

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

DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS
31 DECEMBER 2021

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

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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 2021.

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

	RM'000
Loss for the financial year	<u>1,323,394</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 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

The Company did not issue any new ordinary shares or 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
YBhg Dato' Teo Yen Hua
Suhaimi Bin Kamaralzaman
Marina Yong Poh Nyuk
YB Tuan Ir. Izham Bin Hashim
YB Dato' Haji Haris Bin Kasim
YB Dato' Nor Azmie Bin Diron
YB Dato' Mohd Amin Bin Ahmad Ahya
Vilashini A/P V.Ganespathy
Haslina Binti Mansor

(Appointed on 7 December 2021)
(Resigned on 31 October 2021)
(Resigned on 5 November 2021)
(Appointed on 14 April 2022)
(Appointed on 14 April 2022)

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 2021 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 1.1.2021	Bought	Sold	Balance as at 31.12.2021
Shares in a related corporation, Kumpulan Perangsang Selangor Berhad				
<u>Direct interest:</u>				
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 22(c) to the financial statements.

INDEMNITY AND INSURANCE FOR OFFICERS, DIRECTORS AND AUDITORS

The Company maintains a corporate liability insurance for the Directors and Officers of the Company. During the financial year, the Company paid RM146,609 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.

OTHER STATUTORY INFORMATION REGARDING THE COMPANY (continued)

(I) AS AT THE END OF THE FINANCIAL YEAR (continued)

- (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 for recognition of amounts owing by subsidiaries written off amounted RM400,374,000 in statement of profit or loss of the Company.

(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 the 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.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Significant event during the financial year and subsequent to the end of the reporting period is disclosed in Note 25 to the financial statements.

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 2021 are disclosed in Note 20 to the financial statements.

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



.....
YB Dato' Haji Haris Bin Kasim
Director



.....
Suhaimi Bin Kamaralzaman
Director

Kuala Lumpur
14 April 2022

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 49 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 2021 and of the financial performance and cash flows of the Company for the financial year then ended.

On behalf of the Board,

.....
YB Dato' Haji Haris Bin Kasim
Director

Kuala Lumpur
14 April 2022

.....
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 49 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 14 April 2022

.....
Suhaimi Bin Kamaralzaman

Before me:



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50350 KUALA LUMPUR.



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Malaysia

**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 2021 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 49.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, 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.

BDO PLT

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

Kuala Lumpur
14 April 2022

Rejeesh A/L Balasubramaniam

**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 2021

	Note	2021 RM'000	2020 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	10,570,235	10,576,785
Right-of-use assets	5	7,648,668	7,826,803
Intangible assets	6	3,727,587	3,814,952
Investments in subsidiaries	7	300	-
Other investment	8	210	-
		21,947,000	22,218,540
Current assets			
Inventories	9	13,592	9,691
Trade and other receivables	10	333,107	390,781
Current tax assets		6,283	3,213
Cash and bank balances	11	1,300,128	1,349,318
		1,653,110	1,753,003
TOTAL ASSETS		23,600,110	23,971,543
EQUITY AND LIABILITIES			
Equity attributable to owner of the Company			
Share capital	12	13,594,488	13,594,488
Accumulated losses		(6,712,148)	(5,388,754)
TOTAL EQUITY		6,882,340	8,205,734
LIABILITIES			
Non-current liabilities			
Loans and borrowings	13	3,482,969	2,545,429
Lease liabilities	5	10,969,990	10,867,093
Trade and other payables	14	635,715	718,055
Government grant	15	256,189	257,682
		15,344,863	14,388,259
Current liabilities			
Loans and borrowings	13	132,930	147,844
Lease liabilities	5	83,493	80,768
Trade and other payables	14	1,156,484	1,148,938
		1,372,907	1,377,550
TOTAL LIABILITIES		16,717,770	15,765,809
TOTAL EQUITY AND LIABILITIES		23,600,110	23,971,543

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 2021

	Note	2021 RM'000	2020 RM'000
Revenue	17	2,015,887	2,034,047
Other operating income		169,705	277,971
Items of expense:			
Raw materials, consumables and maintenance expenses		(1,060,219)	(1,013,948)
Employee benefits expenses	18	(416,241)	(408,185)
Depreciation and amortisation expenses		(676,857)	(672,058)
Net losses on impairment of financial assets		(8,877)	(19,701)
Other operating expenses		<u>(656,879)</u>	<u>(648,022)</u>
		(633,481)	(449,896)
Finance costs	19	<u>(689,913)</u>	<u>(662,972)</u>
Loss before tax	20	(1,323,394)	(1,112,868)
Tax expense	21	<u>-</u>	<u>(2,109)</u>
Loss for the financial year		(1,323,394)	(1,114,977)
Other comprehensive income for the financial year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive loss for the financial year		<u><u>(1,323,394)</u></u>	<u><u>(1,114,977)</u></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 2021

	Note	Share capital RM'000	Accumulated losses RM'000	Total RM'000
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	12	91,272	-	91,272
Total transaction with owner		91,272	-	91,272
Balance as at 1 January 2021/31 December 2020		13,594,488	(5,388,754)	8,205,734
Loss for the financial year		-	(1,323,394)	(1,323,394)
Other comprehensive income, net of tax		-	-	-
Total comprehensive loss		-	(1,323,394)	(1,323,394)
Balance as at 31 December 2021		13,594,488	(6,712,148)	6,882,340

