

PRIVATE & CONFIDENTIAL

PBA HOLDINGS BHD

Company No: 515119-U
(Incorporated in Malaysia)

Interim Financial Report

31 MARCH 2018

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Condensed Consolidated Statement of Financial Position
As at 31 March 2018 - unaudited

	Note	31 March 2018 RM'000	Restated 31 December 2017 RM'000
Assets			
Property, plant and equipment	5	1,009,280	1,014,995
Investment in a joint venture		55	55
Other investments		-	2,736
Total non-current assets		1,009,335	1,017,786
Inventories		8,038	7,423
Receivables, deposits and prepayments		40,090	46,805
Current tax assets		4,745	5,235
Cash and cash equivalents		156,895	141,391
Total current assets		209,768	200,854
Total assets		1,219,103	1,218,640
Equity			
Share capital		327,579	327,579
Reserves		511,636	496,554
Total equity	6	839,215	824,133
Loans and borrowings	19	72,278	60,121
Deferred income	20	48,122	40,279
Contract Liabilities	21	61,098	58,690
Deferred liabilities	22	59,558	59,958
Deferred tax liabilities		3,800	3,000
Total non-current liabilities		244,856	222,048
Loans and borrowings	19	1,600	1,600
Contract Liabilities	21	2,194	1,481
Deferred liabilities	22	1,595	1,595
Payables and accruals		129,643	167,783
Total current liabilities		135,032	172,459
Total liabilities		379,888	394,507
Total equity and liabilities		1,219,103	1,218,640

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the three months ended 31 March 2018 - unaudited

	Note	Three months ended 31 March		Current year-to-date ended 31 March	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Continuing operations					
Revenue	16	85,935	80,723	85,935	80,723
Cost of sales		<u>(54,214)</u>	<u>(53,567)</u>	<u>(54,214)</u>	<u>(53,567)</u>
Gross profit		<u>31,721</u>	<u>27,156</u>	<u>31,721</u>	<u>27,156</u>
Other operating income		5,534	4,390	5,534	4,390
Administrative expenses		<u>(20,543)</u>	<u>(16,598)</u>	<u>(20,543)</u>	<u>(16,598)</u>
Operating profit		<u>16,712</u>	<u>14,948</u>	<u>16,712</u>	<u>14,948</u>
Interest income		174	218	174	218
Share of profit of equity-accounted joint venture, net of tax		<u>1</u>	<u>(9)</u>	<u>1</u>	<u>(9)</u>
Profit before interest and tax		<u>16,886</u>	<u>15,157</u>	<u>16,886</u>	<u>15,157</u>
Interest expense		<u>(4)</u>	<u>(12)</u>	<u>(4)</u>	<u>(12)</u>
Profit before tax		<u>16,882</u>	<u>15,145</u>	<u>16,882</u>	<u>15,145</u>
Income tax expense	17	<u>(1,800)</u>	<u>(4,800)</u>	<u>(1,800)</u>	<u>(4,800)</u>
Profit for the period		<u>15,082</u>	<u>10,345</u>	<u>15,082</u>	<u>10,345</u>
Other comprehensive income, net of tax					
Foreign currency translation differences for foreign operation		<u>-</u>	<u>81</u>	<u>-</u>	<u>81</u>
Total other comprehensive income for the period		<u>-</u>	<u>81</u>	<u>-</u>	<u>81</u>
Total comprehensive income for the period		<u>15,082</u>	<u>10,426</u>	<u>15,082</u>	<u>10,426</u>
Basic earnings per share (sen) :	25	<u>4.56</u>	<u>3.13</u>	<u>4.56</u>	<u>3.13</u>

Condensed Consolidated Statement of Changes in Equity
For the three months ended 31 March 2018 - unaudited

	/-----Non-distributable-----/				Distributable		Total equity RM'000
	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Fair value reserve RM'000	Foreign Currency Translation reserve RM'000	Retained earnings RM'000	
At 1 January 2017	165,635	(230)	161,944	-	142	472,682	800,173
Foreign currency translation differences for foreign operation	-	-	-	-	81	-	81
Total other comprehensive income for the period	-	-	-	-	81	-	81
Profit for the period	-	-	-	-	-	10,345	10,345
Total comprehensive income for the period	-	-	-	-	81	10,345	10,426
Transition to no-par value regime on 31 Jan 2017	161,944	-	(161,944)	-	-	-	20,772
At 31 March 2017 (Restated)	<u>327,579</u>	<u>(230)</u>	<u>-</u>	<u>-</u>	<u>223</u>	<u>483,027</u>	<u>810,599</u>

