interest paid in relation to IMTN	(769,689)	(686,695)	-	-	(769,689)	(686,695)
Payment of lease liabilities	-	-	(1,098)	(1,025)	(1,098)	(1,025)
Interest paid in relation to lease liabilities	-	-	(388)	(461)	(388)	(461)
<b>Total changes from financing cash flows</b>	<b>(836,169)</b>	2,682,610	<b>(1,486)</b>	(1,486)	<b>(837,655)</b>	2,681,124
<b>Other changes</b>						
Loan waiver granted by Government of Malaysia	(215,670)	(1,079,534)	-	-	(215,670)	(1,079,534)
New federal loan migrated to the Company	(1,255)	816,932	-	-	(1,255)	816,932
Finance cost	894,885	864,378	388	461	895,273	864,839
Foreign exchange differences	(1,661)	(308)	-	-	(1,661)	(308)
<b>Total liabilities related other changes</b>	<b>676,299</b>	601,468	<b>388</b>	461	<b>676,687</b>	601,929
<b>As at 31 December</b>	<b>21,765,276</b>	21,925,146	<b>5,076</b>	6,174	<b>21,770,352</b>	21,931,320

Note 15

Note 15

## STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

### Reconciliation of movements of liabilities to cash flows arising from financing activities (continued)

	Loans and borrowings		Lease liabilities		Total	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Company</b>						
As at 1 January	<b>3,718,479</b>	3,930,192	<b>6,174</b>	7,199	<b>3,724,653</b>	3,937,391
<b>Changes from financing activities</b>						
Repayment of federal loan	<b>(70,028)</b>	(80,695)	-	-	<b>(70,028)</b>	(80,695)
Payment of lease liabilities	-	-	<b>(1,098)</b>	(1,025)	<b>(1,098)</b>	(1,025)
Interest paid in relation to lease liabilities	-	-	<b>(388)</b>	(461)	<b>(388)</b>	(461)
<b>Total changes from financing cash flows</b>	<b>(70,028)</b>	(80,695)	<b>(1,486)</b>	(1,486)	<b>(71,514)</b>	(82,181)
<b>Other changes</b>						
Loan waiver granted by Government of Malaysia	<b>(215,670)</b>	(1,079,534)	-	-	<b>(215,670)</b>	(1,079,534)
New federal loan migrated to the Company	<b>(1,255)</b>	816,932	-	-	<b>(1,255)</b>	816,932
Finance cost	<b>132,799</b>	131,893	<b>388</b>	461	<b>133,187</b>	132,354
Others	<b>(1,660)</b>	(309)	-	-	<b>(1,660)</b>	(309)
<b>Total liabilities related other changes</b>	<b>(85,786)</b>	(131,018)	<b>388</b>	461	<b>(85,398)</b>	(130,557)
<b>As at 31 December</b>	<b>3,562,665</b>	3,718,479	<b>5,076</b>	6,174	<b>3,567,741</b>	3,724,653

Note 15

Note 15

The notes on pages 52 to 108 are an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

Pengurusan Aset Air Berhad 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 business/Registered office**

Tingkat 24, Menara Multi-Purpose Capital Square  
No 8, Jalan Munshi Abdullah  
50100 Kuala Lumpur

The consolidated financial statements as at and for the financial year ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as the “Group” and individually referred to as “Group entities”).

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

These financial statements were authorised for issue by the Board of Directors on 18 June 2021.

## **1. BASIS OF PREPARATION**

### **(a) Statement of compliance**

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, amendments and interpretations of the MFRSs that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Group and the Company:

#### ***MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 June 2020***

- Amendment to MFRS 16, *Leases - COVID-19 - Related Rent Concessions*

#### ***MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2021***

- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts* and MFRS 16, *Leases - Interest Rate Benchmark Reform - Phase 2*

#### ***MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 April 2021***

- Amendment to MFRS 16, *Leases - COVID-19 - Related Rent Concessions beyond 30 June 2021*

## NOTES TO THE FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION (CONTINUED)

#### (a) Statement of compliance (continued)

##### ***MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022***

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations - Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

##### ***MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023***

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 101, *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates*

##### ***MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed***

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

The Group and of the Company plan to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2021 for those amendments that are effective for annual periods beginning on or after 1 June 2020.
- from the annual period beginning on 1 January 2021 for those amendments that are effective for annual periods beginning on or after 1 January 2021.
- from the annual period beginning on 1 January 2022 for those amendments that are effective for annual periods beginning on or after 1 April 2021.
- from the annual period beginning on 1 January 2022 for those amendments that are effective for annual periods beginning on or after 1 January 2022, except for amendments to MFRS 1, *First Time Adoption of Malaysian Financial Reporting Standards* and MFRS 141, *Agriculture*, which are not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2023 for those amendments that are effective for annual periods beginning on or after 1 January 2023.

The Group and the Company does not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on or after 1 January 2023 as it is not applicable to the Group and the Company.

The initial application of the accounting standards, amendments and interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and Company.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION (CONTINUED)

#### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2 to the financial statements.

#### (c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

#### (d) Use of estimates and judgements

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

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 effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 2(i)(i), Note 8 and Note 9 - Measurement of expected credit loss ("ECL") of trade receivables and lease receivables
- Note 8.2 - Assessment of leases to conclude whether the leases of water assets to state water operators are finance leases or operating leases
- Note 18 - Assessment on the migrated water assets whether are eligible to claim capital allowances
- Preparation of the financial statements on going concern basis

As at 31 December 2020, the current liabilities of the Group and the Company have exceeded the current assets by RM2.12 billion and RM3.08 billion respectively. In the preparation of the financial statements on the going concern basis, the Directors have considered the following:

- i) the availability of RM20 billion government guaranteed Islamic Medium-Term Notes Programme (IMTN) with maturity date on 8 February 2041 and available limit of RM10.24 billion remaining;
- ii) the issuance of sukuk available under the AAA RM20 billion IMTN Programme (2009/2039) with maturity date on 4 November 2039 and available limit of RM11.60 billion remaining; and
- iii) the continuous financial support from the immediate and ultimate holding corporation, Minister of Finance (Incorporated) to refinance the outstanding government guaranteed bonds which are due for repayment in the next twelve months.

At the date of this report, there is no reason for the Directors to believe that the preparation of financial statements of the Group on a going concern basis is inappropriate.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. 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.

#### (a) Basis of consolidation

##### (i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Potential voting rights are considered when assessing control only when such rights are substantive.

The Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

##### (ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (a) Basis of consolidation (continued)

##### (iii) Acquisitions of non-controlling interests

The Group accounts all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

##### (iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as a financial asset depending on the level of influence retained.

##### (v) Transactions 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.

Unrealised gains arising from transactions with equity-accounted associates and joint venture are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

#### (b) Foreign currency

##### Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, which are recognised in other comprehensive income.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (c) Financial instruments

##### (i) Recognition and initial 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 asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

##### (ii) Financial instrument categories and subsequent measurement

###### *Financial assets*

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

###### (a) *Amortised cost*

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets where the effective interest rate is applied to the amortised cost.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (c) Financial instruments (continued)

##### (ii) Financial instrument categories and subsequent measurement (continued)

##### (b) *Fair value through other comprehensive income*

##### (i) **Debt investments**

Fair value through other comprehensive income category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the debt investment, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt investment is not designated as at fair value through profit or loss. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

##### (c) *Fair value through profit or loss*

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

#### **Financial liabilities**

##### (a) **Amortised cost**

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (c) Financial instruments (continued)

##### (iii) 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 transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in 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, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. 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.

##### (iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

#### (d) Plant and equipment

##### (i) Recognition and measurement

Items of plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (d) Plant and equipment (continued)

##### (i) Recognition and measurement (continued)

When significant parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

The gain or loss on disposal of an item of plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and is recognised net within “other income” and “other expenses” respectively in profit or loss.

##### (ii) Subsequent costs

The cost of replacing a component of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

##### (iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of plant and equipment from the date that they are available for use. Plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

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

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period and adjusted as appropriate.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (e) Assets under construction

The Group and the Company construct new water infrastructure as required by the states in the country and will lease these new water infrastructures to the state water operators upon completion of the construction.

Assets under construction are measured at cost less any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bring the asset to working condition for its intended use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

The assets under construction will be derecognised upon commencement of the lease.

#### (f) Leases

##### (i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Company assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group and the Company allocate the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group and the Company are a lessee, they have elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (f) Leases (continued)

##### (ii) Recognition and initial measurement

###### (a) As a lessee

The Group and the Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group and the Company are reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group and the Company are reasonably certain not to terminate early.

The Group and the Company excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

###### (b) As a lessor

When the Group and the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (f) Leases (continued)

##### (ii) Recognition and initial measurement (continued)

###### (b) As a lessor (continued)

To classify each lease, the Group and the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group and the Company applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

The Group and the Company recognises assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The Group uses the interest rate implicit in the lease to measure the net investment in the lease.