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 2021

	Note	2021 RM'000	2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(1,323,394)	(1,112,868)
Adjustments for:			
Amounts owing by subsidiaries written off		400,374	443,577
Amounts owing to subsidiaries waived		(2,600)	(134,271)
Amortisation of government grant	15	(1,493)	(1,720)
Amortisation of intangible assets	6	87,365	87,366
Depreciation of property, plant and equipment	4	340,604	332,218
Depreciation of right-to-use assets	5	248,888	252,474
Fair value adjustment on other payables		-	(107,989)
Impairment losses on trade receivables	10	8,877	19,701
Interest expense		689,913	662,972
Interest income		(20,631)	(15,061)
Property, plant and equipment written off	4	94	2,256
Operating profit before changes in working capital		427,997	428,655
Changes in working capital:			
Inventories		(3,901)	(1,338)
Trade and other receivables		46,386	(21,179)
Trade and other payables		(112,317)	316,215
Cash generated from operations		358,165	722,353
Tax refunded		-	1,700
Tax paid		(3,070)	(3,877)
Net cash from operating activities		355,095	720,176

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

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (continued)

	Note	2021 RM'000	2020 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	4(b)	(394,133)	(294,669)
Additional subscription of shares in a subsidiary, net of cash and cash equivalents acquired	7(c)	(300)	-
Repayments from/(Advances to):			
- immediate holding company		232	(487)
- subsidiaries		(221,917)	(287,095)
- related companies		1,545	9
Movements in:			
- deposits from water account holders		(181,049)	37,192
- deposits pledged to licensed banks		(20,854)	(34,360)
- deposits with maturity more than three (3) months		(487,265)	137,487
- restricted deposits cash and bank balances		49,907	(20,040)
Proceeds from sale and leaseback of property, plant and equipment		-	13,497
Interest received		20,631	15,061
Net cash used in investing activities		(1,233,203)	(433,405)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans and borrowings:			
- drawdowns		1,120,000	1,251,607
- repayments		(204,769)	(59,583)
Payments of:			
- lease liabilities		(80,663)	(80,156)
- interest expense on lease liabilities		(544,206)	(547,574)
- interest expense on loans and borrowings		(100,705)	(65,924)
Net cash from financing activities		189,657	498,370
Net (decrease)/increase in cash and cash equivalents		(688,451)	785,141
Cash and cash equivalents at beginning of the financial year		1,052,069	266,928
Cash and cash equivalents at end of the financial year	11	363,618	1,052,069

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

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (continued)

Reconciliation of liabilities arising from financing activities

	Lease liabilities (Note 5) RM'000	Loans and borrowings (Note 13) RM'000	Total RM'000
At 1 January 2020	11,013,452	1,533,556	12,547,008
Cash flows	(627,730)	1,126,100	498,370
Non-cash flows:			
Additions	15,087	-	15,087
Reassessment and modification	(522)	-	(522)
Effect of MFRS 120	-	(37,205)	(37,205)
Interest expense	547,574	70,822	618,396
	<u>562,139</u>	<u>33,617</u>	<u>595,756</u>
At 31 December 2020	<u>10,947,861</u>	<u>2,693,273</u>	<u>13,641,134</u>
At 1 January 2021	10,947,861	2,693,273	13,641,134
Cash flows	(624,869)	814,526	189,657
Non-cash flows:			
Additions	186,285	-	186,285
Interest expense	544,206	108,100	652,306
	<u>730,491</u>	<u>108,100</u>	<u>838,591</u>
At 31 December 2021	<u>11,053,483</u>	<u>3,615,899</u>	<u>14,669,382</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 2021

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 14 April 2022.

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 24.1 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 1.1.2021 RM'000	Transferred to right-of- use assets (Note 5) RM'000	Written off RM'000	Depreciation charge for the financial year RM'000	Reclassifications RM'000	Balance as at 31.12.2021 RM'000
Carrying amount						
Water supply service assets	10,064,514	51,575	(59,287)	(257,658)	92,902	9,892,046
Computer and office equipment, furniture and fittings	101,366	48,319	(698)	(61,748)	397	87,543
Motor vehicles	30,195	9,987	-	(11,906)	-	28,275
Renovation	18,487	10,130	-	(9,292)	13,282	32,607
Construction-in-progress	362,223	274,122	-	-	(106,581)	529,764
	10,576,785	394,133	(59,985)	(340,604)	-	10,570,235

	At 31.12.2021	
	Cost RM'000	Accumulated depreciation RM'000
Water supply service assets	11,046,056	(1,154,010)
Computer and office equipment, furniture and fittings	250,315	(162,772)
Motor vehicles	54,599	(26,324)
Renovation	49,980	(17,373)
Construction-in-progress	529,764	-
	11,930,714	(1,360,479)
		10,570,235

Transfer of property, plant and equipment to right-of-use assets

On 15 December 2021, the Company has agreed to transfer property, plant and equipment amounted to RM59,985,000 to Pengurusan Aset Air Berhad (“PAAB”). Subsequently, these assets were leaseback by the Company for use in water supply operation with a lease period of 45 years.