Condensed Consolidated Statement of Changes in Equity
For the three months ended 31 March 2018 - unaudited

	/-----Non-distributable-----/				Distributable		Total equity RM'000
	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Fair value reserve RM'000	Foreign Currency Translation reserve RM'000	Retained earnings RM'000	
At 1 January 2018 (Restated)	327,579	(233)	-	-	215	496,572	824,133
Foreign currency translation differences for foreign operation	-	-	-	-	-	-	-
Total other comprehensive income for the period	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	-	15,082	15,082
Total comprehensive income for the period	-	-	-	-	-	15,082	15,082
At 31 March 2018	<u>327,579</u>	<u>(233)</u>	<u>-</u>	<u>-</u>	<u>215</u>	<u>511,654</u>	<u>839,215</u>

Condensed Consolidated Statement of Cash Flows
For the three months ended 31 March 2018 - unaudited

	Three months ended 31 Mar 2018 RM'000	2017 RM'000 Restated
Cash flows from operating activities		
Profit before tax	16,882	15,145
Adjustments for :		
Depreciation of property, plant and equipment	14,543	13,445
Impairment loss on receivables	31	5
Amortisation of deferred liabilities	(399)	(399)
Amortisation of contract liabilities	293	138
Gain on disposal of other investments	(124)	(21)
Property, plant & equipment written off	116	92
Share of results of joint venture	(1)	8
Dividend income	(1)	(11)
Interest income	(376)	(400)
Operating profit before working capital changes	30,963	28,002
Inventories	(615)	1,052
Receivables	1,930	442
Payables	(27,477)	(12,379)
Cash generated from operations	4,801	17,117
Income tax paid	(513)	(529)
Net cash from operating activities	4,288	16,588
Cash flows from investing activities		
Dividends received	1	1,379
Interest received	376	400
Proceeds from disposal of other investments	4,640	548
Purchase of other investments	(1,894)	(563)
Purchase of property, plant and equipment	(6,115)	(7,619)
Net cash used in investing activities	(2,992)	(5,855)
Cash flow from financing activities		
Dividends paid	(5,793)	(5,793)
Government loans received	20,000	-
Net cash from financing activities	14,207	(5,793)
Net increase in cash and cash equivalents	15,504	4,940
Cash and cash equivalents at beginning	141,392	95,028
Cash and cash equivalents at end	156,895	99,968

Cash and cash equivalents

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

	Three months ended 31 Mar 2018 RM'000	2017 RM'000
Cash and bank balances	22,933	21,440
Short-term deposits with licensed banks	133,962	78,528
	156,895	99,968

Notes to the Condensed Consolidated Interim Financial Statements

PBA Holdings Bhd is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The Condensed Consolidated Interim Financial Statements of the Group as at and for the period ended 31 March 2018 comprises the Company and its subsidiaries (together referred to as the Group) and the Group's interests in a joint venture entity.

The Consolidated Financial Statements of the Group as at and for the year ended 31 December 2017 are available upon request from the Company's registered office at:

Level 32, Komtar
10000 Penang

These Condensed Consolidated Interim Financial Statements were authorized for issue by the Board of Directors on 25 May 2018.

1. Basis of preparation

These condensed consolidated interim financial statements ("Condensed Report") have been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad and MFRS 134 *Interim Financial Reporting* in Malaysia and with IAS 34 *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2017.

2. Significant accounting policies

2.1 Adoption of Standards, Amendments to Standards, Annual Improvements to Standards and Issues Committee ("IC") Interpretation

The accounting policies adopted in the preparation of the Condensed Report are consistent with those followed in the preparation of the Group's audited financial statements for the financial year ended 31 December 2017, except for the adoption of the following new standards with effect from 1 January 2018:

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 2	Share-based Payment: Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4	Insurance Contracts: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 7	Mandatory Date of MFRS 9 and Transition Disclosures
Amendments to MFRS 140	Investment Property: Transfers of Investment Property
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements to MFRS 2014-2016 Cycle (except for Amendments to MFRS 12 Disclosure of Interests in other Entities)	

Adoption of the above standards did not have any effect on the financial statements of the Group other than MFRS 9 *Financial Instruments* and MFRS 15 *Revenue from Contracts with Customers*. The impacts of the adoption of these Standards on the Group's financial statements are as follows:

Notes to the Condensed Consolidated Interim Financial Statements

i. MFRS 9 Financial Instruments

MFRS 9 *Financial Instruments* replaces MFRS 139 *Financial Instruments: Recognition and Measurement* and all previous versions of MFRS 9. MFRS 9 brings together all three aspects of the accounting for financial instruments project: (i) classification and measurement, (ii) impairment and (iii) hedge accounting. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. However, hedge accounting requirements under this standard is irrelevant as the Group does not apply hedge accounting.

