

**PENGURUSAN AIR SELANGOR SDN. BHD. (201401006213 (1082296 - U))**  
**(Incorporated in Malaysia)**

**DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

Company No:  
201401006213 (1082296 - U)

PENGURUSAN AIR SELANGOR SDN. BHD. (201401006213 (1082296 - U))  
(Incorporated in Malaysia)

<u>CONTENTS</u>	<u>PAGE</u>
DIRECTORS' REPORT	1 - 4
STATEMENT BY DIRECTORS	5
STATUTORY DECLARATION	5
INDEPENDENT AUDITORS' REPORT	6 - 9
STATEMENT OF FINANCIAL POSITION	10
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	11
STATEMENT OF CHANGES IN EQUITY	12
STATEMENT OF CASH FLOWS	13 - 14
NOTES TO THE FINANCIAL STATEMENTS	15 - 46

PENGURUSAN AIR SELANGOR SDN. BHD. (201401006213 (1082296 - U))  
(Incorporated in Malaysia)

**DIRECTORS' REPORT**

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

**PRINCIPAL ACTIVITIES**

The principal activity of the Company is to own public water supply system or public sewerage and/or operate a water supply system or sewerage system for the purpose of providing treated water or sewerage services to the public. The principal activities of the subsidiaries are disclosed in Note 7 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

**RESULTS**

	<b>RM'000</b>
Loss for the financial year	<u>1,114,977</u>

**DIVIDEND**

No dividend has been paid, declared or proposed by the Company since the end of the previous financial year. The Directors do not recommend the payment of any final dividend in respect of the current financial year.

**RESERVES AND PROVISIONS**

There were no material transfers to or from reserves and provisions during the financial year.

**ISSUE OF SHARES AND DEBENTURES**

During the financial year, the issued and paid-up ordinary share capital of the Company was increased from RM13,503,216,000 to RM13,594,488,000 by way of issuance of 91,272 new ordinary shares for the transfer of water supply service assets valued at RM91,272,000 owned by the State Government of Selangor Darul Ehsan ("State Government of Selangor") to the Company.

The newly issued shares rank pari passu in all respects with the existing ordinary shares of the Company. There were no other issues of shares during the financial year.

The Company did not issue any debentures during the financial year.

## DIRECTORS

The Directors who have held office during the financial year and up to the date of this report are as follows:

YAB Dato' Seri Amirudin Bin Shari  
YB Dato' Mohd Amin Bin Ahmad Ahya  
YB Dato' Nor Azmie Bin Diron  
YBhg Dato' Teo Yen Hua  
Suhaimi Bin Kamaralzaman  
Marina Yong Poh Nyuk  
YB Tuan Ir. Izham Bin Hashim

(Appointed on 22 June 2020)

## DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares and options over ordinary shares of the Company and of its related corporations during the financial year ended 31 December 2020 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia are as follows:

	Number of ordinary shares		
	Balance as at 1.1.2020	Bought	Sold
Shares in a related corporation, Kumpulan Perangsang Selangor Berhad			
Direct interest:			
Suhaimi Bin Kamaralzaman	10,769	-	-
			10,769

None of the other Directors holding office at the end of the financial year held any interest in the ordinary shares of the Company and of its related corporations during the financial year.

## DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than those remunerations received by certain Directors as directors/executives of its related corporations.

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

## DIRECTORS' REMUNERATION

The details of Directors' remuneration are disclosed in Note 21(c) to the financial statements.

## INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

The Company maintains a corporate liability insurance for the Directors and Officers of the Company. During the financial year, the Company paid RM99,923 based on apportioned premium.

There were no indemnity given to or insurance effected for the auditors of the Company during the financial year.

## **OTHER STATUTORY INFORMATION REGARDING THE COMPANY**

### **(I) AS AT THE END OF THE FINANCIAL YEAR**

- (a) Before the financial statements of the Company were prepared, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of operations of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature except as follows:

	<b>RM'000</b>
Trade and other receivables written off	443,577
Waiver on amounts due to subsidiaries	134,271
Fair value adjustment on other payable	<u>107,989</u>

### **(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT**

- (a) The Directors are not aware of any circumstances:
- (i) which would render the amounts written off for bad debts or the amount of provision for doubtful debts in the financial statements of the Company inadequate to any material extent;
  - (ii) which would render the values attributed to current assets in the financial statements of the Company misleading; and
  - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.
- (b) In the opinion of the Directors:
- (i) there has not arisen any item, transaction or event of a material and unusual nature which is likely to affect substantially the results of operations of the Company for the financial year in which this report is made; and
  - (ii) no contingent or other liability has become enforceable or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which would or may affect the ability of the Company to meet their obligations as and when they fall due.

### **(III) AS AT THE DATE OF THIS REPORT**

- (a) There are no charge on the assets of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.
- (b) There are no contingent liabilities of the Company which have arisen since the end of the financial year.
- (c) The Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Company misleading.

## ULTIMATE HOLDING CORPORATION


The Directors regard Menteri Besar Selangor (Pemerbadanan), a corporate body formed under Enactment No.3 of the Menteri Besar Selangor (Incorporation), Enactment 1994 as the ultimate holding corporation.

## AUDITORS

The auditors, BDO PLT (LLP0018825-LCA & AF 0206), have expressed their willingness to continue in office.

The details of auditors' remuneration of the Company for the financial year ended 31 December 2020 are disclosed in Note 19 to the financial statements.

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



.....  
**Dato' Nor Azmie Bin Diron**  
Director



.....  
**Suhaimi Bin Kamaralzaman**  
Director

Kuala Lumpur  
30 March 2021


PENGURUSAN AIR SELANGOR SDN. BHD. (201401006213 (1082296 - U))

(Incorporated in Malaysia)

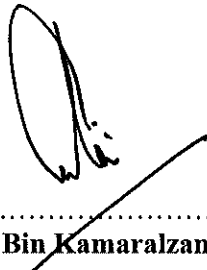
STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 10 to 46 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the provisions of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2020 and of the financial performance and cash flows of the Company for the financial year then ended.

On behalf of the Board,

  
.....  
**Dato' Nor Azmie Bin Diron**  
Director

Kuala Lumpur  
30 March 2021

  
.....  
**Suhaimi Bin Kamaralzaman**  
Director

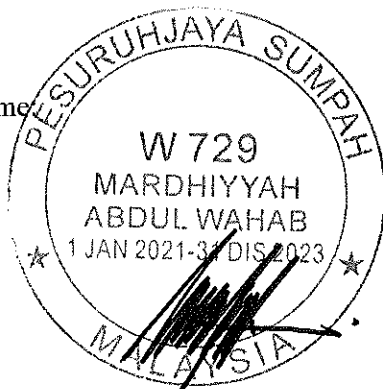
STATUTORY DECLARATION

I, Suhaimi Bin Kamaralzaman (CA 10322), being the Director responsible for the financial management of Pengurusan Air Selangor Sdn. Bhd., do solemnly and sincerely declare that the financial statements set out on pages 10 to 46 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by  
the abovenamed at Kuala Lumpur  
this 30 March 2021

  
**Suhaimi Bin Kamaralzaman**

Before me



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**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF  
PENGURUSAN AIR SELANGOR SDN. BHD.  
(Incorporated in Malaysia)**

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of Pengurusan Air Selangor Sdn. Bhd., which comprise the statement of financial position as at 31 December 2020 of the Company, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 10 to 46.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") 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 ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence and Other Ethical Responsibilities**

We are independent 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 Auditor's Report Thereon**

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

Our opinion on the financial statements 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 AIR SELANGOR SDN. BHD. (continued)  
(Incorporated in Malaysia)**

**Information Other than the Financial Statements and Auditor's Report Thereon  
(continued)**

In connection with our audit of the financial statements 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 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 Company that give a true and fair view in accordance with MFRSs, IFRSs, 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 Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the Directors are responsible for assessing the ability 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 Company or to cease operations, or have no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements 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 ISAs 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.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF  
PENGURUSAN AIR SELANGOR SDN. BHD. (continued)  
(Incorporated in Malaysia)**

**Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

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

- Identify and assess the risks of material misstatement of the financial statements 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 internal control of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- 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 Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

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.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF  
PENGURUSAN AIR SELANGOR SDN. BHD. (continued)  
(Incorporated in Malaysia)**

**Other Matters**

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.

A handwritten signature in black ink, appearing to read 'BDO PLT'.

**BDO PLT**  
LLP0018825-LCA & AF 0206  
Chartered Accountants

Kuala Lumpur  
30 March 2021

A handwritten signature in black ink, appearing to read 'Rejeesh - S'.