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

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 except freehold land are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Freehold land has unlimited useful life and is not depreciated. Construction-in-progress are not depreciated until such time when the assets are available. Depreciation on other property, plant and equipment 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	9 - 50 years
Computer and office equipment, furniture and fittings	3 - 10 years
Motor vehicles	5 years
Renovation	3 - 7 years

Water supply service assets represents freehold land, reservoir, distribution pipes, valve and etc. for purpose to supply and distribution of treated water to consumers. Construction-in-progress represents reservoir, distribution pipes, valve and other water supply service assets under construction.

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

	2021 RM'000	2020 RM'000
Purchases of property, plant and equipment	394,133	385,941
Settlement by way of issuance of ordinary shares	-	(91,272)
Cash payments on purchases of property, plant and equipment	<u>394,133</u>	<u>294,669</u>

5. LEASES

The Company as a lessee

Right-of-use assets

	Balance as at 1.1.2021 RM'000	Additions RM'000	Transferred from property plant and equipment (Note 4) RM'000	Depreciation charge for the financial year RM'000	Balance as at 31.12.2021 RM'000
Carrying amount					
Land and water treatment plants	7,796,979	4,211	59,985	(243,674)	7,617,501
Office premises and equipment	29,824	6,557	-	(5,214)	31,167
	<u>7,826,803</u>	<u>10,768</u>	<u>59,985</u>	<u>(248,888)</u>	<u>7,648,668</u>

5. LEASES (continued)

The Company as a lessee (continued)

Right-of-use assets (continued)

Carrying amount	Balance as at 1.1.2020 RM'000	Additions RM'000	Transferred from property plant and equipment (Note 4) RM'000	Reassess- ment and modification RM'000	Depreciation charge for the financial year RM'000	Balance as at 31.12.2020 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>

Lease liabilities

	Balance as at 1.1.2021 RM'000	Additions RM'000	Lease payments RM'000	Interest expense RM'000	Balance as at 31.12.2021 RM'000
Land and water treatment plants	10,916,299	179,728	(618,126)	541,699	11,019,600
Office premises and equipment	31,562	6,557	(6,743)	2,507	33,883
	<u>10,947,861</u>	<u>186,285</u>	<u>(624,869)</u>	<u>544,206</u>	<u>11,053,483</u>

	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
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
	<u>11,013,452</u>	<u>15,087</u>	<u>(522)</u>	<u>(627,730)</u>	<u>547,574</u>	<u>10,947,861</u>

	2021 RM'000	2020 RM'000
Represented by:		
Non-current liabilities	10,969,990	10,867,093
Current liabilities	<u>83,493</u>	<u>80,768</u>
	<u>11,053,483</u>	<u>10,947,861</u>

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:

	2021 RM'000	2020 RM'000
Depreciation charge of right-of-use assets (included in depreciation and amortisation expenses)	248,888	252,474
Interest expense on lease liabilities (included in finance costs)	544,206	547,574
Expense relating to short-term leases (included in other expenses)	63,380	61,619
Loss on reassessment and modifications of leases (included in other expenses)	-	(345)
	<u>856,474</u>	<u>861,322</u>

5. LEASES (continued)

(d) The following are the total cash outflows for leases as a lessee:

	2021 RM'000	2020 RM'000
Included in net cash from operating activities:		
Payments relating to short term leases	63,380	61,619
Interest expense paid in relation to lease liabilities	544,206	547,574
Included in net cash from financing activities:		
Payments of lease liabilities	80,663	80,156
Total cash outflow for leases	688,249	689,349

(e) The table below summarises the weighted average incremental borrowing rate as at the end of the reporting period and maturity profile of the lease liabilities of the Company at the end of the reporting period based on contractual undiscounted repayment obligations as follows:

	Weighted average incremental borrowing rate per annum %	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
31 December 2021					
Lease liabilities	5.5 - 6.4	632,268	2,527,335	23,258,704	26,418,307
31 December 2020					
Lease liabilities	5.5 - 6.4	636,649	2,483,863	23,482,042	26,602,554

(f) 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

	Balance as at 1.1.2021 RM'000	Amortisation charge for the financial year RM'000	Balance as at 31.12.2021 RM'000
31 December 2021			
Carrying amount			
License	3,814,952	(87,365)	3,727,587

6. INTANGIBLE ASSET (continued)

	Balance as at 1.1.2020 RM'000	Amortisation charge for the financial year RM'000	Balance as at 31.12.2020 RM'000
31 December 2020			
Carrying amount			
License	3,902,318	(87,366)	3,814,952

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.

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 43 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

	2021 RM'000	2020 RM'000
At cost		
Unquoted shares	4,496,630	4,496,330
Cumulative Convertible Redeemable Preference Shares	4,800	4,800
	4,501,430	4,501,130
Less: Accumulated impairment losses	(4,501,130)	(4,501,130)
	300	-

- (a) Investments in subsidiaries are stated in the separate financial statements of the Company at cost less impairment losses.