The following are the changes upon adoption of MFRS 9 *Financial Instruments*:

(i) Changes in accounting policies

Financial assets

Quoted equity shares previously held as available-for-sale (AFS) with fair value gains and losses recorded in other comprehensive income is now measured at fair value through profit or loss (FVTPL).

The Group's financial assets comprising trade receivables, other receivables and cash and cash equivalents which have previously been classified as loans and receivables (L&R) are now classified at amortised cost (AC). The Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

Financial liabilities

There is no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have such liabilities.

Impairment

MFRS 9 requires the Group to record Expected Credit Losses ("ECL") on all of its trade and other receivables, either on a 12-month or lifetime basis. The Group applies the simplified approach prescribed by MFRS 9, which requires a lifetime ECL to be recognised from initial recognition of the trade and other receivables which are financial assets. There is no impact on the Group's receivables and profit before tax as the previous policy on impairment of receivables is consistent with MFRS 9.

Notes to the Condensed Consolidated Interim Financial Statements

(ii) Classification and measurement of financial instruments

The following table summarises the reclassification and measurement of the Group's financial assets as at 31 December 2017:

	Measurement category		Carrying amount as at 31 December 2017	
	Original (MFRS 139)	New (MFRS 9)	Original (MFRS 139) RM'000	New (MFRS 9) RM'000
Financial assets:				
Other investments				
- Quoted shares	AFS	FVTPL	1,876	1,876
- Money market placements	L&R	AC	860	860
Receivables and deposits	L&R	AC	44,338	44,338
Cash and cash equivalents	L&R	AC	141,391	141,391

ii. MFRS 15 Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 11 *Construction Contracts*, MFRS 118 *Revenue*, IC Interpretation 13 *Customer Loyalty Programmes*, IC Interpretation 15 *Agreements for Construction of Real Estate*, IC Interpretation 18 *Transfers of Assets from Customers* and IC Interpretation 131 *Revenue – Barter Transactions Involving Advertising Services*.

This Standard establishes a five-step model that will apply to recognition of revenue arising from contracts with customers and provides a more structured approach in measuring and recognising revenue. Under this Standard, revenue will be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

(i) Changes in accounting policies

The adoption of this Standard resulted in changes in accounting policies for recognition of revenue arising from capital contribution funds and transfer of assets from customers.

- (a) Revenue from capital contribution funds are in relation to contributions by customers for connecting the external reticulation mains to the trunk mains. The revenue is recognised over time when the performance obligation is met, that is when final reconnection from the trunk mains to the external reticulation mains take place.
- (b) The Group receives mains and land from customers ("transferred assets") with the purpose of providing consumers with ongoing access to water supply. The transferred assets are recognised at fair value as property, plant and equipment with a corresponding increase in deferred income previously. The adoption of MFRS 15 did not have any effect on the accounting of the transferred assets except for the change in the presentation as required by MFRS 15. Amount that was presented as deferred income will now be presented as contract liabilities and further analysed into current and non-current portion while the amortisation of deferred income which was presented as other income will now be presented as revenue.

Notes to the Condensed Consolidated Interim Financial Statements

iii. Reconciliation of profit or loss for the quarter and year-to-date ended 31 March 2017

	Note	Previously stated RM'000	Effects of adoption RM'000	Restated RM'000
Revenue	2.1.2 (i)	80,861	(138)	80,723
Cost of sales		(53,567)	-	(53,567)
Gross profit		27,294	(138)	27,156
Other operating income	2.1.2 (i)(b)	4,460	(70)	4,390
Administrative expenses		(16,610)	-	(16,610)
Operating profit		15,144	(208)	14,936
Interest Income		218	-	218
Share of loss of equity accounted joint venture, net of tax		(9)	-	(9)
Profit before tax		15,353	(208)	15,145
Tax expense		(4,800)	-	(4,800)
Net profit for the period		10,553	(208)	10,345
Profit for the period attributable to owners of the Company		10,553	(208)	10,345
Basic earnings per share attributable to owner of the Company (sen)		3.19		3.13

iv. Reconciliation of comprehensive income for the quarter and year-to-date ended 31 March 2017