**Rejeesh A/L Balasubramaniam**  
02895/08/2022 J  
Chartered Accountant

**PENGURUSAN AIR SELANGOR SDN. BHD. (201401006213 (1082296 - U))**  
(Incorporated in Malaysia)

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2020**

	Note	2020 RM'000	2019 RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	10,576,785	10,552,604
Right-of-use assets	5	7,826,803	8,050,746
Intangible assets	6	3,814,952	3,902,318
Investments in subsidiaries	7	-	-
		22,218,540	22,505,668
<b>Current assets</b>			
Inventories	8	9,691	8,353
Trade and other receivables	9	390,781	391,812
Current tax assets		3,213	3,145
Cash and bank balances	10	1,349,318	684,456
		1,753,003	1,087,766
<b>TOTAL ASSETS</b>		<b>23,971,543</b>	<b>23,593,434</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owner of the Company</b>			
Share capital	11	13,594,488	13,503,216
Accumulated losses		(5,388,754)	(4,273,777)
<b>TOTAL EQUITY</b>		<b>8,205,734</b>	<b>9,229,439</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Loans and borrowings	12	2,545,429	1,469,863
Lease liabilities	5	10,867,093	10,933,901
Trade and other payables	13	718,055	577,778
Government grant	14	257,682	222,197
		14,388,259	13,203,739
<b>Current liabilities</b>			
Loans and borrowings	12	147,844	63,693
Lease liabilities	5	80,768	79,551
Trade and other payables	13	1,148,938	1,017,012
		1,377,550	1,160,256
<b>TOTAL LIABILITIES</b>		<b>15,765,809</b>	<b>14,363,995</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>23,971,543</b>	<b>23,593,434</b>

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

PENGURUSAN AIR SELANGOR SDN. BHD. (201401006213 (1082296 - U))  
(Incorporated in Malaysia)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	<b>Note</b>	<b>2020 RM'000</b>	<b>2019 RM'000</b>
Revenue	16	2,034,047	639,395
Other income		277,971	1,659,455
Items of expense:			
Raw materials, consumables and maintenance expenses		(1,013,948)	(279,408)
Employee benefits expenses	17	(408,185)	(134,817)
Depreciation and amortisation expenses		(672,058)	(381,649)
Other expenses		<u>(667,723)</u>	<u>(2,616,601)</u>
		(449,896)	(1,113,625)
Finance costs	18	<u>(662,972)</u>	<u>(318,138)</u>
Loss before tax	19	(1,112,868)	(1,431,763)
Taxation	20	<u>(2,109)</u>	<u>1,686</u>
Loss for the financial year		(1,114,977)	(1,430,077)
Other comprehensive income for the financial year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive loss for the financial year		<u>(1,114,977)</u>	<u>(1,430,077)</u>

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

PENGURUSAN AIR SELANGOR SDN. BHD. (201401006213 (1082296 - U))  
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	Share capital RM'000	Accumulated losses RM'000	Total RM'000
Balance as at 1 January 2019		12,737,936	(2,843,700)	9,894,236
Loss for the financial year		-	(1,430,077)	(1,430,077)
Other comprehensive income, net of tax		-	-	-
Total comprehensive loss		-	(1,430,077)	(1,430,077)
Transaction with owner				
Issuance of ordinary shares	11	765,280	-	765,280
Total transaction with owner		765,280	-	765,280
Balance as at 31 December 2019		13,503,216	(4,273,777)	9,229,439
Balance as at 1 January 2020		13,503,216	(4,273,777)	9,229,439
Loss for the financial year		-	(1,114,977)	(1,114,977)
Other comprehensive income, net of tax		-	-	-
Total comprehensive loss		-	(1,114,977)	(1,114,977)
Transaction with owner				
Issuance of ordinary shares	11	91,272	-	91,272
Total transaction with owner		91,272	-	91,272
Balance as at 31 December 2020		13,594,488	(5,388,754)	8,205,734

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

PENGURUSAN AIR SELANGOR SDN. BHD. (201401006213 (1082296 - U))  
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020 RM'000	2019 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		2,139,786	1,175,640
Payments for operating expenses		(1,462,038)	(287,724)
Cash generated from operations		677,748	887,916
Interest income received		15,061	8,788
Tax refunded		1,700	-
Tax paid		(3,877)	(825)
Net cash from operating activities		690,632	895,879
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment	4	(294,669)	(225,478)
Acquisition of a subsidiary, net of cash and cash equivalents acquired		-	(1,900,000)
(Advances to)/Repayments from:			
- immediate holding company		(487)	(432)
- subsidiaries		(287,095)	108,821
- a related company		9	276
Movements in:			
- deposits from water account holders		37,192	(169,890)
- deposits pledged to licensed banks		(34,360)	(5,751)
- deposits with maturity more than three (3) months		137,487	(71,584)
- restricted deposits' balances		(20,040)	(104,286)
Proceeds from disposal of property, plant and equipment		1,173	-
Proceeds from sale and leaseback of property, plant and equipment		13,497	1,900,000
Net cash used in investing activities		(447,293)	(468,324)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Loans and borrowings:			
- drawdowns		1,251,607	38,037
- repayments		(54,685)	(38,855)
Payments of:			
- lease liabilities		(80,156)	(30,880)
- interest expense on lease liabilities		(510,190)	(238,955)
- interest expense on loans and borrowings		(64,774)	(28,940)
Net cash from/(used in) financing activities		541,802	(299,593)
Net increase in cash and cash equivalents		785,141	127,962
Cash and cash equivalents at beginning of the financial year		266,928	138,966
Cash and cash equivalents at end of the financial year	10	1,052,069	266,928

PENGURUSAN AIR SELANGOR SDN. BHD. (201401006213 (1082296 - U))  
(Incorporated in Malaysia)

**STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (continued)**

Note to the statement of cash flows

Reconciliation of liabilities arising from financing activities

The table below details changes in the Company's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the statements of cash flows as cash flows from financing activities.

	<b>Lease liabilities RM'000</b>	<b>Loans and borrowings RM'000</b>	<b>Total RM'000</b>
At 1 January 2019	1,638,827	229,589	1,868,416
Cash flows	(269,835)	(29,758)	(299,593)
Non-cash flows:			
Additions	9,405,505	1,332,956	10,738,461
Effect of MFRS 120	-	(28,171)	(28,171)
Interest expense	238,955	28,940	267,895
	<u>9,644,460</u>	<u>1,333,725</u>	<u>11,028,427</u>
At 31 December 2019	<u>11,013,452</u>	<u>1,533,556</u>	<u>12,547,008</u>
At 1 January 2020	11,013,452	1,533,556	12,547,008
Cash flows	(590,346)	1,132,148	541,802
Non-cash flows:			
Additions	15,087	-	15,087
Reassessment and modification	(522)	-	(522)
Effect of MFRS 120	-	(37,205)	(37,205)
Interest expense	510,190	64,774	574,964
	<u>524,755</u>	<u>27,569</u>	<u>552,324</u>
At 31 December 2020	<u>10,947,861</u>	<u>2,693,273</u>	<u>13,641,134</u>

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



PENGURUSAN AIR SELANGOR SDN. BHD. (201401006213 (1082296 - U))  
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS  
31 DECEMBER 2020

**1. CORPORATE INFORMATION**

Pengurusan Air Selangor Sdn. Bhd. (“the Company”) is a private limited liability company, incorporated and domiciled in Malaysia.

The registered office and principal place of business of the Company is located at Level 4, Air Selangor Head Office, Jalan Pantai Baharu, 59200 Kuala Lumpur.

Air Selangor Holdings Berhad (“Air Selangor Holdings”), a company incorporated in Malaysia is the immediate holding company and Menteri Besar Selangor (Pemerbadanan), a corporate body formed under Enactment No.3 of the Menteri Besar Selangor (Incorporation), Enactment 1994 is the ultimate holding corporation.

Pursuant to Section 250(2) of Companies Act 2016 and Paragraph 4(a) of MFRS 10 *Consolidated Financial Statements*, the consolidated financial statements are not presented as the Company is a wholly owned subsidiary of Air Selangor Holdings. Air Selangor Holdings is incorporated in Malaysia and prepared consolidated financial statements that comply with MFRSs, IFRSs and the provisions of the Companies Act 2016 in Malaysia, with the registered office located at Level 4, Air Selangor Head Office, Jalan Pantai Baharu, 59200 Kuala Lumpur.

The financial statements are presented in Ringgit Malaysia (“RM”), which is also the functional currency of the Company. All the financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 30 March 2021.

**2. PRINCIPAL ACTIVITIES**

The principal activity of the Company is to own public water supply system or public sewerage and/or operate a water supply system or sewerage system for the purpose of providing treated water or sewerage services to the public. The principal activities of the subsidiaries are disclosed in Note 7 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

**3. BASIS OF PREPARATION**

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

The accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRSs during the financial year. The new MFRSs and Amendments to MFRSs adopted during the financial year are disclosed in Note 23.1 to the financial statements.