7. INVESTMENTS IN SUBSIDIARIES (continued)

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

Name of subsidiaries	Proportion of ownership effective interest (%)		% of ownership interest held by non-controlling interests		Principal activities
	2021	2020	2021	2020	
	Held by the Company				
Central Water Reclamation Sdn. Bhd. (“CWR”)	60	100	40	-	Producing treated water for non-potable use which includes the acquisition, construction, development, upgrade, operations and maintenance of water treatment facilities with reclamation technologies; the purchase of treated effluent, the treatment of treated effluent at water treatment facilities with reclamation technologies; the supply of treated water to Air Selangor for onward supply and distribution to consumers for non-potable use.
PNSB Water Sdn. Bhd. (“PNSB”)	100	100	-	-	Dormant
Syarikat Bekalan Air Selangor Sdn. Bhd. (“Syabas”)	100	100	-	-	Dormant
Titisan Modal (M) Sdn. Bhd (“TMSB”)	100	100	-	-	Dormant
Konsortium Air Selangor Sdn. Bhd.^	100	100	-	-	Dormant
Syarikat Pengeluar Air Sungai Selangor Sdn. Bhd. (“Splash”)	100	100	-	-	Dormant
Held by TMSB					
Konsortium Abass Sdn. Bhd. (“ABASS”)	100	100	-	-	Dormant
Rangkai Aman Sdn. Bhd.^	-	100	-	-	Dormant

7. INVESTMENTS IN SUBSIDIARIES (continued)

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

Name of subsidiaries	Proportion of ownership effective interest (%)		% of ownership interest held by non-controlling interests		Principal activities
	2021	2020	2021	2020	
Held by Syabas					
Perbadanan Urus Air Selangor Berhad	100	100	-	-	Dormant

^ Under members' voluntary winding up

As at the date of this report, the subsidiary has been dissolved on 12 August 2021

- (c) During the financial year, the Company acquired 299,998 ordinary shares in Central Water Reclamation Sdn. Bhd. ("CWR") for a total cash consideration of RM299,998. The equity interest of the Company in the CWR reduced from 100% to 60% as at the end of the reporting date.

8. OTHER INVESTMENT

	2021 RM'000	2020 RM'000
Carrying amount		
Club membership	210	-

- (a) Club membership stated at fair value through profit or loss represents transferable corporate membership in a country club.
- (b) Club membership of the Company is categorised as Level 1 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.
- (c) As the Company does not have the intention, nor historical trend of active trading in these financial instruments, the Directors are of the opinion that the Company is not subject to significant exposure to price risk and accordingly, no sensitivity analysis is being presented at the end of each reporting period.

9. INVENTORIES

	2021 RM'000	2020 RM'000
At cost		
Spare parts and equipment	13,592	9,691

- (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 RM51,837,000 (2020: RM54,333,000).

10. TRADE AND OTHER RECEIVABLES

	2021 RM'000	2020 RM'000
Current		
Trade receivables		
Third parties	246,385	265,987
Contract assets	72,102	100,897
Amount owing by State Government of Selangor	7,367	8,666
	325,854	375,550
Less: Impairment losses	(31,483)	(22,606)
	<u>294,371</u>	<u>352,944</u>
Other receivables		
Amount owing by immediate holding company	701	933
Amounts owing by subsidiaries	2,221	4,516
Amount owing by a related company	116	-
Other receivables	20,957	14,126
Deposits	13,439	16,593
Total other receivables	<u>37,434</u>	<u>36,168</u>
Total receivables	331,805	389,112
Current		
Total receivables	331,805	389,112
Prepayments		
Goods and services tax ("GST") receivable	-	42
Prepayments	1,302	1,627
	<u>333,107</u>	<u>390,781</u>

- Trade and other receivables, excluding prepayments and GST receivables are classified as financial assets measured at amortised cost.
- Trade receivables are non-interest bearing and the normal credit terms of trade receivables granted by the Company ranged from 30 to 90 days (2020: 30 to 90 days). They are recognised at their original invoices amounts, which represent their fair values on initial recognition.
- 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.
- 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.
- Amounts owing by immediate holding company, subsidiaries and a related company represent non-trade transactions which are unsecured, interest-free and payable within next twelve (12) months in cash and cash equivalents.
- Trade and other receivables are denominated in RM.

10. TRADE AND OTHER RECEIVABLES (continued)

- (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 are adjusted by forward looking information on macroeconomic factors, which the Company has identified as gross domestic product ("GDP") of Malaysia, 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 other operating expenses in the statement of profit or loss and other comprehensive income. On confirmation that the trade receivables 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 receivable and appropriate forward looking information.

Impairment for other receivables are recognised based on the general approach within MFRS 9 using the forward-looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve-month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. As at the end of the reporting period, the Company assesses whether there has been a significant increase in credit risk for financial assets by comparing the risk for default occurring over the expected life with the risk of default since initial recognition. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

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.