	Note	31.3.2017 RM'000
Total comprehensive income previously reported		10,805
Add/(Less): Adjustments upon adoption of MFRS 9 and MFRS 15		
- Change in revenue recognition		(379)
- Change of measurement basis for other investments	2.1.1(i)	-
Total comprehensive income, restated		10,426

v. Reconciliation of equity and material adjustments to statement of financial position

Reconciliation of equity as at 1 January 2017

	Previously stated RM'000	Effects of adoption RM'000	Restated RM'000
Fair value reserve	20	(20)	-
Retained earnings	472,662	20	472,682

Notes to the Condensed Consolidated Interim Financial Statements

Reconciliation of equity as at 31 March 2017

	Previously stated RM'000	Effects of adoption RM'000	Restated RM'000
Fair value reserve	171	(171)	-
Retained earnings	482,856	171	483,027

Reconciliation of equity as at 31 December 2017

	Previously stated RM'000	Effects of adoption RM'000	Restated RM'000
Fair value reserve	114	(114)	-
Retained earnings	496,702	(130)	496,572

Material adjustments to statement of financial position as at 31 December 2017

	Note	Previously stated RM'000	Effects of adoption RM'000	Restated RM'000
NON-CURRENT LIABILITIES				
Deferred income	2.1.2(i)(b)	100,206	(59,927)	40,279
Contract liabilities				
- transfer of assets	2.1.2(i)(b)	-	58,690	58,690
CURRENT LIABILITIES				
Contract liabilities				
- capital contribution funds	2.1.2(i)(a)	-	244	244
- transfer of assets	2.1.2(i)(b)	-	1,237	1,237
Total contract liabilities		-	60,171	60,171

2.2 Standards issued but not yet effective

As at the date of authorisation of this Condensed Report, the following Standards and Amendments to Standards have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective and have not been adopted by the Group.

Effective for financial periods beginning on or after 1 January 2019

MFRS 116	Leases
Amendments to MFRS 9	Financial Instruments: Prepayment Features with Negative Compensation
Amendments to MFRS 119	Employee Benefits: Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128	Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
IC Interpretation 23	Uncertainty over Income Tax Treatments
Annual Improvements to MFRS Standards 2015-2017 Cycle	

Notes to the Condensed Consolidated Interim Financial Statements

Effective for financial periods beginning on or after 1 January 2021

MFRS 17 Insurance Contracts

Effective date yet to be confirmed

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures – Sale of Contribution of Assets between and Investor and its Associate of Joint Venture

3. Changes in estimates

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

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimating uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2017.

4. Seasonality of operations

There is no seasonality or cyclicity in the Group's operations.

5. Property, plant and equipment

a) Acquisition and disposals

During the period ended 31 March 2018 the Group acquired assets with a cost of RM6.12 million (31 March 2017 : RM7.62 million).

Other assets with carrying amount of RM0.12 million were written off during the period ended 31 March 2018 (31 March 2017 : RM0.09 million).

b) Depreciation and amortization

	Three months ended 31-Mar		Current year to-date ended 31-Mar	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Charge for the period	14,543	13,445	14,543	13,445

c) Impairment

During the period ended 31 March 2018, there was no asset impairment (31 March 2017 : Nil)

Notes to the Condensed Consolidated Interim Financial Statements

d) Capital Commitments

	At 31 March 2018 RM'000	At 31 December 2017 RM'000
Approved Capital Expenditure:-		
i) Contracted but not provided for in the Financial Statements	50,700	50,700
ii) Approved but not contracted for	153,000	159,000

e) Transfer Of Assets From Customers

During the period ended 31 March 2018, assets transferred from Customers amounted to RM2.82 million (31 March 2017 : RM2.68 million)

6. Share capital

No additional issuance of share capital as at 31 March 2018 except for the following:

Treasury shares

During the period ended 31 March 2018, there was no repurchased of issued ordinary shares from the open market (31 March 2017 : Nil).