The financial statements of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

4. PROPERTY, PLANT AND EQUIPMENT

	Balance as at 1.1.2020 RM'000	Additions RM'000	Transferred to right-of- use assets RM'000	Written off RM'000	Depreciation charge for the financial year RM'000	Reclassifications RM'000	Balance as at 31.12.2020 RM'000
<b>Carrying amount</b>							
Long term leasehold land and water treatment plants	27,286	-	(27,286)	-	-	-	-
Water supply service assets	10,131,833	134,498	-	(1,968)	(250,467)	50,618	10,064,514
Computer and office equipment, furniture and fittings	101,116	65,000	-	(285)	(64,465)	-	101,366
Motor vehicles	35,697	5,249	-	-	(10,751)	-	30,195
Renovation	14,688	10,337	-	(3)	(6,535)	-	18,487
Construction-in-progress	241,984	170,857	-	-	-	(50,618)	362,223
	10,552,604	385,941	(27,286)	(2,256)	(332,218)	-	10,576,785

	At 31.12.2020		
	Cost RM'000	Accumulated depreciation RM'000	Carrying amount RM'000
Water supply service assets	10,964,515	(900,001)	10,064,514
Computer and office equipment, furniture and fittings	202,448	(101,082)	101,366
Motor vehicles	44,613	(14,418)	30,195
Renovation	26,642	(8,155)	18,487
Construction-in-progress	362,223	-	362,223
	11,600,441	(1,023,656)	10,576,785

	Balance as at 1.1.2019 RM'000	Effect on adoption of MFRS 16 RM'000	Additions RM'000	Effects of restructuring RM'000	Disposal RM'000	Depreciation charge for the financial year RM'000	Reclassifications RM'000	Balance as at 31.12.2019 RM'000
<b>Carrying amount</b>								
Long term leasehold land and water treatment plants	3,483,460	(1,556,174)	-	-	(1,900,000)	-	-	27,286
Water supply service assets	8,694,765	-	775,390	826,718	-	(210,587)	45,547	10,131,833
Computer and office equipment, furniture and fittings	42,811	-	19,832	67,564	-	(29,091)	-	101,116
Motor vehicles	1,828	-	14,262	23,043	-	(3,436)	-	35,697
Renovation	-	-	17	16,296	-	(1,625)	-	14,688
Construction-in-progress	73,266	-	181,257	33,008	-	-	(45,547)	241,984
	<u>12,296,130</u>	<u>(1,556,174)</u>	<u>990,758</u>	<u>966,629</u>	<u>(1,900,000)</u>	<u>(244,739)</u>	<u>-</u>	<u>10,552,604</u>

	At 31.12.2019	
	Cost RM'000	Accumulated depreciation RM'000
Long term leasehold land and water treatment plants	27,286	-
Water supply service assets	10,781,368	(649,535)
Computer and office equipment, furniture and fittings	137,745	(36,629)
Motor vehicles	39,365	(3,668)
Renovation	16,313	(1,625)
Construction-in-progress	241,984	-
	11,244,061	(691,457)
		10,552,604

#### 4. PROPERTY, PLANT AND EQUIPMENT (continued)

- (a) All items of property, plant and equipment are initially measured at cost. After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is calculated to write down the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The estimated useful lives represent common life expectancies applied to the Company. The principal depreciation periods are as follows:

Water supply service assets	50 years
Computer and office equipment, furniture and fittings	3 - 10 years
Motor vehicles	5 years
Renovation	3 - 7 years

Water supply service assets represent reservoir, distribution pipes, valve and etc. for purpose to supply and distribution of treated water to consumers.

Property, plant and equipment under construction represent reservoir, distribution pipes, valve and other water supply service assets under construction. Property, plant and equipment under construction are not depreciated until such time when the assets are available.

- (b) During the financial year, the Company made the following cash payments to purchase property, plant and equipment:

	2020 RM'000	2019 RM'000
Purchases of property, plant and equipment	385,941	990,758
Settlement by way of issuance of ordinary shares	(91,272)	(765,280)
Cash payments on purchases of property, plant and equipment	<u>294,669</u>	<u>225,478</u>

#### 5. LEASES

##### The Company as a lessee

##### Right-of-use assets

	Balance as at 1.1.2020	Additions	Transferred from property plant and equipment	Reassess- ment and modification	Depreciation charge for the financial year	Balance as at 31.12.2020
Carrying amount	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Land and water treatment plants	8,015,196	-	27,286	-	(245,503)	7,796,979
Office premises and equipment	35,550	1,590	-	(345)	(6,971)	29,824
	<u>8,050,746</u>	<u>1,590</u>	<u>27,286</u>	<u>(345)</u>	<u>(252,474)</u>	<u>7,826,803</u>

**5. LEASES (continued)**

**The Company as a lessee (continued)**

**Right-of-use assets (continued)**

	Balance as at 1.1.2019 RM'000	Effects on adoption of MFRS 16 RM'000	Additions RM'000	Effects of restructuring RM'000	Depreciation charge for the financial year RM'000	Balance as at 31.12.2019 RM'000
<b>Carrying amount</b>						
Land and water treatment plants	-	1,556,174	3,413,666	3,148,529	(103,173)	8,015,196
Office premises and equipment	-	649	39,517	-	(4,616)	35,550
	-	1,556,823	3,453,183	3,148,529	(107,789)	8,050,746

**Lease liabilities**

	Balance as at 1.1.2020 RM'000	Additions RM'000	Reassessment and modification RM'000	Lease payments RM'000	Interest expense RM'000	Balance as at 31.12.2020 RM'000
<b>Carrying</b>						
Land and water treatment plants	10,976,959	13,497	-	(619,365)	545,208	10,916,299
Office premises and equipment	36,493	1,590	(522)	(8,365)	2,366	31,562
	11,013,452	15,087	(522)	(627,730)	547,574	10,947,861

	Balance as at 1.1.2019 RM'000	Effects on adoption of MFRS 16 RM'000	Additions RM'000	Effects of restructuring RM'000	Lease payments RM'000	Interest expense RM'000	Balance as at 31.12.2019 RM'000
<b>Carrying</b>							
Land and water treatment plants	-	1,638,159	2,286,020	7,079,968	(277,851)	250,663	10,976,959
Office premises and equipment	-	668	39,517	-	(5,549)	1,857	36,493
	-	1,638,827	2,325,537	7,079,968	(283,400)	252,520	11,013,452

	2020 RM'000	2019 RM'000
Represented by:		
Current liabilities	80,768	79,551
Non-current liabilities	10,867,093	10,933,901
	10,947,861	11,013,452

## 5. LEASES (continued)

- (a) The Company mainly leases land and water treatment plants from Pengurusan Aset Air Berhad (“PAAB”) to enable the Company to carry out the water supply services in the State of Selangor Darul Ehsan, Federal Territories of Kuala Lumpur and Putrajaya. The lease term is for a period of 45 years effective 13 September 2019.

The Company also leases certain items of office premises and equipment used in its operations with lease terms ranging from two (2) to ten (10) years. The lease arrangements generally do not allow for subleasing of the leased asset, unless there is a contractual right for the Company to sublet the lease asset to another party.

The Company has certain leases of machineries with lease term of 12 months or less, and low value leases of office equipment. The Company applies the “short-term lease” and lease of “low value assets” exemptions for these leases.

- (b) The right-of-use assets are initially measured at cost, which comprise the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date of the leases.

After initial recognition, right-of-use assets are stated at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any re-measurement of the lease liabilities.

The right-of-use assets are depreciated on a straight-line basis over the earlier of the estimated useful lives of the right-of-use assets or the end of the lease term. The lease terms of right-of-use assets are as follows:

Land and water treatment plants	up to 45 years
Office premises and equipment	2 - 10 years

- (c) The following are the amounts recognised in profit or loss:

	2020 RM'000	2019 RM'000
Depreciation charge of right-of-use assets (included in depreciation and amortisation expenses)	252,474	107,789
Interest expense on lease liabilities (included in finance costs)	547,574	252,520
Expense relating to short-term leases (included in other expenses)	9,346	2,157
Expense relating to variable lease payments (included in other expenses)	52,273	-
	<u>861,667</u>	<u>362,466</u>

## 5. LEASES (continued)

- (d) The table below summarises the maturity profile of the lease liabilities of the Company at the end of the reporting period based on contractual undiscounted repayment obligations as follows:

	<b>Incremental borrowing rate per annum %</b>	<b>On demand or within one year RM'000</b>	<b>One to five years RM'000</b>	<b>Over five years RM'000</b>	<b>Total RM'000</b>
<b>31 December 2020</b>					
Lease liabilities	5.5 - 6.4	636,649	2,483,863	23,482,042	26,602,554
<b>31 December 2019</b>					
Lease liabilities	5.5 - 6.4	647,111	2,501,592	24,073,149	27,221,852

- (e) Management exercises significant judgement in determining the incremental borrowing rates whenever the implicit rates of interest in a lease are not readily determinable as well as the lease terms. The incremental borrowing rates used are based on prevailing market borrowing rates over similar lease terms, of similar value as the right-of-use asset in a similar economic environment. Lease terms are based on management expectations driven by prevailing market conditions and past experience in exercising similar renewal and termination options.