##### (iii) Subsequent measurement

###### (a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's and the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Group or the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use has been reduced to zero.

###### (b) As a lessor

The Group and the Company recognises finance lease income over the lease term, based on a pattern reflecting a constant periodic rate of return on the Group's and the Company's net investment in the lease. The Group and the Company aims to allocate finance lease income over the lease term on a systematic and rational basis. The Group and the Company applies the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income. The net investment in the lease is subject to impairment requirements in MFRS 9, Financial Instruments (see Note 2(i)(i)).

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (g) Intangible assets

##### (i) Software

Software that are acquired by the Group and the Company, which have finite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment losses.

##### (ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

##### (iii) Amortisation

Intangible assets are amortised from the date that they are available for use. Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

The estimated useful life for the current and comparative periods is as follows:

Software	20%
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Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

#### (h) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

#### (i) Impairment

##### (i) Financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables, contract assets and lease receivables are always measured at an amount equal to lifetime expected credit loss.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (i) Impairment (continued)

##### (i) Financial assets (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

##### (ii) Other assets

The carrying amounts of other assets (except for lease receivables and deferred tax asset) 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (i) Impairment (continued)

##### (ii) Other assets (continued)

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.

#### (j) Equity instruments

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

##### (i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

##### (ii) Ordinary shares

Ordinary shares are classified as equity.

#### (k) Employee benefits

##### (i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group or the Company have a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

##### (ii) Defined contribution plans

The Group and the Company participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Group and the Company makes contributions to the Employees' Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

#### (l) Provisions

A provision is recognised if, as a result of a past event, the Group or the Company have 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. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (m) Revenue and other income

##### (i) Government grants

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

Grants that compensate the Group and the Company for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same period in which the expenses are recognised.

##### (ii) Interest income

Interest income is recognised as it accrues 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 costs.

##### (iii) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

##### (iv) Management fee

Management fee income is recognised in the profit or loss when management services are rendered using cost plus method.

#### (n) Borrowing costs

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.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (o) 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 a business combination or items recognised directly in equity or other comprehensive income.

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 not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. 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.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

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.

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.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (p) Contingencies

##### Contingent liabilities

Where it is not probable that an outflow of economic benefit will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

#### (q) Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group and the Company uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation techniques as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group and the Company can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

The Group and the Company recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

## NOTES TO THE FINANCIAL STATEMENTS

### 3. PLANT AND EQUIPMENT

Group and Company	Office renovation RM'000	Furniture and fittings RM'000	Office equipment RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
<b>Cost</b>						
At 1 January 2019	2,859	373	822	2,549	735	7,338
Additions	119	9	23	343	118	612
Disposals	(8)	-	-	(21)	-	(29)
At 31 December 2019/1 January 2020	<b>2,970</b>	<b>382</b>	<b>845</b>	<b>2,871</b>	<b>853</b>	<b>7,921</b>
Additions	<b>8</b>	<b>1</b>	<b>2</b>	<b>325</b>	<b>-</b>	<b>336</b>
At 31 December 2020	<b>2,978</b>	<b>383</b>	<b>847</b>	<b>3,196</b>	<b>853</b>	<b>8,257</b>
<b>Accumulated depreciation</b>						
At 1 January 2019	2,559	324	672	1,704	383	5,642
Depreciation	127	31	57	316	136	667
Disposals	-	-	-	(21)	-	(21)
At 31 December 2019/1 January 2020	<b>2,686</b>	<b>355</b>	<b>729</b>	<b>1,999</b>	<b>519</b>	<b>6,288</b>
Depreciation	<b>98</b>	<b>9</b>	<b>43</b>	<b>356</b>	<b>120</b>	<b>626</b>
At 31 December 2020	<b>2,784</b>	<b>364</b>	<b>772</b>	<b>2,355</b>	<b>639</b>	<b>6,914</b>
<b>Carrying amounts</b>						
At 1 January 2019	300	49	150	845	352	1,696
At 31 December 2019/1 January 2020	<b>284</b>	<b>27</b>	<b>116</b>	<b>872</b>	<b>334</b>	<b>1,633</b>
At 31 December 2020	<b>194</b>	<b>19</b>	<b>75</b>	<b>841</b>	<b>214</b>	<b>1,343</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 4. INTANGIBLE ASSETS

Group and Company	Software RM'000	Software under development RM'000	Total RM'000
<b>Cost</b>			
At 1 January 2019	36,255	295	36,550
Additions	188	-	188
Disposals	(123)	-	(123)
Reclassification	295	(295)	-
At 31 December 2019/1 January 2020	<b>36,615</b>	<b>-</b>	<b>36,615</b>
Additions	-	<b>130</b>	<b>130</b>
At 31 December 2020	<b>36,615</b>	<b>130</b>	<b>36,745</b>
<b>Accumulated amortisation</b>			
At 1 January 2019	27,388	-	27,388
Amortisation	6,997	-	6,997
Disposals	(39)	-	(39)
At 31 December 2019/1 January 2020	<b>34,346</b>	<b>-</b>	<b>34,346</b>
Amortisation	<b>1,002</b>	<b>-</b>	<b>1,002</b>
At 31 December 2020	<b>35,348</b>	<b>-</b>	<b>35,348</b>
<b>Carrying amounts</b>			
At 1 January 2019	8,867	295	9,162
At 31 December 2019/1 January 2020	<b>2,269</b>	<b>-</b>	<b>2,269</b>
At 31 December 2020	<b>1,267</b>	<b>130</b>	<b>1,397</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 5. RIGHT-OF-USE ASSETS

Group and Company	Building RM'000
At 1 January 2019	7,199
Depreciation	(1,298)
At 31 December 2019/1 January 2020	<b>5,901</b>
Depreciation	<b>(1,298)</b>
At 31 December 2020	<b>4,603</b>

The Group and the Company lease a number of offices that run between 1 year to 3 years, with an option to renew the lease after that date.

#### (a) Extension options

Some leases of office buildings contain extension options exercisable by the Group and the Company up to one year before the end of the non-cancellable contract period. Where applicable, the Group and the Company seek to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and the Company, and not by the lessors. The Group and the Company assess at lease commencement whether it is reasonably certain to exercise the extension options. The Group and the Company reassess whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

As of 31 December 2020, the Group and the Company have included all potential future cash flows of exercising the extension options in the lease liability.

## NOTES TO THE FINANCIAL STATEMENTS

### 6. ASSETS UNDER CONSTRUCTION

Group and Company	Water assets under construction RM'000
<b>At cost</b>	
At 1 January 2019	2,744,055
Additions	1,059,027
Capitalisation of borrowing cost	139,190
Derecognition on commencement of lease	(185,976)
At 31 December 2019/1 January 2020	<b>3,756,296</b>
Additions	<b>1,011,608</b>
Capitalisation of borrowing cost	<b>95,380</b>
Derecognition on commencement of lease	<b>(1,151,641)</b>
Reversal of over accruals	<b>(23,552)</b>
At 31 December 2020	<b>3,688,091</b>
<b>Impairment loss</b>	
At 1 January 2019	-
Impairment loss	111,970
At 31 December 2019/1 January 2020	<b>111,970</b>
Reversal of impairment	<b>(853)</b>
At 31 December 2020	<b>111,117</b>
<b>Carrying amounts</b>	
At 1 January 2019	2,744,055
At 31 December 2019/1 January 2020	<b>3,644,326</b>
At 31 December 2020	<b>3,576,974</b>

The water assets under construction comprise water assets that are to be leased to state water operators upon completion of construction under finance lease.

## NOTES TO THE FINANCIAL STATEMENTS

### 7. INVESTMENT IN SUBSIDIARIES

	Company	
	2020 RM'000	2019 RM'000
Cost of investment	1,000	1,000

Details of the subsidiaries are as follows:

Name of entity	Country of incorporation & principal place of business	Principal activities	Effective ownership interest and voting interest	
			2020 %	2019 %
Pengurusan Air SPV Berhad	Malaysia	7.1	100	100
Acqua SPV Berhad	Malaysia	7.2	100	100

Principal activities of the subsidiaries:

7.1 Special purpose entity incorporated by the Company for the purpose of issuing Islamic debt instruments for the Company to develop and manage the nation's water assets and related infrastructure in Peninsular Malaysia and the Federal Territories of Putrajaya and Labuan.

7.2 The subsidiary has ceased its operations and has become dormant since 2019.

### 8. LEASE RECEIVABLES

	Group and Company	
	2020 RM'000	2019 RM'000
<b>Non-current</b>		
Lease receivables	23,673,325	22,949,220
Expected credit loss	(11,666)	(5,810)
	<b>23,661,659</b>	22,943,410
<b>Current</b>		
Lease receivables	64,865	118,042
	<b>23,726,524</b>	23,061,452

## NOTES TO THE FINANCIAL STATEMENTS

### 8. LEASE RECEIVABLES (CONTINUED)

8.1 The Group and the Company lease water assets to state water operators. The lease receivables include Ranhill Saj Sdn Bhd, Syarikat Air Melaka Berhad, Syarikat Air Negeri Sembilan Sdn. Bhd., Air Kelantan Sdn. Bhd., Lembaga Air Perak, Pengurusan Air Selangor Sdn. Bhd. and Perbadanan Bekalan Air Pulau Pinang Sdn. Bhd collectively known as the state water operators.