7. Changes in composition of the Group

There are no changes in the composition of the Group for the current quarter and current financial year to-date ended 31 March 2018 except that Island Springwater Sdn. Bhd., a 100% wholly-owned subsidiary of the Company which was dissolved in 28 February 2018. There is no impact to the Group's financial statements for the current financial period.

8. Operating segments

The Group has only one reportable segment, which is principally engaged in the abstraction of raw water, treatment of water, supply and sale of treated water to consumers in the State of Penang and to engage in water related business. The Group's Chief Executive Officer (the Chief operating decision maker) reviews internal management reports on the reportable segment on a quarterly basis.

Accordingly, information by operating segment on the Group's operations as required by MFRS 8 is not presented.

9. Subsequent event

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

10. Contingencies

There are no contingencies to the Company for the period.

11. Related parties

There are no other significant transactions and changes with a joint venture entity, Government related entities and key management personnel compensation for the year save as disclosed in Note 18 (ii) & (iii) Loans and borrowings.

Notes to the Condensed Consolidated Interim Financial Statements

**NOTES PURSUANT TO BURSA MALAYSIA LISTING REQUIREMENTS:
Chapter 9, Appendix 9B, Part A.****12. Review of Group performance**

Group revenue for the quarter ended 31 March 2018 increased by RM5.2 million or 6.5% as compared to the corresponding quarter in 2017. The Group registered a profit before tax of RM16.9 million as compared to the preceding year's corresponding quarter of profit before tax of RM15.1 million. This is mainly due to higher water consumption by both domestic and trade consumers.

	Quarter and Year to-date 1st quarter		Changes Amount RM'000	Changes %
	Current Year Quarter	Preceding Year Corresponding Quarter (Restated)		
	31/03/2018 RM'000	31/03/2017 RM'000		
Revenue	85,935	80,723	5,212	6.5%
Operating Profit	16,712	14,949	1,763	11.8%
Profit Before Interest and Tax	16,887	15,158	1,729	11.4%
Profit Before Tax	16,882	15,145	1,737	11.5%
Profit After Tax	15,082	10,345	4,737	45.8%
Profit Attributable to Ordinary Equity Holders of the Parent	15,082	10,345	4,737	45.8%
Total Comprehensive income for the period	15,082	10,426	4,656	44.7%

13. Variation of results against preceding quarter

Group revenue increased from RM69.2 million to RM85.9 million as compared to the immediate preceding quarter. The Group registered a profit before tax of RM16.9 million as compared to the immediate preceding quarter of loss before tax of RM7.7 million primarily due to the special flood discount given to water consumers amounting to RM16.1 million in Q4 2017.

	Individual Period 1st quarter		Changes Amount RM'000	Changes %
	Current Quarter	Immediate Preceding Quarter (Restated)		
	31/03/2018 RM'000	31/12/2017 RM'000		
Revenue	85,935	69,164	16,771	24.2%
Operating Profit / (Loss)	16,712	(7,835)	24,547	-313.3%
Profit / (Loss) Before Interest and Tax	16,887	(7,638)	24,525	-321.1%
Profit / (Loss) Before Tax	16,882	(7,659)	24,541	-320.4%
Profit / (Loss) After Tax	15,082	(2,919)	18,001	-616.7%
Profit / (Loss) Attributable to Ordinary Equity Holders of the Parent	15,082	(2,919)	18,001	-616.7%
Total Comprehensive income for the period	15,082	(2,923)	18,005	-616.0%

Notes to the Condensed Consolidated Interim Financial Statements

14. Current year prospects

Revenue from sales of water is expected to further increase in line with population growth and business activity levels. Cost containment measures are also in place.

15. Profit forecast or profit guarantee

Not applicable.

16. Revenue

Timing of revenue recognition by point in time and over time are as follows :

	Quarter and Year-To-Date Ended		Changes %
	31.3.2018 RM'000	31.3.2017 RM'000	
Sale of water	79,436	76,825	3.4%
Capital contribution funds	5,936	3,455	71.8%
Others	563	443	27.1%
	<u>85,935</u>	<u>80,723</u>	<u>6.5%</u>
Timing of revenue recognition:			
- At a point in time	79,669	77,027	3.4%
- Over time	6,266	3,696	69.5%
	<u>85,935</u>	<u>80,723</u>	<u>6.5%</u>

17. Income tax expense

	Three months ended 31 Mar		Current year to-date ended 31 Mar	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current income tax				
Malaysian - current year	1,000	1,000	1,000	1,000
Deferred Tax				
Origination and reversal of temporary differences	800	3,800	800	3,800
Income tax expense from continuing operations	<u>1,800</u>	<u>4,800</u>	<u>1,800</u>	<u>4,800</u>

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax expected for the full year applied to the pre-tax income of the interim period.