## 6. INTANGIBLE ASSET

	<b>Balance as at 1.1.2020 RM'000</b>	<b>Amortisation charge for the financial year RM'000</b>	<b>Balance as at 31.12.2020 RM'000</b>
<b>31 December 2020</b>			
<b>Carrying amount</b>			
License	3,902,318	(87,366)	3,814,952
<b>31 December 2019</b>			
<b>Carrying amount</b>			
License	-	(29,121)	3,902,318

Intangible asset is initially measured at cost. The cost of intangible asset recognised in a business combination is their fair values as at the date of acquisition. After initial recognition, intangible asset, excluding goodwill is carried at cost less accumulated amortisation and any accumulated impairment losses, if any.

## 6. INTANGIBLE ASSET (continued)

License represents costs allocated pursuant to the Restructuring of Water Service Industry. The Company obtained a service license issued by Suruhanjaya Perkhidmatan Air Negara ("SPAN") and commenced the operations as a single holistic water service provider for the distribution and treatment of water supply. The License is amortised on a straight line method over forty five (45) years based on the rights to use the water supply service assets effective 13 September 2019.

The Company carries out impairment tests on property, plant and equipment, right-of-use assets and intangible asset (collectively known as non-current assets) whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of an asset fair value less cost to sell and value-in-use. The Company estimated the value-in-use based on a projection period of 44 years in correspondence to the useful life of the non-current assets. Estimating the value-in-use required significant management judgement to make an estimate of the expected future cash flows from the non-current assets, such as growth rates and discount rate in order to calculate the present value of those cash flows. Where actual results differ from the original projections, the differences may impact the carrying amount of the non-current assets.

## 7. INVESTMENTS IN SUBSIDIARIES

	2020 RM'000	2019 RM'000
<b>At cost</b>		
Unquoted shares	4,496,330	4,496,330
Cumulative Convertible Redeemable Preference Shares	4,800	4,800
	4,501,130	4,501,130
Less: Accumulated impairment losses	(4,501,130)	(4,501,130)
	-	-

- (a) Investments in subsidiaries are stated in the separate financial statements of the Company at cost less impairment losses.
- (b) The details of the subsidiaries, all of which are incorporated/principal place of business in Malaysia and dormant, are as follows:

Name of company	Effective interest in equity	
	2020	2019
PNSB Water Sdn. Bhd.	100%	100%
Syarikat Bekalan Air Selangor Sdn. Bhd. ("Syabas")	100%	100%
Titisan Modal (M) Sdn. Bhd. ("TMSB")	100%	100%
Konsortium Air Selangor Sdn. Bhd.	100%	100%
Syarikat Pengeluar Air Sungai Selangor Sdn. Bhd. ("Splash")	100%	100%
Central Water Reclamation Sdn. Bhd.*	100%	-
<b>Subsidiary of Syabas</b>		
Perbadanan Urus Air Selangor Berhad	100%	100%
<b>Subsidiaries of TMSB</b>		
Konsortium Abass Sdn. Bhd.	100%	100%



## 7. INVESTMENTS IN SUBSIDIARIES (continued)

- (b) The details of the subsidiaries, all of which are incorporated/ principal place of business in Malaysia and dormant, are as follows:

Name of company	Effective interest in equity	
	2020	2019
<b>Subsidiaries of TMSB</b>		
Rangkai Aman Sdn. Bhd. <sup>#</sup>	100%	100%

\* Central Water Reclamation Sdn. Bhd. was incorporated on 25 November 2020. Its intended principal activities are acquisition, construction, upgrade and maintenance of water reclamation facilities.

<sup>#</sup> Under members' voluntary winding up.

- (c) Acquisition of Syarikat Pengeluar Air Sungai Selangor Sdn. Bhd.

In the previous financial year, the Company acquired the entire issued and paid-up ordinary share capital of Splash, a company incorporated in Malaysia for a consideration of RM2,550,000,000. The settlement of the consideration is in the following manner:

- i. a sum of RM1,900,000,000 which was paid in 2019 upon satisfaction of the conditions precedent; and
- ii. a sum of RM650,000,000 to be paid in nine (9) annual instalments from 2020 to 2028.

The Company acquired Splash for the purposes of the Restructuring of the Water Service Industry in accordance with the Master Agreement as disclosed in Note 7(d) to the financial statements.

- (d) Restructuring of the Water Service Industry

On 13 September 2019, the Company had completed the Restructuring of the Water Services Industry and all the related concession agreements entered by the subsidiaries were terminated and the service license held by a subsidiary was surrendered. Upon the completion of Restructuring of the Water Service Industry, the Company had undertaken the following on 13 September 2019:

- (i) Transferred of all water supply service assets of the subsidiaries to PAAB through the Company pursuant to the Asset Transfer Agreements, which were subsequently leased by the Company from PAAB pursuant to the Lease Agreement and the Supplemental Facility Agreement.
- (ii) The Company obtained the license to operate from SPAN under the Water Services Industry Act 2006 as a single holistic water service provider for the distribution and treatment of water supply to consumers in Selangor, Kuala Lumpur and Putrajaya effective 13 September 2019. Accordingly, the Company recognised the License as an intangible asset amounting to RM3,931,439,000 in accordance with MFRS 138 *Intangible Assets* as disclosed in Note 6 to the financial statements.

## 8. INVENTORIES

	2020 RM'000	2019 RM'000
<b>At cost</b>		
Spare parts and equipment	9,691	8,353

- (a) Cost of inventories is determined using the weighted average basis. Cost comprises all costs of purchase, cost of conversion plus other costs incurred in bringing the inventories to their present location and condition.
- (b) During the financial year, inventories of the Company recognised as cost of sales amounted to RM54,333,000 (2019: RM13,578,000).

## 9. TRADE AND OTHER RECEIVABLES

	2020 RM'000	2019 RM'000
<b>Trade receivables</b>		
Third parties	265,987	198,686
Contract assets	100,897	98,965
Amount owing by State Government of Selangor	8,666	60,497
	375,550	358,148
Less: Impairment losses	(22,606)	(2,905)
	352,944	355,243
<b>Other receivables</b>		
Amount owing by immediate holding company	933	446
Amounts owing by subsidiaries	4,516	7,512
Other receivables	14,126	11,347
Deposits	16,593	16,451
Total other receivables	36,168	35,756
Total receivables	389,112	390,999
<b>Prepayments</b>		
Goods and services tax ("GST") receivables	42	128
Prepayments	1,627	685
	390,781	391,812

- (a) Trade and other receivables, excluding prepayments and GST receivables are classified as financial assets measured at amortised cost.
- (b) Trade receivables are non-interest bearing and the normal credit terms of trade receivables granted by the Company ranged from 30 to 90 days (2019: 30 to 90 days). They are recognised at their original invoices amounts, which represent their fair values on initial recognition.
- (c) Contract assets represent the timing differences in revenue recognition and the water billings, which is the water consumed by customers from the date of their last meter reading and period end.

**9. TRADE AND OTHER RECEIVABLES (continued)**

- (d) Amount owing by the State Government of Selangor represents amount owing on the quantum of free water usage granted by State Government of Selangor to certain water account holders.
- (e) Amounts owing by holding company and subsidiaries represent non-trade transactions which are unsecured, interest-free and repayable within next twelve (12) months in cash and cash equivalents.
- (f) Trade and other receivables are denominated in RM.
- (g) Impairment for trade receivables and contract assets that do not contain a significant financing component are recognised based on the simplified approach using the lifetime expected credit losses ("ECL").

The Company considers credit loss experience and observable data such as current changes and future forecasts in economic conditions to estimate the amount of expected impairment loss. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

During this process, the probability of non-payment by the trade receivables and contract assets is adjusted by forward looking information such as gross domestic product ("GDP") and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables and contract assets. For trade receivables and contract assets, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within administrative expenses in the statement of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

It requires management to exercise significant judgement in determining the probability of default by trade receivables and contract assets and appropriate forward looking information.

For all other financial assets, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for the financial instrument at an amount equal to 12-month ECL. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result in default events on a financial instrument that are possible within 12 months after the reporting date.

For the purpose of assessing whether the credit risk of the Company has increased significantly since initial recognition, the Company compares the risk of a default occurring at the reporting date with the risk of a default occurring at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that are reasonable and supportable, including historical experience and forward-looking information, which are available without undue cost or effort.

The Company defined significant increase in credit risk based on operating performance of the receivables, changes to the contractual terms, payment delays more than 30 days past due in making contractual payments and past due information.

It requires management to exercise significant judgement in determining the probabilities of default by other receivables, appropriate forward looking information and significant increase in credit risk.