Each of the lease contains an initial non-cancellation period of 45 years. Subsequent renewals are negotiated with the lessees and on average renewal period are 45 years.

8.2 In the assessment of leases to conclude whether these are finance or operating leases, the Directors exercised significant judgment and considered the following:

- These leases transfer substantially all the risk and rewards incidental to ownership of the water assets.
- The Group and the Company expect the residual value of the water assets at the end of the lease term to be minimal.

8.3 The lease payments to be received are as follows:

	Group and Company	
	2020	2019
	RM'000	RM'000
Less than one year	1,200,989	1,089,885
One to two years	1,207,811	1,101,136
Two to three years	1,215,257	1,108,093
Three to four years	1,222,606	1,115,188
Four to five years	1,221,789	1,122,425
More than five years	47,030,035	44,961,924
	<b>53,098,487</b>	50,498,651

### 9. TRADE RECEIVABLES

	Group and Company	
	2020	2019
	RM'000	RM'000
<b>Non-current</b>		
Trade receivables	385,394	426,591
Allowance for impairment	(173,442)	(182,142)
	<b>211,952</b>	244,449
<b>Current</b>		
Trade receivables	20,053	5,879
	<b>232,005</b>	250,328

## NOTES TO THE FINANCIAL STATEMENTS

### 9. TRADE RECEIVABLES (CONTINUED)

The trade receivables represent the lease rentals due and payable by state water operators; Ranhill Saj Sdn Bhd, Syarikat Air Melaka Berhad, Syarikat Air Negeri Sembilan Sdn. Bhd., Air Kelantan Sdn. Bhd. and Lembaga Air Perak.

The non-current trade receivables mainly comprise Syarikat Air Negeri Sembilan Sdn. Bhd. (SAINS) and Air Kelantan Sdn. Bhd. (AKSB). SAINS has restructured the outstanding amount to be repaid over 35 years whereas the amount owing by AKSB is within the five years moratorium period. Consequently, the amounts due are classified as non-current.

### 10. OTHER RECEIVABLES

	Group	
	2020 RM'000	2019 RM'000
Deposits	31,477	23,518
Interest receivables	2,747	673
Prepayments and other receivables	1,038	912
Advances to employees	102	169
	<b>35,364</b>	25,272

	Company	
	2020 RM'000	2019 RM'000
Deposits	31,477	23,518
Interest receivables	2,747	673
Prepayments and other receivables	884	851
Advances to employees	102	169
	<b>35,210</b>	25,211

### 11. OTHER INVESTMENTS

	Group and Company	
	2020 RM'000	2019 RM'000
<i>Fair value through other comprehensive income</i>		
- Debt securities	604,502	586,038
	<b>604,502</b>	586,038

## NOTES TO THE FINANCIAL STATEMENTS

### 12. CASH AND CASH EQUIVALENTS

	Note	Group	
		2020 RM'000	2019 RM'000
Short term deposits		397,274	550,564
Cash and bank balances		17,666	11,706
	12.1	414,940	562,270

	Note	Company	
		2020 RM'000	2019 RM'000
Short term deposits		260,674	474,564
Cash and bank balances		13,562	8,759
	12.2	274,236	483,323

12.1 The Group's short term deposits and bank balances amounting to RM328,744,000 (2019: RM498,911,000) are held with government-related entities.

12.2 The Company's short term deposits and bank balances amounting to RM188,306,000 (2019: RM420,299,000) are held with government-related entities.

### 13. CAPITAL AND RESERVE

Share capital	Group and Company			
	Amount 2020 RM'000	Number of shares 2020 '000	Amount 2019 RM'000	Number of shares 2019 '000
Issued and fully paid shares with no par value classified as equity instruments:				
Ordinary shares				
At 1 January/31 December	730,000	730,000	730,000	730,000

#### Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

#### Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of debt securities carried at fair value through other comprehensive income until the assets are derecognised or impaired.

## NOTES TO THE FINANCIAL STATEMENTS

### 14. DEFERRED INCOME

	Note	Group and Company	
		2020	2019
		RM'000	RM'000
<b>Non-current</b>			
Deferred income from:			
Government grant arising from interest free loan	14.1	<b>1,906,955</b>	2,219,148
Non-monetary government grant	14.2	<b>118,899</b>	121,564
		<b>2,025,854</b>	2,340,712

14.1 The government grant is arising from the differences between the present value of future cash flows and the nominal value of the loans, discounted at the Malaysia Government Securities (MGS) coupon rate between 3.73% to 4.16% (2019: 3.73% to 4.16%).

14.2 The Group and the Company received a Sungai Labu off river storage from Ministry of Energy, Science, Technology, Environment and Climate Change (KeTTHA) in 2019. The fair value of the asset was based on the land acquisition cost and construction cost incurred by KeTTHA on the date of the transfer. The grant is amortised over remaining 44 years (2019: 45 years).

### 15. LOANS AND BORROWINGS

	Note	Group		Company	
		2020	2019	2020	2019
		RM'000	RM'000	RM'000	RM'000
<b>Non-current</b>					
Loans from the Government of Malaysia ("GoM")	15.1	<b>3,463,838</b>	3,620,508	<b>3,463,838</b>	3,620,508
Islamic Medium-Term Notes ("IMTN")	15.2	<b>15,880,190</b>	15,590,000	-	-
		<b>19,344,028</b>	19,210,508	<b>3,463,838</b>	3,620,508
<b>Current</b>					
Loans from the Government of Malaysia ("GoM")	15.1	<b>98,827</b>	97,971	<b>98,827</b>	97,971
Islamic Medium-Term Notes ("IMTN")	15.2	<b>2,322,421</b>	2,616,667	-	-
		<b>2,421,248</b>	2,714,638	<b>98,827</b>	97,971
		<b>21,765,276</b>	21,925,146	<b>3,562,665</b>	3,718,479

## NOTES TO THE FINANCIAL STATEMENTS

### 15. LOANS AND BORROWINGS (CONTINUED)

#### 15.1 Loan from Government of Malaysia (“GoM”)

Loans from GoM are unsecured, non-interest bearing and are expected to be repayable over the approximate 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, Perak, Kelantan and Selangor as part of the Group’s and the Company’s acquisition of the nation’s water assets.

During the financial year, the Group and the Company have received loan waiver amounting to RM395,699,000 (2019: RM1,086,111,000) from GoM. The nominal value of the loan at the end of the reporting period was RM5.4 billion (2019: RM5.9 billion). The initial recognition of the outstanding loans provided by GoM were determined by discounting future cash flows at rates ranging from 3.73% to 4.16% (2019: 3.73% to 4.16%). The corresponding government grant has been recognised and disclosed in Note 14.

#### 15.2 Islamic Medium-Term Notes (“IMTN”)

	2020 RM’000	2019 RM’000
<b>Group</b>		
<b>Non-current</b>		
<b>Government guaranteed</b>		
Islamic Medium-Term Notes	8,025,000	9,760,000
<b>Non-government guaranteed</b>		
Islamic Medium-Term Notes	7,855,190	5,830,000
	<b>15,880,190</b>	<b>15,590,000</b>
<b>Current</b>		
<b>Government guaranteed</b>		
Islamic Medium-Term Notes	1,823,783	2,558,114
<b>Non-government guaranteed</b>		
Islamic Medium-Term Notes	498,638	58,553
	<b>2,322,421</b>	<b>2,616,667</b>
	<b>18,202,611</b>	<b>18,206,667</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 15. LOANS AND BORROWINGS (CONTINUED)

#### 15.2 Islamic Medium-Term Notes (“IMTN”) (continued)

The IMTNs were issued by a subsidiary, Pengurusan Air SPV Berhad. The Islamic debt instruments were issued to finance the acquisition of national water assets, the Company’s development and construction of new water assets and working capital.

The IMTNs were issued in two structures:

##### In respect of the Sukuk Ijarah

- The Sukukholders, through a subsidiary, Pengurusan Aset Air SPV Berhad (“the issuer”) purchases certain Ijarah Assets from time to time from the Company, by way of transfer of the beneficial ownership of the Ijarah Assets pursuant to an Asset Purchase Agreement.
- The Issuer (on behalf of the Sukukholders) (in such capacity, the “Lessor”) shall then, from time to time, lease the Ijarah Assets to the Company (in such capacity, the “Lessee”) for a predetermined rental and tenure pursuant to the Ijarah Agreement. The Issuer declares a trust over the Ijarah Assets, the present and future rights and interest in the Ijarah Agreement, the Purchase Undertaking and the proceeds of the foregoing (collectively the “Ijarah Trust Assets”) in favour of the Sukukholders, and shall issue the Sukuk Ijarah to the Sukukholders to represent the Sukukholders’ undivided beneficial ownership in the Ijarah Trust Assets.