Notes to the Condensed Consolidated Interim Financial Statements

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group for the current year to-date is as follows:

	31 March 2018 RM'000
Profit before taxation	17,614
Taxation at Malaysian statutory tax rate of 24%	4,227
Income not subject to tax	(346)
Expenses not deductible for tax purposes	229
Current year reinvestment allowance	(1,880)
Under/(Over) provision in prior year	(51)
Others	(379)
Tax expense for the period	1,800

As at 31 March 2018, the unutilised reinvestment allowance of the Group available indefinitely for off setting against future taxable profits amounted to RM586.6 million (31 March 2017 : RM552.8 million).

18. Corporate proposals

There are no corporate proposals which have been announced for the current quarter and current financial year to-date.

19. Loans and borrowings

i) The unsecured and interest free term loan was obtained from the Federal Government via the State Government of Penang to finance Non Revenue Water (NRW) projects :

- a) RM20 million : repayable over 20 years period with effect from 11 September 2016
- b) RM24 million : repayable over 20 years period with effect from 10 December 2018

As at 31 March 2018, the subsidiary company has fully drawdown RM20.0 million from the 1st term loan agreement and RM24.0 million from the 2nd term loan agreement.

ii) On 1 June 2016, the main subsidiary of the Company obtained a loan from the State Government amounting to RM80.0 million to finance capital expenditure projects. The loan is unsecured with 4.0% interest p.a.. As at 31 March 2018, the subsidiary has fully drawdown RM80.0 million. The loan is repayable over a 10 year period with effect from 03 May 2020.

iii) On 6 November 2017, the State Government has agreed to give the subsidiary Company a loan amounting to RM60.0 million to finance capital expenditure projects. The loan is unsecured with 4.0% interest p.a. and repayable over a 20 years period. As at 31 March 2018, the loan is still pending the approval from Suruhanjaya Perkhidmatan Air Negara ("SPAN").

Notes to the Condensed Consolidated Interim Financial Statements

	At 31 March 2018 RM'000	At 31 December 2017 RM'000
i) Loan from Federal Government via the State Government of Penang		
Nominal value of loans	42,000	43,000
Less: Deemed interest recognised as deferred income	(16,787)	(18,117)
Add: Amortised interest	346	1,330
Less: Repayment	-	(1,000)
	25,559	25,213
ii) Loan from State Government of Penang		
Nominal value of loans	80,000	60,000
Less: Deemed interest recognised as deferred income	(33,055)	(27,433)
Add: Amortised interest	1,374	3,941
	48,319	36,508
Total loans and borrowings	73,878	61,721
Analysed as:		
Non-current	72,278	60,121
Current	1,600	1,600
	73,878	61,721

20. Deferred Income

	At 31 March 2018 RM'000	At 31 December 2017 RM'000
Term loans		
Balance at beginning	40,279	31,368
Transfer from loans and borrowings	9,564	14,182
Less : Amortisation	(1,721)	(5,271)
Balance at end	48,122	40,279

Deferred income represents the difference between the nominal value of the unsecured term loans obtained by the Company and their fair values measured on initial recognition. The deferred income is amortised over the useful life of the assets funded which ranged from 25 years to 50 years. There are two types of term loans taken by the Company, i.e.

- (i) RM44 million interest-free loans from the Federal Government via the State Government of Penang to finance Non-Revenue Water projects, and
- (ii) RM80 million interest bearing loan at 4% p.a. from the State Government of Penang to finance the Company's capital expenditure projects.

Notes to the Condensed Consolidated Interim Financial Statements

21. Contract Liabilities

	At 31 March 2018 RM'000	At 31 December 2017 RM'000
Transfer of assets from customers		
Balance at beginning	59,927	44,313
Additions during the financial year	2,828	18,367
Less : Amortisation	(325)	(2,753)
Balance at end	<u>62,430</u>	<u>59,927</u>
Capital Contribution funds		
Balance at beginning	244	-
Addition	618	244
Balance at end	<u>862</u>	<u>244</u>
Total Contract Liabilities	63,292	60,171
Analysed as:		
Non-current	61,098	58,690
Current	2,194	1,481
	<u>63,292</u>	<u>60,171</u>

The Contract Liabilities from Transfer of Assets from Customers consists of the fair value of the assets transferred to a subsidiary company and Capital Contribution Funds (CCF). The Contract Liabilities is amortised over the useful life of the transferred assets and CCF.