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

	Credit impaired RM'000	ECL allowance RM'000	Total allowance RM'000
Trade receivables and contract assets			
At 1 January 2021	17,862	4,744	22,606
Charge for the financial year	11,409	(2,532)	8,877
At 31 December 2021	29,271	2,212	31,483
At 1 January 2020	-	2,905	2,905
Charge for the financial year	17,862	1,839	19,701
At 31 December 2020	17,862	4,744	22,606

10. TRADE AND OTHER RECEIVABLES (continued)

- (i) The ageing analysis of trade receivables and contract assets of the Company are as follows:

	Gross carrying amount RM'000	Impairment allowance RM'000	Net balance RM'000
2021			
Current	137,047	(137)	136,910
Past due:			
1 to 30 days	41,971	(90)	41,881
31 to 60 days	24,917	(92)	24,825
61 to 90 days	15,664	(88)	15,576
More than 91 days	76,984	(1,805)	75,179
	159,536	(2,075)	157,461
Credit impaired			
Individually impaired	29,271	(29,271)	-
	<u>325,854</u>	<u>(31,483)</u>	<u>294,371</u>
2020			
Current	165,587	(178)	165,409
Past due:			
1 to 30 days	46,592	(172)	46,420
31 to 60 days	28,523	(192)	28,331
61 to 90 days	19,950	(213)	19,737
More than 91 days	97,036	(3,989)	93,047
	192,101	(4,566)	187,535
Credit impaired			
Individually impaired	17,862	(17,862)	-
	<u>375,550</u>	<u>(22,606)</u>	<u>352,944</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

The Company did not have any significant concentration of credit risk. 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.

11. CASH AND BANK BALANCES

	2021 RM'000	2020 RM'000
Cash and bank balances	27,653	63,033
Deposits with licensed banks	<u>1,272,475</u>	<u>1,286,285</u>
As reported in the statement of financial position	1,300,128	1,349,318
Less:		
Deposits from water account holders	(313,747)	(132,698)
Deposits pledged to licensed banks	(60,965)	(40,111)
Deposits with maturity more than three (3) months	(487,379)	(114)
Restricted deposits, cash and bank balances	<u>(74,419)</u>	<u>(124,326)</u>
Cash and cash equivalents included in the statement of cash flows	<u>363,618</u>	<u>1,052,069</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; and
- (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 as follows:

- (i) Amounts of RM26,786,000 (2020: RM28,312,000) and RM4,598,000 (2020: RM2,699,000) held under the Financial Service Reserve accounts ("FSRA") and Designated Accounts ("DA") respectively in relation term loan amounting to RM1,350,000,000 as disclosed in Note 13 to the financial statements; and
- (ii) Amount of RM29,482,000 (2020: RM9,100,000) held under the Financial Service Reserve accounts ("FSRA") in relation Sukuk Murabahah as disclosed in Note 13 to the financial statements.

The Company assigned and charged all its rights, interests, titles and benefits to FSRA and DA as securities for the repayment of the total secured amounts in respect of the term loan and Sukuk Murabahah.

(c) Cash and bank balances are denominated in RM.

11. CASH AND BANK BALANCES (continued)

- (d) The following table sets out the carrying amounts, the weighted average effective interest rates as at the end of reporting date and the remaining maturities of deposits with licensed banks of the Company that are exposed to interest rate risk:

	Weighted average effective interest rate %	Within one year RM'000	Total RM'000
31 December 2021			
Deposits with licensed banks	2.08%	<u>1,272,475</u>	<u>1,272,475</u>
31 December 2020			
Deposits with licensed banks	1.77%	<u>1,286,285</u>	<u>1,286,285</u>

Other bank balances earn interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between one (1) day and twelve (12) months, depending on the immediate cash requirements of the Company, and earn interest at respective short term deposits rates.

- (e) The Company's fixed rate deposits are exposed to a risk of changes in their fair values due to changes in interest rates. However, the Company does not account for fixed rate financial instruments at fair value through profit or loss and the carrying amount of fixed rate financial instruments of the Company are measured at amortised cost. Therefore, sensitivity analysis for fixed rate instruments as at the end of the reporting period was not presented.
- (f) 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.

12. SHARE CAPITAL

	2021		2020	
	Number of shares (‘000)	RM'000	Number of shares (‘000)	RM'000
Issued and fully paid				
Ordinary shares with no par value				
As at 1 January	10,813,433	13,594,488	10,813,342	13,503,216
Issuance of ordinary shares during the financial year	<u>-</u>	<u>-</u>	<u>91</u>	<u>91,272</u>
As at 31 December	<u>10,813,433</u>	<u>13,594,488</u>	<u>10,813,433</u>	<u>13,594,488</u>

- (a) In the previous 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 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.
- (b) 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.

13. LOANS AND BORROWINGS

	Note	2021 RM'000	2020 RM'000
Non-current			
<u>Secured</u>			
Term loans		1,230,000	1,283,333
<u>Unsecured</u>			
Term loans		70,833	86,281
Government loans		82,136	75,815
Sukuk Murabahah		2,100,000	1,100,000
		<u>2,252,969</u>	<u>1,262,096</u>
Total non-current loans and borrowings		<u>3,482,969</u>	<u>2,545,429</u>
Current			
<u>Secured</u>			
Term loans		57,500	54,167
<u>Unsecured</u>			
Term loans		15,430	14,750
Sukuk Murabahah		-	48,927
Revolving credit-i ("RC-i")		60,000	30,000
		<u>75,430</u>	<u>93,677</u>
Total current loans and borrowings		<u>132,930</u>	<u>147,844</u>
Total loans and borrowings			
Term loans	(a)	1,373,763	1,438,531
Government loans	(b)	82,136	75,815
Sukuk Murabahah	(c)	2,100,000	1,148,927
Revolving credit-i ("RC-i")	(d)	60,000	30,000
		<u>3,615,899</u>	<u>2,693,273</u>