##### In respect of the Sukuk Musyarakah

- Investors shall from time to time form a Musyarakah amongst themselves and subscribe to the Sukuk Musyarakah issued by the Issuer which represent their proportionate and undivided interest in the pool of Musyarakah Assets (as defined below) to be managed by the Company.
- The Musyarakah Assets shall form part of the Musyarakah Venture. The Musyarakah Assets will consist of at least 1/3 of Existing Assets and will be identified at or around the time of issuance of the Sukuk Musyarakah. The Issuer, on behalf of the Sukukholders (in its capacity as the “Lessor”), shall then lease the Existing Assets in the Musyarakah Venture to the Company for a pre-determined Rentals and tenure pursuant to the Ijarah Agreement.
- The Issuer shall declare a trust over the Musyarakah Assets, its present and future rights and interest in the Ijarah Agreement, the Purchase Undertaking and the proceeds of the foregoing (collectively the “Musyarakah Trust Assets”) in favour of the Sukukholders, and the Sukuk Musyarakah shall represent the Sukukholders’ undivided beneficial ownership in the Musyarakah Trust Assets.
- The Sukukholders shall share any returns from the Musyarakah Venture (i.e. Rentals from the Ijarah Agreement) between the Issuer and the Company with respect to the Existing Assets in the Musyarakah Venture and any Shariah-compliant income generated from the investments.

## NOTES TO THE FINANCIAL STATEMENTS

### 15. LOANS AND BORROWINGS (CONTINUED)

#### 15.2 Islamic Medium-Term Notes (“IMTN”) (continued)

In respect of the Sukuk Musyarakah (continued)

- Future Assets and Assets To Be Acquired which may include among others, the rental proceeds received from third parties via the lease of completed Future Assets or from delivered Assets To Be Acquired in proportion to their respective holdings of the Sukuk Musyarakah while losses shall be borne by and limited to each Sukukholder’s respective capital contribution to the Musyarakah Venture.
- Returns generated from the Musyarakah Venture shall be distributed to the Sukukholders as expected return of the Musyarakah Venture in the form of one-off or periodic distributions. The Sukukholders shall agree that any returns in excess of the expected return shall be paid to the Manager as incentive fees.
- Pursuant to the Purchase Undertaking, PAAB shall purchase the Musyarakah Assets from the Issuer, by way of transfer of the beneficial ownership, at the Exercise Price upon the occurrence of certain events.

### 16. AMOUNT DUE TO SUBSIDIARIES

	Company	
	2020	2019
	RM’000	RM’000
<b>Non-current</b>		
Amount due to subsidiaries	<b>15,880,190</b>	15,590,000
<b>Current</b>		
Amount due to subsidiaries	<b>3,135,571</b>	3,491,961
	<b>19,015,761</b>	19,081,961

The amount due to subsidiaries are unsecured, interest bearing and repayable by the Company as and when the subsidiary’s islamic debt instruments’ principals and profit amounts are due for payments.

## NOTES TO THE FINANCIAL STATEMENTS

### 17. TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Trade</b>					
Trade payables		7,591	57,106	7,591	57,106
Retention sum		101,279	121,670	101,279	121,670
Accruals for project related cost	17.1	680,460	49,777	680,460	49,777
Advance rental payment by state water operators		-	34,767	-	34,767
		<b>789,330</b>	263,320	<b>789,330</b>	263,320
<b>Non-trade</b>					
Other accruals		18,272	14,859	18,272	14,859
Other payables		14,705	3,212	14,100	2,620
		<b>32,977</b>	18,071	<b>32,372</b>	17,479
		<b>822,307</b>	281,391	<b>821,702</b>	280,799

17.1 The project related cost comprises construction of water assets of which invoices have not been received as at the end of the financial year.

### 18. DEFERRED TAX LIABILITIES

#### Recognised deferred tax liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Group and Company</b>						
Plant and equipment	1,326	3,859	-	-	1,326	3,859
Assets under construction	-	-	(61,828)	(10,364)	(61,828)	(10,364)
Lease receivables	-	-	(2,968,878)	(2,744,609)	(2,968,878)	(2,744,609)
Trade receivables	41,626	43,714	-	-	41,626	43,714
Tax loss carry-forward	-	1,690	-	-	-	1,690
Others	3,672	2,818	(539)	(150)	3,133	2,668
Tax assets/(liabilities)	46,624	52,081	(3,031,245)	(2,755,123)	(2,984,621)	(2,703,042)
Set off of tax	(46,624)	(52,081)	46,624	52,081	-	-
Net tax liabilities	-	-	(2,984,621)	(2,703,042)	(2,984,621)	(2,703,042)

## NOTES TO THE FINANCIAL STATEMENTS

### 18. DEFERRED TAX LIABILITIES (CONTINUED)

#### Movement in temporary differences during the year

	At 1 January 2019 RM'000	Recognised in profit or loss (Note 25) RM'000	At 31 December 2019/ 1 January 2020 RM'000	Recognised in profit or loss (Note 25) RM'000	At 31 December 2020 RM'000
<b>Group and Company</b>					
Plant and equipment	2,126	1,733	<b>3,859</b>	(2,533)	<b>1,326</b>
Assets under construction	(3,831)	(6,533)	<b>(10,364)</b>	(51,464)	<b>(61,828)</b>
Lease receivables	(2,697,619)	(46,990)	<b>(2,744,609)</b>	(224,269)	<b>(2,968,878)</b>
Trade receivables	47,361	(3,647)	<b>43,714</b>	(2,088)	<b>41,626</b>
Tax loss carry-forward	1,690	-	<b>1,690</b>	(1,690)	-
Others	2,595	73	<b>2,668</b>	465	<b>3,133</b>
	(2,647,678)	(55,364)	<b>(2,703,042)</b>	(281,579)	<b>(2,984,621)</b>

#### 18.1 Tax review findings

The Inland Revenue Board of Malaysia (IRB), in its letter dated 8 May 2020 highlighted preliminary review findings in respect of the Company's tax computations for the Year of Assessment (YA) 2014 to YA 2018.

After several discussions, on 13 January 2021, the IRB vide a letter informed the Company the conclusion of the tax audit on the tax returns of the Company for YAs 2009 to 2018. The IRB raised an additional tax assessment amounting to RM20,902,000 which is part of the under provision in prior years' tax expenses as disclosed in Note 25.1.

The concluded tax review findings issued by IRB had clawed back all the capital allowances brought forward from YA 2018 and henceforth reduced the deductible temporary differences. This resulted in the under provision of deferred tax expenses as disclosed in Note 25.1.

On 15 March 2021, the Company had a preliminary discussion with MoF and is currently in the process to apply for a tax exemption under Section 127(3A) of the Malaysia Income Tax Act 1967 from the MoF.

## NOTES TO THE FINANCIAL STATEMENTS

### 18. DEFERRED TAX LIABILITIES (CONTINUED)

#### 18.2 Significant judgement and assumptions arising from estimation of current tax and deferred tax

Due to uncertainties over the tax treatment on the water assets migrated to the Company in 2019, the Company has adopted the following basis or assumption to estimate the current and deferred tax:

- The State Government of Selangor and Pengurusan Air Selangor Sdn. Bhd. had not claimed any capital allowances on the migrated assets from Selangor in 2019 amounting to RM8,830,034,000;
- 25% of the migrated assets (which mainly comprise land transferred) will not be eligible to claim capital allowances; and
- The Company will be able to provide the relevant underlying documents to support the qualifying capital expenditures incurred on the migrated assets.

In the event that the IRB is not agreeable with the aforesaid basis adopted by the Group and the Company and in the event of unsuccessful appeals, if any, related to any disagreement that may arise, the Group and the Company may need to provide further deferred tax liabilities amounting to approximately RM2 billion.