22. Deferred liabilities

	At 31 March 2018 RM'000	At 31 December 2017 RM'000
Non-current	59,558	59,958
Current	1,595	1,595
Total Deferred liabilities	<u>61,153</u>	<u>61,553</u>

The deferred liabilities representing lease incentive are amortised over the lease period of 45 years with effect from 1 August 2011.

Notes to the Condensed Consolidated Interim Financial Statements

23. Material litigation

There was no material litigation except for the claim made by Prominent Multimedia Sdn. Bhd. ("PMSB"). On 9 February 2015, a subsidiary of the Company appointed PMSB via a contract to implement a project known as Integrated Revenue Management System. PMSB failed to complete the implementation within the timeframe agreed in the contract and consequently, the subsidiary terminated the contract with PMSB.

On 5 May 2016, PMSB issued a Notice of Arbitration to the subsidiary referring the matter to Kuala Lumpur Regional Centre of Arbitration claiming a sum of RM10,444,000 for wrongful termination of the contract. The subsidiary made a counterclaim of RM10,517,000 against PMSB. A hearing was conducted on 24 to 26 January 2018 and further fixed for continued hearing on 20 to 23 March 2018. Subsequently, negotiations to resolve the dispute commenced. Following which both parties have agreed on an amicable settlement. Parties agreed to withdraw their respective claims with no liberty to file afresh and no orders as to costs. The subsidiary has paid RM1,000,000 to PMSB as ex-gratia payment on 20 April 2018.

On 2 May 2018, PMSB's solicitor has written to the Arbitrator to confirm the settlement and to withdraw the claim against the subsidiary. The subsidiary counterclaim against PMSB also will be withdrawn accordingly. A brief report will be prepared by the Arbitrator.

24. Dividends

The Board of Directors recommend a final single tier dividend of 2.25 sen amounting to RM7,448,000 for the financial year ended 31 December 2017 subject to the approval of shareholders at the forthcoming Annual General Meeting (31 December 2016 – final single tier dividend of 2.25 sen amounting to RM7,448,000).

Notes to the Condensed Consolidated Interim Financial Statements

25. Earnings per ordinary share

Basic earnings per ordinary shareholders

	Three months ended 31 March 2018 Continuing operations RM'000	Restated Three months ended 31 March 2017 Continuing operations RM'000	Current year to-date 31 March 2018 Continuing operations RM'000	Restated Current year to-date 31 March 2017 Continuing operations RM'000
Profit for the period	15,082	10,345	15,082	10,345
	Three months ended 31 March 2018 '000 Shares	Three months ended 31 March 2017 '000 Shares	Current year to-date 31 March 2018 '000 Shares	Current year to-date 31 March 2017 '000 Shares
Issued ordinary shares at 1 January	331,271	331,271	331,271	331,271
Effect of share buyback	(270)	(268)	(270)	(268)
Weighted average number of ordinary shares	331,001	331,003	331,001	331,003
	Three months ended 31 March 2018 Continuing operations Sen	Three months ended 31 March 2017 Continuing operations Sen	Current year to-date 31 March 2018 Continuing operations Sen	Current year to-date 31 March 2017 Continuing operations Sen
Basic earnings per share	4.56	3.13	4.56	3.13

Notes to the Condensed Consolidated Interim Financial Statements

26. Auditor's report on preceding annual financial statements

The auditor's report on the audited annual financial statements for the year ended 31 December 2017 was not qualified

27. Notes to the Condensed Statement of Comprehensive Income

	Three months ended 31 March 2018 RM'000	Year to-date 31 March 2018 RM'000
a) Interest Income	(174)	(174)
b) Other Operating Income	(5,534)	(5,534)
c) Interest expense	4	4
d) Depreciation and amortization	14,543	14,543
e) Provision for receivables	(4)	(4)
f) Gain on disposal of other investments	(124)	(124)
g) Water Intake Fees to State Government of Penang	2,209	2,209
h) Leasing charges to Pengurusan Aset Air Berhad (PAAB)	3,241	3,241
i) License Fees to Suruhanjaya Perkhidmatan Air Negara (SPAN)	820	820