(a) Term Loans

	Note	2021 RM'000	2020 RM'000
Non-current			
- Term loan 1	i	70,833	86,281
- Term loan 2	ii	1,230,000	1,283,333
Total non-current term loans		<u>1,300,833</u>	<u>1,369,614</u>
Current			
- Term loan 1	i	15,430	14,750
- Term loan 2	ii	57,500	54,167
Total current term loans		<u>72,930</u>	<u>68,917</u>
		<u>1,373,763</u>	<u>1,438,531</u>

13. LOANS AND BORROWINGS (continued)

(a) Term Loans (continued)

(i) Term Loan 1

On 11 March 2016, the Company 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 shares 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 had 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 Bank Islam Malaysia Berhad.

The salient terms of the Tawarruq Facility Agreement are as follows:

- (i) Facility amount : RM140.0 million.
- (ii) Bank's sale price : RM276,896,000
- (iii) Purpose of loan : To repay the 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 Funds ("COF") + 1.00%

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	127,742
	<hr/> 140,000 <hr/>

(ii) Term Loan 2

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

The salient terms of the loan agreement are as follows:

- (i) Facility amount : RM1,350.0 million.
- (ii) Repayment : The facility amount is repayable over 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 of principal grace period.
- (iii) Annual interest rate : COF + 1.00%

13. LOANS AND BORROWINGS (continued)

(a) Term Loans (continued)

(ii) Term Loan 2 (continued)

The salient terms of the loan agreement are as follows (continued):

- (iv) Security :
1. Supplementary Assignment over the designated accounts for PAAB.
 2. Security Sharing Agreement between the Company and PAAB.
 3. Letter of undertaking from the Company.
 4. Assignment over the Finance Service Reserve Account ("FSRA"), Revenue Account and Designated Account.
 5. Memorandum of Deposits over the deposits in relation to the minimum required balance in the FSRA as disclosed in Note 11(b) to the financial statements.

(b) Government loans

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.

	2021 RM'000	2020 RM'000
As at 1 January	75,815	52,486
Drawdowns during the financial year	-	55,663
Effect of MFRS 120 (Note 15(a))	-	(37,205)
Accretion of finance costs	6,321	4,871
As at 31 December	<u>82,136</u>	<u>75,815</u>

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> |

Drawdowns of RM38,037,000 and RM55,663,000 were completed in January 2019 and September 2020 respectively.

- (v) Repayment : The facility amount is 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

13. LOANS AND BORROWINGS (continued)

(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 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". Through the Sukuk Murabahah Programme, the Company may also issue SRI Sukuk Kelestarian Air Selangor ("SRI Sukuk") in compliance with its Air Selangor Sustainable Development Sukuk Kelestarian Framework. The proceeds from the issuances of the Sukuk Murabahah are intended to fund amongst others, the Company's capital expenditure works, working capital and other general corporate purposes. The proceeds from the SRI Sukuk are intended to finance eligible projects that are in compliance with Air Selangor's Sustainable Development Sukuk Kelestarian Framework.

On 23 December 2020, the Company completed 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.

On 29 October 2021, the Company completed a RM1.0 billion issuance, which comprises of its inaugural RM430.0 million SRI Sukuk issuance and its second tranche of RM570.0 million IMTNs.

Movements of IMTNs and ICPs of the Company during the financial year are as follows:

	2021 RM'000	2020 RM'000
As at 1 January	1,148,927	-
Issuances during the financial year	1,000,000	1,148,900
Repayments during the financial year	(93,969)	(891)
Finance costs	45,042	918
As at 31 December	2,100,000	1,148,927

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 dates (from 2023 to 2041 for the outstanding Sukuk Murabahah).
- (iii) Profit rate : IMTNs
Fixed rate to be determined prior to the issuance of the IMTNs.

ICPs
The ICPs shall be issued at a discount to its nominal value without periodic profit payment.
- (iv) Issuances : Year RM'000

2020	1,148,900
2021	1,000,000
	<u>2,148,900</u>

13. LOANS AND BORROWINGS (continued)

(c) Sukuk Murabahah (continued)

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

- (v) 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 entered into a Revolving Credit-i Agreement with Bank Islam Malaysia Berhad in respect of a loan facility of RM10.0 million and on 27 March 2017, the Company entered into another Revolving Credit-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 these accounts have been consolidated into single account with a single limit of RM60.0 million for ease of administration.

The salient terms of the Revolving Credit-i facility are as follows:

- (i) Facility amount : RM60.0 million.
- (ii) Purpose of loan : For general working capital purposes.
- (iii) Repayment : The facility amount is repayable up to twelve (12) months from disbursement.
- (iv) Annual interest rate : COF + 0.75%.