### 19. REVENUE

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Finance lease income	995,347	667,231	995,347	667,231
	<b>995,347</b>	667,231	<b>995,347</b>	667,231

### 20. OTHER INCOME

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Miscellaneous	5,046	8,458	5,514	9,122
Recovery of sukuk issuance cost from Pengurusan Air Selangor Sdn Bhd	-	35,000	-	35,000
Unrealised foreign exchange gain from government loan	2,243	529	2,243	529
	<b>7,289</b>	43,987	<b>7,757</b>	44,651

## NOTES TO THE FINANCIAL STATEMENTS

### 21. FINANCE INCOME

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Interest income of financial assets calculated using the effective interest method that are:				
- <i>at amortised cost</i>				
Placement in licensed banks and other corporations	<b>9,979</b>	2,506	<b>8,127</b>	279
Amount due from subsidiary, Acqua SPV Berhad	-	-	-	220,000
- <i>at fair value through other comprehensive income</i>				
Other investment managed by external fund managers	<b>34,221</b>	55,763	<b>34,221</b>	55,763
	<b>44,200</b>	58,269	<b>42,348</b>	276,042

### 22. FINANCE COSTS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<i>Interest expense of financial liabilities that are not at fair value through profit or loss</i>				
Government loans	<b>132,799</b>	131,893	<b>132,799</b>	131,893
Islamic Medium-Term Notes	<b>762,086</b>	732,485	-	-
Amount due to a subsidiary, Pengurusan Air SPV Berhad	-	-	<b>762,086</b>	732,485
Lease interest charges	<b>388</b>	461	<b>388</b>	461
Other finance related costs	-	287	-	287
	<b>895,273</b>	865,126	<b>895,273</b>	865,126
<i>Interest expense of financial liabilities that are not at fair value through profit or loss capitalised into qualifying assets:</i>				
- assets under construction	<b>(95,380)</b>	(139,190)	<b>(95,380)</b>	(139,190)
	<b>799,893</b>	725,936	<b>799,893</b>	725,936

#### **Capitalised borrowing costs**

The borrowing costs are capitalised at 4.03% (2019: 4.21%), which is the weighted average interest rate applicable to the entity's general borrowings during the year.

## NOTES TO THE FINANCIAL STATEMENTS

### 23. PROFIT FOR THE YEAR

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Profit for the year is arrived at after charging/(crediting):</b>					
Auditors' remunerations:					
- Audit fees					
KPMG PLT		260	280	200	200
- Non-audit fees					
KPMG PLT		47	55	35	35
<b>Material expenses/(income)</b>					
Tax penalty	23.1	9,405	-	9,405	-
Gain on disposal of property, plant and equipment		-	(7)	-	(7)
Gain on disposal of intangible assets		-	(25)	-	(25)
<b>Expenses arising from leases</b>					
Expenses relating to leases of low-value assets		127	121	127	121
<b>Net (reversal)/loss on impairment of financial instruments</b>					
Financial assets at amortised cost					
- Trade receivables		(8,699)	(15,195)	(8,699)	(15,195)
- Lease receivables		5,855	(1,280)	5,855	(1,280)

23.1 The tax penalty is arising from the additional tax assessment imposed by IRB amounting to RM20,902,000 following the conclusion of the tax review on the Company's tax computations for the YA 2014 to YA 2018 as disclosed in Note 18.

### 24. PERSONNEL COSTS

	Group and Company	
	2020 RM'000	2019 RM'000
Wages and salaries	16,437	15,955
Bonus	3,266	2,229
Contributions to defined contribution plans	2,808	2,748
Other employee benefits	4,306	4,915
	<b>26,817</b>	25,847

## NOTES TO THE FINANCIAL STATEMENTS

### 25. INCOME TAX EXPENSE

#### 25.1 Recognised in profit or loss

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Current tax expenses</b>					
Current financial year		<b>443</b>	5,454	-	5,020
Under/(Over) provision in prior years	25.1.1	<b>19,053</b>	(3,041)	<b>18,979</b>	(3,041)
Total current tax recognised in profit or loss		<b>19,496</b>	2,413	<b>18,979</b>	1,979
<b>Deferred income tax</b>					
Origination and reversal of temporary differences		<b>253,165</b>	55,364	<b>253,165</b>	55,364
Under provision in prior year	25.1.1	<b>28,414</b>	-	<b>28,414</b>	-
Total deferred tax recognised in profit or loss		<b>281,579</b>	55,364	<b>281,579</b>	55,364
Total tax expenses		<b>301,075</b>	57,777	<b>300,558</b>	57,343

25.1.1 The under provision in prior year mainly comprises additional tax assessment imposed by IRB amounting to RM20,902,000 following the conclusion of the tax review on the Company's tax computations for the YA 2014 to YA 2018, and the claw back of the unutilised capital allowances brought forward from YA 2018 as disclosed in Note 18.

#### 25.2 Reconciliation of tax expense

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Profit before tax	<b>417,450</b>	279,241	<b>416,742</b>	241,535
Taxation at Malaysian statutory tax rate of 24% (2019: 24%)	<b>100,188</b>	67,018	<b>100,018</b>	57,968
Expenses not deductible for tax purposes	<b>239,795</b>	2,563	<b>239,522</b>	2,416
Income not subject to tax	<b>(86,375)</b>	(8,763)	<b>(86,375)</b>	-
Under/(Over) provision in prior years	<b>47,467</b>	(3,041)	<b>47,393</b>	(3,041)
Total tax expenses	<b>301,075</b>	57,777	<b>300,558</b>	57,343

## NOTES TO THE FINANCIAL STATEMENTS

### 26. DIVIDEND

	Sen per share	Total amount RM'000	Date of payment
<b>2020</b>			
Final 2019 ordinary	3.03	<b>22,146</b>	25 August 2020
<b>2019</b>			
Final 2018 ordinary	4.05	29,563	10 July 2019

### 27. FINANCIAL INSTRUMENTS

#### 27.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (a) Amortised cost ("AC"); and
- (b) Fair value through other comprehensive income ("FVOCI").

Group 2020	Carrying amount RM'000	AC RM'000	FVOCI RM'000
<b>Financial assets</b>			
Trade receivables	232,005	232,005	-
Other receivables (exclude prepayment)	35,219	35,219	-
Other investments	604,502	-	604,502
Cash and cash equivalents	414,940	414,940	-
	<b>1,286,666</b>	<b>682,164</b>	<b>604,502</b>
<b>Financial liabilities</b>			
Loans and borrowings	(21,765,276)	(21,765,276)	-
Trade and other payables	(822,307)	(822,307)	-
	<b>(22,587,583)</b>	<b>(22,587,583)</b>	-

## NOTES TO THE FINANCIAL STATEMENTS

### 27. FINANCIAL INSTRUMENTS (CONTINUED)

#### 27.1 Categories of financial instruments (continued)

Group 2019	Carrying amount RM'000	AC RM'000	FVOCI RM'000
<b>Financial assets</b>			
Trade receivables	250,328	250,328	-
Other receivables (exclude prepayment)	24,360	24,360	-
Other investments	586,038	-	586,038
Cash and cash equivalents	562,270	562,270	-
	1,422,996	836,958	586,038
<b>Financial liabilities</b>			
Loans and borrowings	(21,925,146)	(21,925,146)	-
Trade and other payables	(281,391)	(281,391)	-
	(22,206,537)	(22,206,537)	-
<b>Company 2020</b>			
<b>Financial assets</b>			
Trade receivables	232,005	232,005	-
Other receivables (exclude prepayment)	35,065	35,065	-
Other investments	604,502	-	604,502
Cash and cash equivalents	274,236	274,236	-
	1,145,808	541,306	604,502
<b>Financial liabilities</b>			
Loans and borrowings	(3,562,665)	(3,562,665)	-
Trade and other payables	(821,702)	(821,702)	-
Amount due to subsidiaries	(19,015,761)	(19,015,761)	-
	(23,400,128)	(23,400,128)	-

## NOTES TO THE FINANCIAL STATEMENTS

### 27. FINANCIAL INSTRUMENTS (CONTINUED)

#### 27.1 Categories of financial instruments (continued)

Company 2019	Carrying amount RM'000	AC RM'000	FVOCI RM'000
<b>Financial assets</b>			
Trade receivables	250,328	250,328	-
Other receivables (exclude prepayment)	24,360	24,360	-
Other investments	586,038	-	586,038
Cash and cash equivalents	483,323	483,323	-
	1,344,049	758,011	586,038
<b>Financial liabilities</b>			
Loans and borrowings	(3,718,479)	(3,718,479)	-
Trade and other payables	(280,799)	(280,799)	-
Amount due to subsidiaries	(19,081,961)	(19,081,961)	-
	(23,081,239)	(23,081,239)	-

#### 27.2 Net gains/(losses) arising from financial instruments

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Net gains/(losses) on:				
Financial assets at fair value through profit or loss				
- Mandatorily required by MFRS 9	-	256,791	-	-
Debt instruments at fair value through other comprehensive income				
- recognised in profit or loss	<b>34,221</b>	55,763	<b>34,221</b>	55,763
- recognised in other comprehensive income	<b>1,790</b>	11,561	<b>1,790</b>	11,561
	<b>36,011</b>	67,324	<b>36,011</b>	67,324
Financial assets at amortised cost	<b>12,823</b>	18,981	<b>10,971</b>	236,754
Financial liabilities at amortised cost	<b>(892,642)</b>	(864,135)	<b>(892,642)</b>	(864,135)
	<b>(843,808)</b>	(521,039)	<b>(845,660)</b>	(560,057)

## NOTES TO THE FINANCIAL STATEMENTS

### 27. FINANCIAL INSTRUMENTS (CONTINUED)

#### 27.3 Financial risk management

The Group and the Company have exposure to the following risks from its financial instruments:

- Credit risk
- Liquidity risk
- Market risk

#### 27.4 Credit risk

Credit risk is the risk of a financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. The Group's and the Company's exposure to credit risk arises principally from trade receivables, lease receivables, other investments and cash and bank balances. The Company has exposure to credit risk arises from amount due from subsidiaries. There are no significant changes as compared to prior periods.