**9. TRADE AND OTHER RECEIVABLES (continued)**

- (h) The reconciliation of movements in the impairment allowance for trade receivables and contract assets are as follows:

<b>Trade receivables and contract assets</b>	<b>Total allowance RM'000</b>
At 1 January 2020	2,905
Charge for the financial year	19,701
	<u>22,606</u>
At 31 December 2020	<u>22,606</u>
At 1 January 2019	-
Charge for the financial year	2,905
	<u>2,905</u>
At 31 December 2019	<u>2,905</u>

\* The effect of expected credit loss is insignificant

- (i) The information about the credit risk and expected credit losses ("ECL") allowance for trade receivables and contract assets of the Company using the provision matrix are as follows:

<b>2020</b>	<b>Current RM'000</b>	<b>1 to 153 days past due RM'000</b>	<b>More than 153 days past due RM'000</b>	<b>Total RM'000</b>
Gross carrying amounts				
- trade receivables and contract assets	106,682	181,124	87,744	375,550
ECL allowance	(178)	(1,073)	(21,355)	(22,606)
	<u>106,504</u>	<u>180,051</u>	<u>66,389</u>	<u>352,944</u>
<b>2019</b>				
Gross carrying amounts				
- trade receivables and contract assets	105,665	182,345	70,138	358,148
ECL allowance	-	-	(2,905)	(2,905)
	<u>105,665</u>	<u>182,345</u>	<u>67,233</u>	<u>355,243</u>

- (j) As at the end of each reporting period, the credit risk exposures relating to trade receivables and contract assets of the Company are reduced by deposits from water account holders. The Company did not renegotiate the terms of any trade receivables at the end of each reporting periods.
- (k) Credit risk concentration profile

In the previous financial year, the Company did not have any significant concentration of credit risk other than the amount owing by the State Government of Selangor constituting 17% of trade receivables of the Company. The Company did not anticipate the carrying amounts recorded at the end of the reporting period to be significantly different from the values that would eventually be received.

# 10. CASH AND BANK BALANCES

	2020 RM'000	2019 RM'000
Cash and bank balances	63,033	69,209
Deposits with licensed banks	<u>1,286,285</u>	<u>615,247</u>
As reported in the statement of financial position	1,349,318	684,456
Less:		
Deposits from water account holders	(132,698)	(169,890)
Deposits pledged to licensed banks	(40,111)	(5,751)
Deposits with maturity more than three (3) months	(114)	(137,601)
Restricted deposits, cash and bank balances	<u>(124,326)</u>	<u>(104,286)</u>
Cash and cash equivalents included in the statement of cash flows	<u>1,052,069</u>	<u>266,928</u>

- (a) As at the end of the reporting period, cash and bank balances of the Company included the following:
- (i) deposits from water account holders of the Company are maintained and may only be utilised for claims from consumers for refund of their deposits;
  - (ii) bank balances and deposits with licensed banks of the Company pledged as security for banking facilities granted by the Company; and
  - (iii) restricted deposits' balances of the Company are maintained and may only be utilised for various specific purposes but not working capital.
- (b) Included in cash and bank balances of the Company are amounts of RM37,412,000 (2019: RM803,000) and RM2,699,000 (2019: RM4,948,000) held under the Financial Service Reserve accounts ("FSRA") and Revenue Accounts ("RA") respectively in relation to the loans and borrowings as disclosed in Note 12 to the financial statements. The Company assigned and charged all its rights, interests, titles and benefits to FSRA and RA as securities for the repayment of the total secured amounts in respect of term loan amounting to RM1,350,000,000.
- (c) Cash and bank balances are denominated in RM.
- (d) The weighted average effective interest rates of deposits of the Company at the reporting date were as follows:

	2020	2019
<b>Weighted average effective interest rate (%)</b>		
- Fixed rates	<u>1.77%</u>	<u>3.32%</u>

- (e) Sensitivity analysis for fixed rate instruments as at the end of the reporting period was not presented as fixed rate instruments are not affected by changes in interest rates.
- (f) The average maturity days of deposits at the reporting date are as follows:

	2020 Days	2019 Days
Deposit with licensed banks	<u>125</u>	<u>120</u>

- (g) No expected credit losses were recognised from the cash and bank balances and deposits with licensed banks because the probability of default by the financial institution were negligible.

## 11. SHARE CAPITAL

	2020		2019	
	Number of shares (‘000)	RM’000	Number of shares (‘000)	RM’000
<b>Issued and fully paid</b>				
As at 1 January	10,813,342	13,503,216	10,812,577	12,737,936
Issuance of ordinary shares during the financial year	91	91,272	765	765,280
As at 31 December	<u>10,813,433</u>	<u>13,594,488</u>	<u>10,813,342</u>	<u>13,503,216</u>

- (a) During the financial year, the issued and fully paid-up ordinary share capital of the Company was increased from RM13,503,216,000 to RM13,594,488,000 by way of issuance of 91,272 new ordinary shares for the transfer of water supply service assets valued at RM91,272,000 owned by the State Government of Selangor to the Company.

The newly issued shares rank pari passu in all respects with the existing ordinary shares of the Company. There were no other issues of shares during the financial year.

- (b) In the previous financial year, the issued and fully paid-up ordinary share capital of the Company was increased from RM12,737,936,000 to RM13,503,216,000 by way of issuance of 765,280 new ordinary shares for the transfer of water supply service assets valued at RM765,280,000 owned by the State Government of Selangor to the Company.
- (c) The owner of the Company is entitled to receive dividends as and when declared by the Company and is entitled to one (1) vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the residual assets of the Company.

## 12. LOANS AND BORROWINGS

	2020 RM’000	2019 RM’000
<b>Non-current</b>		
<u>Secured</u>		
Term loan	1,283,333	1,316,289
<u>Unsecured</u>		
Term loan	86,281	101,088
Government loans	75,815	52,486
Sukuk Murabahah	1,100,000	-
	<u>1,262,096</u>	<u>153,574</u>
<b>Total non-current loans and borrowings</b>	<u>2,545,429</u>	<u>1,469,863</u>

## 12. LOANS AND BORROWINGS (continued)

	Note	2020 RM'000	2019 RM'000
<b>Current</b>			
<u>Secured</u>			
Term loan		54,167	16,667
<u>Unsecured</u>			
Government loans		-	33,224
Term loan		14,750	13,802
Sukuk Murabahah		48,927	-
Revolving credit-i ("RC-i")		30,000	-
		<u>93,677</u>	<u>47,026</u>
<b>Total current loans and borrowings</b>		<u>147,844</u>	<u>63,693</u>
<b>Total loans and borrowings</b>			
Government loans	(a)	75,815	85,710
Term loans	(b)	1,438,531	1,447,846
Sukuk Murabahah	(c)	1,148,927	-
Revolving credit-i ("RC-i")	(d)	30,000	-
		<u>2,693,273</u>	<u>1,533,556</u>

(a) Government loans

	Note	2020 RM'000	2019 RM'000
<b>Non-current</b>			
- Government Loan RM248.7 million	(i)	75,815	52,486
<b>Current</b>			
- Government Soft loan	(ii)	-	33,224
		<u>75,815</u>	<u>85,710</u>

(i) Government loan RM248.7 million

On 31 July 2017, the Company had entered into a Government Loan Agreement with the State Government of Selangor in respect of a loan facility of RM248.7 million granted to the Company by the State Government of Selangor.

	2020 RM'000	2019 RM'000
As at 1 January	52,486	38,519
Drawdowns during the financial year	55,663	38,037
Effect of MFRS 120 (Note 14(a))	(37,205)	(28,171)
Accretion of finance costs	4,871	4,101
As at 31 December	<u>75,815</u>	<u>52,486</u>

## 12. LOANS AND BORROWINGS (continued)

### (a) Government loans (continued)

#### (i) Government loan RM248.7 million (continued)

The salient terms of the Government Loan Agreement are as follows:

- (i) Facility amount : RM248.7 million.
- (ii) Purpose of loan : To finance aged pipe replacement projects in Selangor, Federal Territory of Kuala Lumpur and Putrajaya.
- (iii) Tenure : Twenty (20) years.

(iv) Drawdown period	:	Year	RM'000
		2017	55,000
		2018	100,000
		2019	<u>93,700</u> #
			<u>248,700</u>

# Drawdown of RM55,663,000 (2019: RM38,037,000) was made during the financial year.

- (v) Repayment : The facility amount to be repayable over twenty (20) years, commencing on the tenth (10th) year from the first (1st) drawdown i.e. grace period of ten (10) years.
- (vi) Annual interest rate : Nil

#### (ii) Government Soft loan

On 10 December 2015, the Company had entered into a Government Loan Agreement with the State Government of Selangor in respect of a loan facility of RM33.2 million granted to the Company by the State Government of Selangor.

The salient terms of the Government Soft Loan Agreement were as follows:

- (i) Facility amount : RM33.2 million.
- (ii) Purpose of loan : To finance the purchase of Syabas' Redeemable Convertible Unsecured Loan Stocks ("RCULS").
- (iii) Repayment : The facility amount to be repayable in one (1) year period.
- (iv) Annual interest rate : 4.00% (up to 9 December 2016); Nil (10 December 2016 onwards).

The Government Soft loan, which amounted to RM33,224,000 was fully repaid during the financial year.