13. LOANS AND BORROWINGS (continued)

- (e) Loans and borrowings are classified as other financial liabilities measured at amortised cost.
- (f) All loans and borrowings are denominated in RM.
- (g) The interest rate profiles of the loans and borrowings as at end of each reporting period are as follows:

	2021 RM'000	2020 RM'000
Fixed rate	2,242,136	1,254,742
Floating rate	1,373,763	1,438,531
	<u>3,615,899</u>	<u>2,693,273</u>

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

	2021		2020	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Term loans	1,373,763	1,373,763	1,438,531	1,438,531
Government loans	82,136	82,136	75,815	75,815
Sukuk Murabahah	2,100,000	2,100,000	1,148,927	1,148,927
Revolving credit-i ("RC-i")	60,000	60,000	30,000	30,000
	<u>3,615,899</u>	<u>3,615,899</u>	<u>2,693,273</u>	<u>2,693,273</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:

	2021 RM'000	2020 RM'000
Effects of 10bp changes to loss after tax		
Floating rate instruments	<u>1,044</u>	<u>1,093</u>

13. 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.

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
31 December 2021				
Loans and borrowings/Total undiscounted financial liabilities	<u>270,903</u>	<u>1,154,345</u>	<u>3,522,167</u>	<u>4,947,415</u>
31 December 2020				
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>

13. 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 %	On demand or 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
31 December 2021								
Fixed rate								
Government loans	-	-	-	-	-	-	82,136	82,136
Sukuk Murabahah	2.59 - 4.88	-	100,000	-	150,000	-	1,850,000	2,100,000
Revolving credit-i ("RC-i")	3.20	60,000	-	-	-	-	-	60,000
		60,000	100,000	-	150,000	-	1,932,136	2,242,136
Floating rate								
Term loans	3.96	72,930	79,386	93,361	114,040	130,713	883,333	1,373,763
31 December 2020								
Fixed rate								
Government loans	-	-	-	-	-	-	75,815	75,815
Sukuk Murabahah	2.59 - 3.59	48,927	-	100,000	-	150,000	850,000	1,148,927
Revolving credit-i ("RC-i")	3.80	30,000	-	-	-	-	-	30,000
		78,927	-	100,000	-	150,000	925,815	1,254,742
Floating rate								
Term loans	5.05	68,917	68,714	79,597	93,857	114,853	1,012,593	1,438,531

14. TRADE AND OTHER PAYABLES

	2021 RM'000	2020 RM'000
Non-current		
Other payables		
Amount owing to Syarikat Pengeluar Air Selangor Holdings Berhad	433,333	505,555
Amount owing to State Government of Selangor	202,382	212,500
	<u>635,715</u>	<u>718,055</u>
Current		
Trade payables		
Third parties	103,631	108,269
Amount owing to a related company	471	-
Amount owing to a subsidiary	165	-
	104,267	108,269
Other payables		
Amounts owing to related companies	3,986	733
Amounts owing to subsidiaries	17,692	19,215
Refundable deposits	590,459	577,936
Other payables	162,149	204,552
Accrued liabilities	277,931	238,233
	<u>1,052,217</u>	<u>1,040,669</u>
	<u>1,156,484</u>	<u>1,148,938</u>

- Trade and other payables are classified as financial liabilities measured at amortised cost.
- Trade payables represent amounts outstanding for trade purchases and subcontractors claims on the contract works performed and have normal credit terms of 30 days to 90 days (2020: 30 to 90 days) from the date of invoice.
- Amount owing to Syarikat Pengeluar Air Selangor Holdings Berhad is in relation to consideration payable for an acquisition of its subsidiary, which is subject to interest rate of 5.25% (2020: 5.25%) per annum and payable over nine (9) years commencing 2019.
- Amount owing to State Government of Selangor is in respect of raw water royalty payables and accrued rental liabilities, which is non-interest bearing and payable over eighteen (18) years commencing 2020.
- Non-trade amounts owing to related companies and subsidiaries are interest free, unsecured and are payable within the next twelve (12) months.
- Refundable deposits comprise mainly of water supply deposits received from customers.
- Trade and other payables are denominated in RM.

14. TRADE AND OTHER PAYABLES (continued)

- (h) The following table sets out the carrying amounts, the weighted average effective interest rates as at the end of reporting date and the remaining maturities of trade and other payables of the Company that are exposed to interest rate risk:

	Weighted average effective interest rate %	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
As at 31 December 2021					
Trade payables	-	104,267	-	-	104,267
Other payables	4.94	1,076,151	426,709	358,100	1,860,960
Total undiscounted financial liabilities		1,180,418	426,709	358,100	1,965,227
As at 31 December 2020					
Trade payables	-	108,269	-	-	108,269
Other payables	4.95	1,040,669	442,033	459,132	1,941,834
Total undiscounted financial liabilities		1,148,938	442,033	459,132	2,050,103

- (i) The Company's fixed rate other payables are exposed to a risk of changes in their fair values due to changes in interest rates. However, the Company does not account for fixed rate financial instruments at fair value through profit or loss and the carrying amount of fixed rate financial instruments of the Company are measured at amortised cost. Therefore, sensitivity analysis for fixed rate instruments as at the end of the reporting period was not presented.

15. GOVERNMENT GRANT

	2021 RM'000	2020 RM'000
As at 1 January	257,682	222,197
Effect of MFRS 120 (Note 13(b))	-	37,205
Amortisation during the financial year	(1,493)	(1,720)
As at 31 December	256,189	257,682

15. GOVERNMENT GRANT (continued)

- (a) Government grant represents the difference between the nominal amount of the loan received as disclosed in Note 13(b) and the fair value of the government loan measured on initial recognition.