##### **Trade receivables and lease receivables**

*Risk management objectives, policies and processes for managing the risk*

The Group manages its credit risk by establishing credit controls with the view to ensuring that overdue debts are within an acceptable level.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables are represented by the carrying amounts in the statements of financial position. The credit risk of the trade receivables and lease receivables of the Group and the Company are deemed low because they are due from the state water operators who are managing the water supply of the states. Indication of impairment may arise when there is delay in instalments from the state water operators. The Group and the Company do not impose penalty on default payments. It is expected that the Group and the Company will enter into a new payment schedule with state water operators when there is a delay in payment from the state water operators. Consequently, the Group will obtain deferment of federal government loans caused by the delay of payment from the state water operators.

## NOTES TO THE FINANCIAL STATEMENTS

### 27. FINANCIAL INSTRUMENTS (CONTINUED)

#### 27.4 Credit risk (continued)

##### Trade receivables and lease receivables (continued)

###### Concentration of credit risk

The exposure of credit risk for gross trade receivables and lease receivables as at the end of the reporting period by geographic region was:

	Group and Company		
	Trade receivables	Lease receivables	Total
	2020 RM'000	2020 RM'000	2020 RM'000
Negeri Sembilan	374,647	1,482,264	1,856,911
Kelantan	24,810	217,952	242,762
Johor	278	6,848,570	6,848,848
Melaka	4,417	1,065,333	1,069,750
Perak	1,295	672,714	674,009
Pulau Pinang	-	524,199	524,199
Selangor	-	12,927,158	12,927,158
	<b>405,447</b>	<b>23,738,190</b>	<b>24,143,637</b>

	Group and Company		
	Trade receivables	Lease receivables	Total
	2019 RM'000	2019 RM'000	2019 RM'000
Negeri Sembilan	369,030	1,494,515	1,863,545
Kelantan	55,208	573,415	628,623
Johor	1,409	6,657,653	6,659,062
Melaka	6,823	1,029,462	1,036,285
Perak	-	679,170	679,170
Pulau Pinang	-	538,760	538,760
Selangor	-	12,094,287	12,094,287
	<b>432,470</b>	<b>23,067,262</b>	<b>23,499,732</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 27. FINANCIAL INSTRUMENTS (CONTINUED)

#### 27.4 Credit risk (continued)

##### Trade receivables and lease receivables (continued)

###### *Recognition and measurement of impairment loss*

The Group and the Company assessed the risk of loss of each state water operator individually based on their financial information and past trend of payment where applicable. The Group and the Company considered the expected timing of cash flows to be received by the Group and the Company to recover the receivables in determining the allowance of impairment.

The expected credit loss has been measured based on differences between the discounted expected cash flow to be received from the state water operator and carrying amount of the trade receivables at the end of the reporting period. Similar expected credit loss measurement approach is applied for lease receivables.

The following discount rates were used in measuring the present value of cashflows expected from the trade receivables. The discount rate used is the weighted average cost of capital to finance the construction of the water assets.

	Group and Company	
	2020	2019
	%	%
Discount rate	4.03	4.21

The following table provides information about the exposure to credit risk and ECLs for trade receivables and lease receivables which are group together as they are expected to have similar risk nature.

Group and Company	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
<b>2020</b>			
Current not past due	23,740,866	(11,666)	23,729,200
Past due 61-120 days	3,347	-	3,347
Past due 121-180 days	6,827	-	6,827
Past due more than 180 days	392,597	(173,442)	219,155
	<b>24,143,637</b>	<b>(185,108)</b>	<b>23,958,529</b>
Lease receivables	23,738,190	(11,666)	23,726,524
Trade receivables	405,447	(173,442)	232,005
	<b>24,143,637</b>	<b>(185,108)</b>	<b>23,958,529</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 27. FINANCIAL INSTRUMENTS (CONTINUED)

#### 27.4 Credit risk (continued)

##### Trade receivables and lease receivables (continued)

Recognition and measurement of impairment loss (continued)

Group and Company	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
<b>2019</b>			
Current not past due	23,071,490	(5,810)	23,065,680
Past due 61-120 days	3,815	-	3,815
Past due 121-180 days	2,267	-	2,267
Past due more than 180 days	422,160	(182,142)	240,018
	23,499,732	(187,952)	23,311,780
Lease receivables	23,067,262	(5,810)	23,061,452
Trade receivables	432,470	(182,142)	250,328
	23,499,732	(187,952)	23,311,780

The movements in the allowance for impairment in respect of trade receivables and lease receivables for the year are shown below.

	Trade receivables RM'000	Lease receivables RM'000	Total RM'000
Balance as at 1 January 2019	197,337	7,090	204,427
Net remeasurement of loss allowance	(15,195)	(1,280)	(16,475)
Balance at 31 December 2019/1 January 2020	<b>182,142</b>	<b>5,810</b>	<b>187,952</b>
Net remeasurement of loss allowance	<b>(8,700)</b>	<b>5,856</b>	<b>(2,844)</b>
Balance at 31 December 2020	<b>173,442</b>	<b>11,666</b>	<b>185,108</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 27. FINANCIAL INSTRUMENTS (CONTINUED)

#### 27.4 Credit risk (continued)

##### Trade receivables and lease receivables (continued)

###### *Recognition and measurement of impairment loss (continued)*

The reversal of impairment mainly arising from the reduction in the lease rental to be paid by Syarikat Air Negeri Sembilan Sdn. Bhd. and Air Kelantan Sdn. Bhd. as a result of the loan waiver granted by Government of Malaysia.

##### Other investments

###### *Risk management objectives, policies and processes for managing the risk*

Investments are allowed only in liquid securities and only with counterparties that have an investment grade credit rating.

###### *Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the Group or the Company is mainly invested in debt securities. The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

The investments are unsecured.

The Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

The following table presents an analysis of the credit quality of debt securities at FVOCI.

	FVOCI	
	2020	2019
	RM'000	RM'000
<b>Debt securities</b>		
A to AAA	<b>470,666</b>	499,156
BB+	<b>32,799</b>	21,887
GG	<b>101,037</b>	64,995
Total debt securities	<b>604,502</b>	586,038

##### Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions which are regulated. As at the end of the reporting period, the maximum exposure to credit risk of the Group and the Company are represented by the carrying amounts in the statement of financial position.

## NOTES TO THE FINANCIAL STATEMENTS

### 27. FINANCIAL INSTRUMENTS (CONTINUED)

#### 27.4 Credit risk (continued)

##### Other receivables

Credit risks on other receivables are mainly arising from projects deposits paid to local authorities for construction activities.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

The Company considers deposits placed with the local authorities have low credit risk as these authorities are backed by government. As at the end of the reporting period, the Company did not recognise any allowance for impairment losses.

#### 27.5 Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arise principally from various payables, loans and borrowings.

The Group manages liquidity risk by establishing budget with the view to ensure sufficient bank balances to meet the obligations.

##### Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

Group	Carrying amount RM'000	Contractual interest rate/ coupon/ discount rate	Contractual cash flows RM'000	Under 1 year RM'000	1-5 years RM'000	More than 5 years RM'000
<b>2020</b>						
<b>Financial liabilities</b>						
Loans from the Government of Malaysia	3,562,665	3.73% - 4.16%	5,442,337	104,776	857,982	4,479,579
Islamic Medium-Term Notes	18,202,611	1.00% - 4.63%	21,184,516	2,846,114	11,000,310	7,338,092
Trade and other payables	822,307	-	822,307	822,307	-	-
Lease liabilities	5,076	6.85%	7,223	1,486	5,737	-
	<b>22,592,659</b>		<b>27,456,383</b>	<b>3,774,683</b>	<b>11,864,029</b>	<b>11,817,671</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 27. FINANCIAL INSTRUMENTS (CONTINUED)