## 12. LOANS AND BORROWINGS (continued)

### (b) Term Loans

	Note	2020 RM'000	2019 RM'000
<b>Non-current</b>			
- Term loan 1	i	86,281	101,088
- Term loan 2	ii	1,283,333	1,316,289
Total non-current term loans		1,369,614	1,417,377
<b>Current</b>			
- Term loan 1	i	14,750	13,802
- Term loan 2	ii	54,167	16,667
Total current term loans		68,917	30,469
		<u>1,438,531</u>	<u>1,447,846</u>

### (i) Term Loan 1

On 11 March 2016, the Company had entered into a Debt Settlement Agreement with its immediate holding Company which include the undertaking of RM140.0 million Affin loan as a part of the settlement for the acquisition of fifteen percent (15%) of ordinary share of Syabas from Kumpulan Perangsang Selangor Berhad and approximately seven percent (7%) of Redeemable Convertible Unsecured Loan Stocks of Syabas from its immediate holding company. The Company has subsequently entered into a Tawarruq Facility Agreement with Bank Islam Malaysia Berhad in respect of a loan facility of RM140 million granted to the Company by the Bank Islam Malaysia Berhad.

The salient terms of the Term Loan Agreement are as follows:

- (i) Facility amount : RM140.0 million.
- (ii) Bank's sale price : RM276,896,000
- (iii) Purpose of loan : To repay facility under its immediate holding company with Affin Bank Berhad.
- (iv) Tenure : Ten (10) years including 1 year grace period.
- (v) Annual interest rate : Cost of fund ("COF") + 1.50%

The term loan is repayable as follows from the date of the first drawdown on 29 November 2016:

	RM'000
Month 13 to 24	12,258
Month 25 to 120	<u>127,742</u>
	<u>140,000</u>

## 12. LOANS AND BORROWINGS (continued)

### (b) Term Loans (continued)

#### (ii) Term Loan 2

On 21 June 2019, the Company obtained business Financing-i 2 Facility from Bank Islam Malaysia Berhad ("BIMB") to acquire the land use right over water supply service assets, which amounted to RM1,337,500,000.

The salient terms of Bank Islam are as follows:

- (i) Facility amount : RM1,350.0 million.
- (ii) Repayment : The facility amount to be repayable in fifteen (15) years or one hundred and eighty (180) months from the date of the initial disbursement inclusive of one (1) year or twelve (12) months principal grace period ("Principal Grace Period")
- (iii) Annual interest rate : Cost of Fund ("COF") + 1.15% p.a.
- (iv) Security :
  1. Supplementary Assignment over designated accounts for PAAB.
  2. Security Sharing Agreement between the Company and PAAB.
  3. Letter of undertaking from the Company.
  4. Assignment over Finance Service Reserve Account ("FSRA") and Revenue Account.
  5. Memorandum of Deposits to maintain the minimum balance in FSRA as disclosed in Note 10(b) to the financial statements.

### (c) Sukuk Murabahah

On 23 December 2020, the Company completed its inaugural issuances of Islamic Medium Term Notes ("IMTNs") and Islamic Commercial Papers ("ICPs") under its recently established Sukuk Murabahah Programme, which comprises a 30-year IMTN Programme and a 7-year ICP Programme with a combined limit of up to RM10.0 billion in nominal value. The IMTNs and ICPs shall collectively be known as the "Sukuk Murabahah", and the IMTN Programme and ICP Programme shall collectively be known as the "Sukuk Murabahah Programme".

The inaugural issuance of IMTNs amounted to RM1.1 billion in nominal value while the inaugural issuance of ICP amounted to RM50 million in nominal value. The proceeds from the issuance of the Sukuk Murabahah is intended to fund amongst others, the Company's capital expenditure works, working capital and other general corporate purposes.

The salient terms of the Sukuk Murabahah Programme are as follows:

- (i) Combined programme limit : Up to RM10,000 million.
- (ii) Redemption : The Sukuk Murabahah shall be redeemed at the redemption amount on the respective maturity date (from 2023 to 2030).
- (iii) Profit rate : IMTNs  
Fixed rate to be determined prior to the issuance of the IMTNs ("Periodic Profit Rate").  
  
ICPs  
The ICPs shall be issued at a discount to its nominal value without periodic profit payment.

## 12. LOANS AND BORROWINGS (continued)

### (c) Sukuk Murabahah (continued)

The salient terms of the Sukuk Murabahah Programme are as follows:

- (iv) Designated Account : The Company shall at all times throughout the tenure of the Sukuk Murabahah maintain a credit balance in the Finance Service Reserve Account ("FSRA") of an amount equivalent to the aggregate of all Periodic Profit Payments falling due under the Sukuk Murabahah within the next six (6) months (the "Minimum Required Balance") save and except during the build-up period of the FSRA.

#### The build-up period of the FSRA

Prior to the first Periodic Profit Payment in respect of each issuance of the Sukuk Murabahah, the Company shall:

- a) Deposit a sum equivalent to fifty percent (50%) of the amount payable in respect of the Periodic Profit Payment falling due on each such Periodic Profit Payment Date six (6) months prior to the respective Periodic Profit Payment Date; and
- b) Deposit a sum equivalent to the remaining fifty percent (50%) of the amount payable in respect of each such Periodic Profit Payment three (3) months prior to the respective Periodic Profit Payment Date.

For the avoidance of doubt, any failure by the Company to maintain the Minimum Required Balance shall not constitute an Event of Default.

### (d) Revolving Credit-i ("RC-i") RM60.0 million

On 7 July 2015, the Company had entered into a Revolving Credit-i ("RC-i") Agreement with Bank Islam Malaysia Berhad in respect of a loan facility of RM10.0 million and on 27 March 2017, the Company had entered into another Revolving Credit-i ("RC-i") Agreement with Bank Islam Malaysia Berhad in respect of a loan facility of RM50.0 million granted from Bank Islam Malaysia Berhad. On 16 April 2018, both of the account has been consolidated into single account with a single limit of RM60.0 million for ease of administration.

The salient terms of Revolving Credit-i ("RC-i") are as follows:

- (i) Facility amount : RM60.0 million.
  - (ii) Purpose of loan : For general working capital purposes.
  - (iii) Repayment : The facility amount to be repayable in one (1) year period.
  - (iv) Annual interest rate : COF + 1.50%.
- (e) Loans and borrowings are classified as other financial liabilities measured at amortised cost.
- (f) All loans and borrowings are denominated in RM.

## 12. LOANS AND BORROWINGS (continued)

- (g) The interest rate profiles of the loans and borrowings as at end of each reporting period are as follows:

	2020 RM'000	2019 RM'000
Fixed rate	1,254,742	85,710
Floating rate	1,438,531	1,447,846
	<u>2,693,273</u>	<u>1,533,556</u>

- (h) Financial instruments that are not carried at fair values and whose carrying amounts are reasonable approximation of fair values, are as follows:

	2020		2019	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Term loans	1,438,531	1,438,531	1,447,846	1,447,846
Government loans	75,815	75,815	85,710	85,710
Sukuk Murabahah	1,148,927	1,148,927	-	-
Revolving credit-i ("RC-i")	30,000	30,000	-	-
	<u>2,693,273</u>	<u>2,693,273</u>	<u>1,533,556</u>	<u>1,533,556</u>

The carrying amounts of term loans, Sukuk Murabahah, Revolving Credit-i ("RC-i"), and government loans are reasonable approximations of fair values due to the current rates offered to the Company approximate their market rates for similar loans and borrowing of the same remaining maturities.

The fair value of loans and borrowings is categorised as Level 2 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.

- (i) Sensitivity analysis for fixed rate loans and borrowings as at the end of the reporting period is not presented as fixed rate instruments as it is not affected by change in interest rates. Sensitivity analysis of interest rates for the floating rate instruments at the end of the reporting period, assuming all other variables remain constant is as follows:

	2020 RM'000	2019 RM'000
<b>Effects of 10bp changes to loss after tax</b>		
Floating rate instruments	<u>1,093</u>	<u>1,100</u>

## 12. LOANS AND BORROWINGS (continued)

- (j) The table below summarises the maturity profile of the liabilities of the Company at the end of each reporting period based on contractual undiscounted repayment obligations.