#### 27.5 Liquidity risk (continued)

*Maturity analysis (continued)*

Group	Carrying amount RM'000	Contractual interest rate/ coupon/ discount rate	Contractual cash flows RM'000	Under 1 year RM'000	1-5 years RM'000	More than 5 years RM'000
<b>2019</b>						
<b>Financial liabilities</b>						
Loans from the Government of Malaysia	3,718,479	3.73% - 4.16%	5,937,626	99,591	565,145	5,272,890
Islamic Medium-Term Notes	18,206,667	3.60% - 4.63%	21,282,454	3,177,753	11,359,041	6,745,660
Trade and other payables	281,391	-	281,391	281,391	-	-
Lease liabilities	6,174	6.85%	7,223	1,486	5,737	-
	<b>22,212,711</b>		<b>27,508,694</b>	<b>3,560,221</b>	<b>11,929,923</b>	<b>12,018,550</b>
<b>2020</b>						
<b>Financial liabilities</b>						
Loans from the Government of Malaysia	<b>3,562,665</b>	<b>3.73% - 4.16%</b>	<b>5,442,337</b>	<b>104,776</b>	<b>857,982</b>	<b>4,479,579</b>
Trade and other payables	<b>821,702</b>	-	<b>821,702</b>	<b>821,702</b>	-	-
Amount due to subsidiaries	<b>19,015,761</b>	<b>3.60% - 4.63%</b>	<b>22,170,065</b>	<b>4,969,207</b>	<b>11,113,200</b>	<b>6,087,658</b>
Lease liabilities	<b>5,076</b>	<b>6.85%</b>	<b>7,223</b>	<b>1,486</b>	<b>5,737</b>	-
	<b>23,405,204</b>		<b>28,441,327</b>	<b>5,897,171</b>	<b>11,976,919</b>	<b>10,567,237</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 27. FINANCIAL INSTRUMENTS (CONTINUED)

#### 27.5 Liquidity risk (continued)

*Maturity analysis (continued)*

Company	Carrying amount RM'000	Contractual interest rate/ coupon/ discount rate	Contractual cash flows RM'000	Under 1 year RM'000	1-5 years RM'000	More than 5 years RM'000
<b>2019</b>						
<b>Financial liabilities</b>						
Loans from the Government of Malaysia	3,718,479	3.73% - 4.16%	5,937,626	99,591	565,145	5,272,890
Trade and other payables	280,799	-	280,799	280,799	-	-
Amount due to subsidiaries	19,081,961	3.60% - 4.63%	21,596,662	3,491,961	11,359,041	6,745,660
Lease liabilities	6,174	6.85%	7,223	1,486	5,737	-
	<u>23,087,413</u>		<u>27,822,310</u>	<u>3,873,837</u>	<u>11,929,923</u>	<u>12,018,550</u>

#### 27.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows.

##### 27.6.1 Currency risk

The Group is exposed to foreign currency risk on loans from the Government of Malaysia that are denominated in a currency other than RM. The currency giving rise to this risk is primarily U.S. Dollar ("USD").

*Risk management objectives, policies and processes for managing the risk*

The Group's and the Company's policy are to borrow in RM to minimise the exposure to foreign currency risk. At the end of the reporting period, the loan denominated in USD is 1.34% (2019: 1.31%) of the total loans from the Government of Malaysia.

## NOTES TO THE FINANCIAL STATEMENTS

### 27. FINANCIAL INSTRUMENTS (CONTINUED)

#### 27.6 Market risk (continued)

##### 27.6.1 Currency risk (continued)

###### *Exposure to foreign currency risk*

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period are as follows:

	Denominated in USD 2020 RM'000	Denominated in USD 2019 RM'000
<b>Group and Company</b>		
<b>Balances recognised in the statement of financial position</b>		
Loans from the Government of Malaysia	72,474	77,576

###### *Currency risk sensitivity analysis*

Foreign currency risk arises from the Company which have a RM functional currency.

A 10% (2019: 10%) strengthening of the USD against RM at the end of the reporting period would have decreased equity and post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period.

	Equity		Profit or loss	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Group and Company</b>				
USD	5,508	5,896	5,508	5,896

A 10% (2019: 10%) weakening of USD against the above currency at the end of the reporting period would have had equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remained constant.

##### 27.6.2 Interest rate risk

The Group's investments in fixed rate debt securities and its fixed rate Islamic Medium-Term Notes are exposed to a risk of change in their fair value due to changes in interest rates. Short-term receivables and payables are not significantly exposed to interest rate risk.

###### *Risk management objectives, policies and processes for managing the risk*

The Group's and the Company's policy are to manage interest cost using a mix of fixed rate debts. The Group and the Company place their surplus fund in long term debt securities and short-term deposits that carry fixed-rated interests.

## NOTES TO THE FINANCIAL STATEMENTS

### 27. FINANCIAL INSTRUMENTS (CONTINUED)

#### 27.6 Market risk (continued)

##### 27.6.2 Interest rate risk (continued)

###### *Exposure to interest rate risk*

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Fixed rate instruments</b>				
Other investments	604,502	586,038	604,502	586,038
Lease receivables	23,726,524	23,061,452	23,726,524	23,061,452
Short term deposit	397,274	550,564	260,674	474,564
Loans and borrowings	(21,765,276)	(21,925,146)	(3,562,665)	(3,718,479)
Amount due to subsidiaries	-	-	(19,015,761)	(19,081,961)
Lease liabilities	(5,076)	(6,174)	(5,076)	(6,174)
	<b>2,957,948</b>	2,266,734	<b>2,008,198</b>	1,315,440

###### *Interest rate risk sensitivity analysis*

###### *Fair value sensitivity analysis for fixed rate instruments*

The Group and the Company do not account for any fixed rate financial assets and financial liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

### 27. FINANCIAL INSTRUMENTS (CONTINUED)

#### 27.7 Fair value information

The carrying amounts of cash and cash equivalents, short-term receivables and payables and short-term borrowings reasonably approximate fair values due to the relatively short-term nature of these financial instruments. The carrying value of trade receivables less provision for impairment approximates the fair value of the assets.

The tables below analyses other financial instruments at fair value.

Group 2020	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
<b>Financial assets</b>										
Other investments	-	604,502	-	604,502	-	-	-	-	604,502	604,502
<b>Financial liabilities</b>										
Loan from the Government of Malaysia	-	-	-	-	-	-	(4,101,662)	(4,101,662)	(4,101,662)	(3,562,665)
Islamic Medium-Term Notes	-	-	-	-	-	(18,883,459)	-	(18,883,459)	(18,883,459)	(18,202,611)
	-	-	-	-	-	(18,883,459)	(4,101,662)	(22,985,121)	(22,985,121)	(21,765,276)
Group 2019	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
<b>Financial assets</b>										
Other investments	-	586,038	-	586,038	-	-	-	-	586,038	586,038
<b>Financial liabilities</b>										
Loans from the Government of Malaysia	-	-	-	-	-	-	(3,695,555)	(3,695,555)	(3,695,555)	(3,718,479)
Islamic Medium-Term Notes	-	-	-	-	-	(18,532,916)	-	(18,532,916)	(18,532,916)	(18,206,667)
	-	-	-	-	-	(18,532,916)	(3,695,555)	(22,228,471)	(22,228,471)	(21,925,146)

## NOTES TO THE FINANCIAL STATEMENTS

### 27. FINANCIAL INSTRUMENTS (CONTINUED)

#### 27.7 Fair value information (continued)

Company 2020	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
<b>Financial assets</b>										
Other investments	-	604,502	-	604,502	-	-	-	-	604,502	604,502
<b>Financial liabilities</b>										
Loans from the Government of Malaysia	-	-	-	-	-	-	(4,101,662)	(4,101,662)	(4,101,662)	(3,562,665)
Amount due to subsidiaries	-	-	-	-	-	(16,700,425)	-	(16,700,425)	(16,700,425)	(15,880,190)
	-	-	-	-	-	(16,700,425)	(4,101,662)	(20,802,087)	(20,802,087)	(19,442,855)
Company 2019	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
<b>Financial assets</b>										
Other investments	-	586,038	-	586,038	-	-	-	-	586,038	586,038
<b>Financial liabilities</b>										
Loans from the Government of Malaysia	-	-	-	-	-	-	(3,695,555)	(3,695,555)	(3,695,555)	(3,718,479)
Amount due to subsidiaries	-	-	-	-	-	(16,041,668)	-	(16,041,668)	(16,041,668)	(15,590,000)
	-	-	-	-	-	(16,041,668)	(3,695,555)	(19,737,223)	(19,737,223)	(19,308,479)

## NOTES TO THE FINANCIAL STATEMENTS

### 27. FINANCIAL INSTRUMENTS (CONTINUED)

#### 27.7 Fair value information (continued)

##### Level 2 fair value

###### *Other investments*

The fair values of debt securities and money market were obtained from financial institutions and are determined based on market observable inputs at reporting date.

###### *Islamic Medium-Term Notes*

The fair value for IMTN, which is determined for disclosure purposes, was derived based on market observable inputs at reporting date.

###### *Amount due to subsidiaries*

The non-current amount due to subsidiaries are in relation to the proceeds from issuance of IMTN owing to a subsidiary upon maturity date of the IMTN. Hence, the fair value of non-current amount due to subsidiaries follow the fair value of the IMTN that will be matured after 12 months.

##### Level 3 fair value

##### Financial instruments not carried at fair value

###### *Loans from the Government of Malaysia*

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the Malaysia Government Securities (MGS) 10 years coupon rate at the end of the reporting period.

###### *Valuation process applied by the Group for Level 3 fair value*

The Group and the Company have an established control framework in respect to the measurement of fair values of financial instruments. This includes the regular monitoring by the Treasury Team on the fair value of the instruments.

## NOTES TO THE FINANCIAL STATEMENTS

### 28. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to have sufficient capital to finance and develop new water infrastructure. The water infrastructures will be leased to the state water operators for operation and maintenance. The Group and the Company obtained interest-free Federal Government loans and issued government guaranteed IMTN as part of their capital management strategy.

There was no change in the Group's and the Company's approach to capital management during the financial year.

A subsidiary within the Group, Pengurusan Air SPV Berhad, is required to maintain a Shariah-compliant Finance Service Reserve Account ("FSRA") with a bank to be appointed by the subsidiary which is acceptable to CIMB Investment Bank Berhad (the "Lead Manager" and "Shariah Adviser"). The FSRA shall be solely operated by the subsidiary. The subsidiary shall make the following deposits into the FSRA (collectively, the "Minimum Required Balances"):

- (i) a deposit equivalent to the first fifty (50) % of the amount payable in respect of any profit payment of the Sukuk six (6) months prior to the due date of such profit payment; and
- (ii) a deposit equivalent to the remaining fifty (50)% of the amount payable in respect of any profit payment of the Sukuk three (3) months prior to the due date of such profit payment.

The subsidiary shall at all times throughout the tenure of the Sukuk maintain the above minimum required balance in respect of any profit payment of the Sukuk save and except during the build-up of the FSRA.

	Group	
	2020 RM'000	2019 RM'000
Bank balances and short-term deposits	<b>140,439</b>	78,681
Other investments	<b>199,343</b>	199,343
Total deposits in Finance Service Reserve Account ("FSRA")	<b>339,782</b>	278,024
Minimum Required Balances	<b>133,618</b>	60,023

In addition to the bank balances and short-term deposits, the principal portion of investments amounting to RM199,343,000 held by the Company have been committed in order to meet the Minimum Required Balances.

## NOTES TO THE FINANCIAL STATEMENTS

### 29. CAPITAL AND OTHER COMMITMENTS

Capital and other commitments as at the reporting date is as follows:

	<b>Group and Company</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Assets under construction</b>		
Contracted but not provided for	<b>1,024,719</b>	904,693

### 30. CONTINGENCIES

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

#### Contingent liabilities not considered remote

#### 30.1 Litigation

The Group and the Company are defending an action brought by a contractor in relation to the additional expenses incurred on water asset construction. If the defence against the action is unsuccessful, the litigation claims could amount to RM88,417,000. Subsequent to the litigation claim brought up by the contractor against the Group, the Group has made a counterclaim to the contractor on the unsatisfactory of the completed works. The legal suit is currently pending hearing. Based on legal advice, the Directors do not expect the outcome of the action to have a material effect on Group's financial position.

In the Directors' opinion, disclosure of any further information about the above matter would be prejudicial to the interests of the Group.

#### 30.2 Deferred tax and capital allowances on migrated assets

The Inland Revenue Board of Malaysia (IRB), in its letter dated 13 January 2021 highlighted that for the purpose of tax computation for YA 2019 onwards, the capital allowance claim on the migration assets must be based on the balances of tax written down value carried forward from the relevant water operator or any other basis supported with relevant underlying documents.

The Group and the Company has estimated the deferred tax and capital allowances on migrated assets based on the basis as stated in Note 18.2.

In the event that the IRB is not agreeable with the aforesaid basis adopted by the Group and the Company and in the event of unsuccessful appeals, if any, related to any disagreement that may arise, the Group and the Company may need to provide further deferred tax liabilities amounting to approximately RM2 billion.

## NOTES TO THE FINANCIAL STATEMENTS

### 31. RELATED PARTIES

#### Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the parties are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

#### Government-related entities

The Group related parties also include the Government of Malaysia and its related entities as the Company is a wholly-owned entity of Ministry of Finance (“MoF”) Incorporated which is in turn owned by the MoF. The entities directly controlled by the Government of Malaysia are collectively referred to as government-related entities to the Group and Company.

Apart from the individually significant transactions and balances as disclosed in this note and elsewhere in the financial statements, the Group and Company have collectively, but not individually significant transactions with related parties. Such transactions include but not limited to interest income placed with financial institutions that are government-related entities.

#### Significant related party transactions

Related party transactions have been entered into in the normal course of business. The significant related party transactions of the Group and the Company are shown below. The balances related to material transactions appended below are shown in Notes 8, 9, 15, and 16 to the financial statements.

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>A. Government of Malaysia:</b>				
Federal loan waiver received	395,699	1,086,111	395,699	1,086,111
Repayment of federal loan	70,028	80,695	70,028	80,695
Dividend paid	22,146	29,563	22,146	29,563
Non-monetary government grant	-	121,564	-	121,564
<b>B. Government-related entities:</b>				
Lease income received from state water operator	995,347	667,231	995,347	667,231
Recovery of sukuk issuance cost from state water operator	-	35,000	-	35,000

## NOTES TO THE FINANCIAL STATEMENTS

### 31. RELATED PARTIES (CONTINUED)

#### Significant related party transactions (continued)

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>C. Subsidiaries:</b>				
Management fees charged by holding company	-	-	<b>468</b>	789
Interest income charged on amount due from subsidiaries	-	-	-	220,000
<b>D. Key management personnel:</b>				
Directors				
- Fees	<b>334</b>	349	<b>334</b>	349
- Other emoluments	<b>194</b>	172	<b>194</b>	172
	<b>528</b>	521	<b>528</b>	521
Other key management personnel				
- Remuneration	<b>840</b>	654	<b>840</b>	654
Total short-term employee benefits	<b>1,368</b>	1,175	<b>1,368</b>	1,175

## NOTES TO THE FINANCIAL STATEMENTS

### 32. COMPARATIVES

These comparative figures have been restated to conform to current year's presentation.

	As previously reported RM'000	Effect of reclassifica- tion RM'000	As restated RM'000
<b>Group</b>			
<b>2019</b>			
<b>Statement of financial position</b>			
Plant and equipment	3,902	(2,269)	1,633
Intangible assets	-	2,269	2,269
<b>Statement of profit or loss</b>			
Depreciation expenses	(8,962)	6,997	(1,965)
Amortisation of intangible assets	-	(6,997)	(6,997)
Personnel costs	(25,307)	(540)	(25,847)
Other expenses	(15,154)	540	(14,614)
<b>Company</b>			
<b>2019</b>			
<b>Statement of financial position</b>			
Plant and equipment	3,902	(2,269)	1,633
Intangible assets	-	2,269	2,269
<b>Statement of profit or loss</b>			
Depreciation expenses	(8,962)	6,997	(1,965)
Amortisation of intangible assets	-	(6,997)	(6,997)
Personnel costs	(25,307)	(540)	(25,847)
Other expenses	(14,506)	540	(13,966)

# STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

In the opinion of the Directors, the financial statements set out on pages 43 to 108 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2020 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:



**Dato' Sri Hasan bin Arifin**  
Director



**Mohd Hedzir bin Hanafi**  
Director

Kuala Lumpur  
Date: 18 June 2021

# STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, Rozaifee bin Abu Zaharim (MIA membership number: CA23871), the officer primarily responsible for the financial management of Pengurusan Aset Air Berhad, do solemnly and sincerely declare that the financial statements set out on pages 43 to 108 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Rozaifee bin Abu Zaharim,  
NRIC: 691201-06-5261, at Kuala Lumpur in the Federal Territory on 30 June 2021



**Rozaifee bin Abu Zaharim**

Before me:



NO. 19-M, JALAN MANIS 3,  
TAMAN SEGAR,  
56100 CHERAS, KUALA LUMPUR.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBER OF PENGURUSAN ASET AIR BERHAD  
(COMPANY NO. 200601012793 (732544-D)) (INCORPORATED IN MALAYSIA)

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Pengurusan Aset Air Berhad, which comprise the statements of financial position as at 31 December 2020 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 43 to 108.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020, and of their financial performance and their 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 2016 in Malaysia.

### Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of Matter

We draw attention to Note 18 and Note 30 of the financial statements, which describes the uncertainties in respect of the tax treatment on the water assets migrated to the Group and the Company and the effect on the deferred tax liabilities of the Group and the Company in the event that the IRB is not agreeable with the basis adopted by the Group and the Company. Our opinion is not modified in respect of this matter.

### Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF PENGURUSAN ASET AIR BERHAD

(COMPANY NO. 200601012793 (732544-D)) (INCORPORATED IN MALAYSIA)

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Directors' Report, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

## Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF PENGURUSAN ASET AIR BERHAD

(COMPANY NO. 200601012793 (732544-D)) (INCORPORATED IN MALAYSIA)

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Other Matter

This report is made solely to the member of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



**KPMG PLT**  
(LLP0010081-LCA & AF 0758)  
Chartered Accountants



**Thong Foo Vung**  
Approval Number: 02867/08/2022 J  
Chartered Accountant

Petaling Jaya  
Date: 18 June 2021



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