	<b>On demand or within one year RM'000</b>	<b>One to five years RM'000</b>	<b>Over five years RM'000</b>	<b>Total RM'000</b>
<b>31 December 2020</b>				
Loans and borrowings/Total undiscounted financial liabilities	<u>213,429</u>	<u>877,711</u>	<u>2,413,350</u>	<u>3,504,490</u>
<b>31 December 2019</b>				
Loans and borrowings/Total undiscounted financial liabilities	<u>82,128</u>	<u>562,410</u>	<u>1,444,095</u>	<u>2,088,633</u>

## 12. LOANS AND BORROWINGS (continued)

(k) The following tables set out the carrying amounts, the weighted average effective interest rate as at the end of each reporting period and the remaining maturities financial instruments of the Company that are exposed to interest rate risk:

	Weighted average effective interest rate per annum %	Within 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	More than 5 years RM'000	Total RM'000
<b>31 December 2020</b>								
<b>Fixed rate</b>								
Government loans	-	-	-	-	-	-	75,815	75,815
Sukuk Murabahah	-	48,927	-	100,000	-	150,000	850,000	1,148,927
Revolving credit-i ("RC-i")	-	30,000	-	-	-	-	-	30,000
		78,927	-	100,000	-	150,000	925,815	1,254,742
<b>Floating rate</b>								
Term loans	5.05	68,917	68,714	79,597	93,857	114,853	1,012,593	1,438,531
<b>31 December 2019</b>								
<b>Fixed rate</b>								
Government loans	-	33,224	-	-	-	-	52,486	85,710
<b>Floating rate</b>								
Term loans	5.30	30,469	64,614	68,787	79,675	93,938	1,110,363	1,447,846

### 13. TRADE AND OTHER PAYABLES

	2020 RM'000	2019 RM'000
<b>Non-current</b>		
Amount owing to Syarikat Pengeluar Air Selangor Holdings Berhad	505,555	577,778
Amount owing to State Government of Selangor	212,500	-
	<u>718,055</u>	<u>577,778</u>
<b>Current</b>		
<b>Trade payables</b>		
Third parties	108,269	108,019
<b>Other payables</b>		
Amounts owing to related companies	733	724
Amounts owing to subsidiaries	19,215	-
Refundable deposits	577,936	555,667
Other payables	204,552	152,394
Accrued liabilities	238,233	200,208
	<u>1,040,669</u>	<u>908,993</u>
	<u>1,148,938</u>	<u>1,017,012</u>

- (a) Trade and other payables are classified as other financial liabilities measured at amortised cost.
- (b) Trade payables represent amounts outstanding for trade purchases and subcontractors claim on the contract works performed and have normal credit terms of 30 days to 90 days (2019: 30 to 90 days).
- (c) Amount owing to Syarikat Pengeluar Air Selangor Holdings Berhad is in relation to consideration payable for acquisition of its subsidiary and amount owing to State Government of Selangor is in respect of raw water royalty payables and accrued rental liabilities. Both amounts owing to Syarikat Pengeluar Air Selangor Holdings Berhad and State Government of Selangor are discounted at a rate of 5.25% (2019: 5.25%) and 4.25% (2019: Nil) per annum respectively.
- (d) The amounts owing to related companies and subsidiaries are interest free, unsecured and are payable within the next twelve (12) months.
- (e) Refundable deposits comprise mainly of water supply deposits received from customers.
- (f) Trade and other payables are denominated in RM.

### 13. TRADE AND OTHER PAYABLES (continued)

- (g) The table below summarises the maturity profile of the liabilities of the Company at the end of each reporting period based on contractual undiscounted repayment obligations.

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
<b>As at 31 December 2020</b>				
Trade payables	108,269	-	-	108,269
Other payables	1,040,669	442,033	459,132	1,941,834
Total undiscounted financial liabilities	<u>1,148,938</u>	<u>442,033</u>	<u>459,132</u>	<u>2,050,103</u>
<b>As at 31 December 2019</b>				
Trade payables	108,019	-	-	108,019
Other payables	908,993	387,472	326,806	1,623,271
Total undiscounted financial liabilities	<u>1,017,012</u>	<u>387,472</u>	<u>326,806</u>	<u>1,731,290</u>

### 14. GOVERNMENT GRANT

	2020 RM'000	2019 RM'000
As at 1 January	222,197	194,026
Effect of MFRS 120 (Note 12(a)(i))	37,205	28,171
Amortisation during the financial year	<u>(1,720)</u>	<u>-</u>
As at 31 December	<u>257,682</u>	<u>222,197</u>

- (a) Government grant represents the difference between the nominal amount of the loan received as disclosed in Note 12(a)(i) and the fair value of the government loan measured on initial recognition.

	2020 RM'000	2019 RM'000
As at 1 January	146,597	118,426
Add: Effect of MFRS 120 (Note 12(a)(i))	<u>37,205</u>	<u>28,171</u>
As at 31 December	<u>183,802</u>	<u>146,597</u>

- (b) Government grant represents funding received by the Company to partially fund the pipe replacement works as part of a program to replace aged pipes in order to overcome the water woes and supply disruptions in Kuala Lumpur, Putrajaya and Selangor.
- (c) Government grant relating to costs are deferred and recognised as income in profit or loss on a straight line basis over the periods necessary to match them with the related costs that they are intended to compensate.



## 15. CAPITAL COMMITMENTS

	2020 RM'000	2019 RM'000
Capital expenditure in respect of purchase of property, plant and equipment		
- Contracted but not provided for	273,091	103,387
- Approved but not contracted for	128,103	402,106
- Approved and contracted for	273,337	169,165
	<u>674,531</u>	<u>674,658</u>

## 16. REVENUE

Disaggregation of revenue from contracts with customers for the Company are categorised as follows:

	2020 RM'000	2019 RM'000
<b>Revenue from contracts with customers</b>		
Supply and distribution of treated water to consumers	1,926,478	589,993
Developers' capital contribution	95,484	26,193
Disconnection/Reconnection charges	7,663	5,834
Meter installation charges	4,422	1,402
Management fees	-	15,973
	<u>2,034,047</u>	<u>639,395</u>
<b>Timing of revenue recognition</b>		
Transferred at a point in time	2,034,047	623,422
Transferred over time	-	15,973
	<u>2,034,047</u>	<u>639,395</u>

The revenue of the Company is derived from the State of Selangor Dahrul Ehsan, Federal Territories of Kuala Lumpur and Putrajaya in Malaysia.

- (a) Supply and distribution of treated water to consumers  
Water revenue is recognised when the related water activity is rendered. Water consumed is billed every month according to the bill cycles of the customers.
- (b) Developers' capital contribution  
Developers' capital contribution represents contributions by developers recognised at point in time towards upgrading of the upstream work of water supply including trunk distribution system.
- (c) Disconnection/Reconnection charges  
Disconnection/Reconnection charges are recognised upon disconnection or reconnection of water supply.
- (d) Meter installation charges  
Meter installation charges is recognised when application process and inspection for new meter installation have been completed.
- (e) Management fees  
In the previous financial year, management fees were recognised when the services were rendered over time in respect of management and administrative support to its subsidiaries.

# **17. EMPLOYEE BENEFITS**

	2020 RM'000	2019 RM'000
Salaries, wages and bonuses	315,942	103,844
Contributions to defined contribution plan	41,635	13,849
Other employee benefits	50,608	17,124
	<u>408,185</u>	<u>134,817</u>

# **18. FINANCE COSTS**

	2020 RM'000	2019 RM'000
Interest expense on:		
- term loans	64,599	28,716
- lease liabilities	510,190	238,955
- revolving credit	175	224
- others	32,759	32,577
Accretion of interest on:		
- government loans	4,871	4,101
- lease liabilities	37,384	13,565
- amount owing to State Government of Selangor	12,994	-
	<u>662,972</u>	<u>318,138</u>

# **19. LOSS BEFORE TAX**

Other than those disclosed elsewhere in the financial statements, the loss before tax is arrived at:

	2020 RM'000	2019 RM'000
After charging:		
Auditors' remuneration	523	206
Trade and other receivables written off	443,577	13,951
Property, plant and equipment written off	2,256	-
Impairment on:		
- trade receivables	19,701	2,905
- investment in a subsidiary	-	2,550,000
And crediting:		
Gain on disposal of property, plant and equipment	1,173	-
Waiver of amounts owing to subsidiaries	134,271	1,644,472
Interest income from deposits with licensed banks	15,061	8,788
Fair value adjustment on other payable	<u>107,989</u>	<u>-</u>

Interest income is recognised as it accrues, using the effective interest method.

## 20. TAXATION

	2020 RM'000	2019 RM'000
Current tax expense based on loss for the financial year:		
- Current year	-	-
- Under/(Over)-provision in prior years	2,109	(1,686)
Taxation for the financial year	<u>2,109</u>	<u>(1,686)</u>

- (a) Malaysian income tax is calculated at the statutory tax rate of 24% (2019: 24%) of the estimated taxable profit for the fiscal year.
- (b) The numerical reconciliation between the taxation and the product of accounting loss multiplied by the applicable tax rates of the Company is as follows:

	2020 RM'000	2019 RM'000
Loss before tax	<u>(1,112,868)</u>	<u>(1,431,763)</u>
Tax at Malaysian statutory tax rate of 24% (2019: 24%)	(267,088)	(343,623)
Tax effects in respect of:		
Tax exempt income	(58,406)	(414,769)
Non-allowable expenses	203,773	723,789
Deferred tax assets not recognised	<u>121,721</u>	<u>34,603</u>
	-	-
Under/(Over)-provision in prior years		
- current tax	<u>2,109</u>	<u>(1,686)</u>
Taxation for the year	<u>2,109</u>	<u>(1,686)</u>

- (c) The amounts of temporary differences for which no deferred tax assets have been recognised in the statements of financial position are as follows:

	2020 RM'000	2019 RM'000
Unused tax losses		
- Expires by 31 December 2025	3,756	3,756
- Expires by 31 December 2027	134,258	-
Unabsorbed capital allowances	2,941,794	1,488,718
Other deductible temporary differences	<u>306,997</u>	<u>1,387,161</u>
	<u>3,386,805</u>	<u>2,879,635</u>

Deferred tax assets of the Company has not been recognised in respect of these items as it is not probable that taxable profits would be available against which the deductible temporary differences could be utilised. The unused tax losses and unabsorbed capital allowances up to the year of assessment 2018 shall be deductible until year of assessment 2025. The unused tax losses for the year of assessment 2019 onwards will expire in seven (7) years.

The amount and availability of these items to the carried forward up to the periods as disclosed above are subject to the agreement by the tax authority.

## 20. TAXATION (continued)

### (d) Uncertainty over income tax treatments

In the previous financial year, the Company in consultation with its tax advisors have taken the position that there are reasonable grounds to justify the income tax treatment by the Company based on the reasons and circumstances of the Restructuring of the Water Services Industry (Note 7 to the financial statements).

## 21. RELATED PARTIES DISCLOSURES

### (a) Identities of related parties

Parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties could be individuals or other parties.

The Company has controlling related party relationship with its direct and indirect subsidiaries.

Related parties of the Company include:

- (i) Direct and indirect subsidiaries as disclosed in Note 7 to the financial statements;
- (ii) Immediate holding company and ultimate holding companies;
- (iii) Companies in which certain Directors have financial interests; and
- (iv) Key management personnel who are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel include all the Directors of the Company, and certain members of the senior management of the Company.

### (b) Significant related party transactions

In additions to the transactions and balances detailed elsewhere in the financial statements, the Company had the following transactions with the related parties during the financial year:

- (i) Transactions with Government and government related entities

Air Selangor Holdings, a wholly-owned entity of Menteri Besar Selangor (Pemerbadanan), its related companies and ultimate holding company are deemed to be related parties of the Company. The Federal Government, State Government of Selangor and bodies controlled, jointly controlled or significant influenced by the Federal Government and State Government of Selangor are also related parties to the Company.

## 21. RELATED PARTIES DISCLOSURES (continued)

### (b) Significant related party transactions (continued)

In additions to the transactions and balances detailed elsewhere in the financial statements, the Company had the following transactions with the related parties during the financial year (continued):

#### (i) Transactions with Government and government related entities (continued)

The Company has not presented the related parties transaction with Government and government related entities as it has used the exemption available in paragraph 25 of MFRS 124 *Related Party Disclosures*.

	2020 RM'000	2019 RM'000
<b>Subsidiaries</b>		
Management fees expense	-	15,973
Operation and maintenance expense	-	2,881
Sale of treated water	-	14,637

Information regarding outstanding balance arising from related party transactions as at 31 December 2020 is disclosed in Note 9 and 13 to the financial statements.

### (c) Compensation of key management personnel

The remuneration of key management personnel comprising solely Directors of the following are as follows:

	2020 RM'000	2019 RM'000
Emoluments paid and payable	2,656	2,206

### (d) Material contracts

There were no material contracts, which have been entered into by the Company or its subsidiaries which involved Directors' and major shareholders' interests subsisting at the end of the financial year ended 31 December 2020 or entered into since the end of the previous financial year except as disclosed elsewhere in the financial statements.

## 22. CAPITAL AND FINANCIAL RISK MANAGEMENT

### (a) Capital management

The primary objective of the capital management of the Company is to ensure that the Company would be able to continue as a going concern whilst maximising return to its shareholder through the optimisation of the debt and equity ratios. The overall strategy of the Company remains unchanged from the date of incorporation.

The capital structure of the Company is represented by the equity of the Company and capital ratio is determined by the ultimate holding company. No changes were made in the objectives, policies or processes during the financial year ended 31 December 2020.

## **22. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)**

### **(a) Capital management (continued)**

The Company is not subject to any externally imposed capital requirements other than those disclosed in Note 12 to the financial statements.

### **(b) Financial risk management**

The exposure to these risks arises in the normal course of business of the Company. The overall business strategies of the Company outlines its tolerance to risk and its general risk management philosophy and is determined by the management in accordance with prevailing economic and operating conditions. The Company is exposed mainly to credit risk, liquidity and cash flow risk and interest rate risk. Information on the management of the related exposures is detailed below.

#### **(i) Credit risk**

Credit risk is the potential risk of financial loss arising from the failure of a customer or counter party to settle its financial and contractual obligations to the Company, as and when they fall due. The credit risk attributable to receivables is managed and monitored on an ongoing basis to ensure that overdue debts are within an acceptable level. For other financial assets, the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Company maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position. The Company has set up credit policies which establish credit limit for all water consumers and monitor their balances on an ongoing basis. The credit policies also require customers to place deposits within the Company where the deposits can be utilised to off-set against outstanding balance when the customers' accounts have been terminated.

The Company has established appropriate procedure to collect deposit from consumers when opening a new account and collected amount is maintained in a separate bank account to meet the claims of consumers for refund of consumers' deposits.

Deposits placed with licensed banks and cash and bank balances are placed with major financial institutions in Malaysia. The Directors believe that the possibility of non-performance by these financial institutions is remote on the basis of their financial strength.

The credit concentration profile has been disclosed in Note 9 and Note 10 to the financial statements.

#### **(ii) Liquidity and cash flow risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Company manages its liquidity risk by establishing budget with the view to ensuring that sufficient bank balances to meet the obligations. In addition, the Company negotiates with financial institutions and its creditors to reschedule and/or restructure the existing credit facilities to coincide with the present operating environment.

## 22. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

### (b) Financial risk management (continued)

#### (ii) Liquidity and cash flow risk (continued)

The analysis of financial instruments by remaining contractual maturities has been disclosed in Note 12 and Note 13 to the financial statements respectively.

#### (iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments of the Company would fluctuate because of changes in market interest rates.

The Company's primary interest rate risk relates to interest-earning deposits and interest-bearing loans and borrowings. The Company's floating loans and borrowings are exposed to a risk of changes in their fair values due to changes in interest rates. The Company's floating rate deposits and loans and borrowings are exposed to a risk of change in cash flows due to changes in interest rates. The Company does not use derivative financial instruments to hedge its risk.

The interest rate profile and sensitivity analysis of interest rate risk have been disclosed in Note 10, Note 12 and Note 13 to the financial statements respectively.

## 23. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs

### 23.1 New MFRSs adopted during the financial year

The Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ("MASB") during the financial year:

<b>Title</b>	<b>Effective Date</b>
<i>Amendments to References to the Conceptual Framework in MFRS Standards</i>	1 January 2020
<i>Amendments to MFRS 3 Definition of a Business</i>	1 January 2020
<i>Amendments to MFRS 101 and MFRS 108 Definition of Material</i>	1 January 2020
<i>Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform</i>	1 January 2020
<i>Amendment to MFRS 16 Covid-19-Related Rent Concessions</i>	1 June 2020
<i>Amendments to MFRS 4 Insurance Contract - Extension of the Temporary Exemption from Applying MFRS 9</i>	17 August 2020

The adoption of the above Standards did not have any material effect on the financial performance or position of the Company.

## 23. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (continued)

### 23.1 New MFRSs adopted during the financial year(continued)

#### **Amendment to MFRS 16 Covid-19-Related Rent Concessions**

MFRS 16 has been amended to:

- (a) provide lessees with an exemption from the requirement to determine whether a COVID-19-related rent concession is a lease modification; and
- (b) require lessees that apply the exemption to account for COVID-19-related rent concessions as if they were not lease modifications

The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- (i) changes in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (iii) there is no substantive change to other terms and conditions of the lease.

### 23.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2021

The following are Standards of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been early adopted by the Company:

<b>Title</b>	<b>Effective Date</b>
<i>Interest Rate Benchmark Reform - Phase 2</i> (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)	1 January 2021
Annual Improvements to MFRS Standards 2018 - 2020	1 January 2022
Amendments to MFRS 3 <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to MFRS 116 <i>Property, Plant and Equipment - Proceeds before Intended Use</i>	1 January 2022
Amendments to MFRS 137 <i>Onerous Contracts - Cost of Fulfilling a Contract</i>	1 January 2022
Amendments to MFRS 101 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 17 <i>Insurance Contracts</i>	1 January 2023
<i>Disclosure of Accounting Policies</i> (Amendments to MFRS 101 <i>Presentation of Financial Statements</i> )	1 January 2023
<i>Definition of Accounting Estimates</i> (Amendments to MFRS 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> )	1 January 2023
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

The Company is in the process of assessing the impact of implementing these Standards and Amendments, since the effects would only be observable in future financial years.

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