	2021 RM'000	2020 RM'000
As at 1 January	183,802	146,597
Add: Effect of MFRS 120 (Note 13(b))	-	37,205
As at 31 December	183,802	183,802

- (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.

16. CAPITAL COMMITMENTS

	2021 RM'000	2020 RM'000
Capital expenditure in respect of purchase of property, plant and equipment		
- Contracted but not provided for	851,122	651,399
- Approved but not contracted for	1,715,253	237,772
- Approved and contracted for	402,254	276,301
	2,968,629	1,165,472

17. REVENUE

	2021 RM'000	2020 RM'000
Revenue from contracts with customers		
Supply and distribution of treated water to consumers	1,910,283	1,926,478
Developers' capital contribution	81,808	95,484
Disconnection/Reconnection charges	18,308	7,663
Meter installation charges	4,138	4,422
Sale of non-potable water	1,350	-
	2,015,887	2,034,047
Timing of revenue recognition		
Transferred at a point in time	2,015,887	2,034,047

17. REVENUE (continued)

The revenue of the Company is derived from the State of Selangor Darul 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) Sales of non-potable water

Sales of non-potable water is recognised when the related water activity is rendered. Water consumed is billed every month according to the bill cycles of the customers.

Disaggregation of revenue from contract with customer has not been presented as the Company evaluate their business performance based on geographical location and the business of the Company is focused only in State of Selangor Darul Ehsan, Federal Territories of Kuala Lumpur and Putrajaya in Malaysia.

18. EMPLOYEE BENEFITS

	2021 RM'000	2020 RM'000
Salaries, wages and bonuses	326,221	315,942
Contributions to defined contribution plan	42,536	41,635
Other employee benefits	47,484	50,608
	<u>416,241</u>	<u>408,185</u>

19. FINANCE COSTS

	2021 RM'000	2020 RM'000
Interest expense on:		
- term loans	56,267	64,599
- lease liabilities	544,206	547,574
- sukuk murabahah	45,042	918
- revolving credit	214	175
- amount owing to Syarikat Pengeluar Air Selangor Holdings Berhad	27,725	31,582
- others	256	259
Accretion of interest on:		
- government loans	6,321	4,871
- amount owing to State Government of Selangor	9,882	12,994
	<u>689,913</u>	<u>662,972</u>

20. LOSS BEFORE TAX

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

	2021 RM'000	2020 RM'000
After charging:		
Auditors' remuneration	540	523
Amounts owing by subsidiaries written off	400,374	443,577
Property, plant and equipment written off	94	2,256
Impairment losses on trade receivables	8,877	19,701
And crediting:		
Amounts owing to subsidiaries waived	2,600	134,271
Interest income from deposits with licensed banks	20,631	15,061
Fair value adjustment on other payable	-	107,989
Non-revenue water matching grant	<u>122,379</u>	<u>-</u>

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

21. TAX EXPENSE

	2021 RM'000	2020 RM'000
Current tax expense based on loss for the financial year:		
- Current year	-	-
- Under-provision in prior year	-	2,109
Tax expense for the financial year	<u>-</u>	<u>2,109</u>

- (a) Malaysian income tax is calculated at the statutory tax rate of 24% (2020: 24%) of the estimated taxable profit for the fiscal year.

21. TAX EXPENSE (continued)

- (b) The numerical reconciliation between the tax expense and the product of accounting loss multiplied by the applicable tax rates of the Company is as follows:

	2021 RM'000	2020 RM'000
Loss before tax	(1,323,394)	(1,112,868)
Tax at Malaysian statutory tax rate of 24% (2020: 24%)	(317,614)	(267,088)
Tax effects in respect of:		
Tax exempt income	(6,294)	(58,406)
Non-allowable expenses	204,379	203,773
Deferred tax assets not recognised	119,529	121,721
	-	-
Under-provision in prior year		
- current tax	-	2,109
Tax expense for the year	-	2,109

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

	2021 RM'000	2020 RM'000
Unused tax losses		
- Expires by 31 December 2028	3,756	3,756
- Expires by 31 December 2030	213,385	213,385
- Expires by 31 December 2031	114,191	-
Unabsorbed capital allowances	3,576,326	2,953,288
Other deductible temporary differences	-	239,193
	3,907,658	3,409,622

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 2028. The unused tax losses for the year of assessment 2019 onwards will expire in ten (10) 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.

- (d) Uncertainty over income tax treatments

As at the end of the reporting period, the Company in consultation with its tax advisors have taken the position that there are reasonable grounds to justify the income tax treatments of transactions arising from the Restructuring of the Water Services Industry, which was completed on 13 September 2019 based on the reasons and circumstances of the Restructuring of the Water Services Industry.

22. 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.

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*.

	2021 RM'000	2020 RM'000
Subsidiaries		
Purchase of non-potable water	1,372	-
Management fees income	(91)	-
Interest income on advances to subsidiary	(44)	-

Information regarding outstanding balance arising from related party transactions as at 31 December 2021 are disclosed in Note 10 and 14 to the financial statements.

22. RELATED PARTIES DISCLOSURES (continued)

(c) Compensation of key management personnel

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

	2021 RM'000	2020 RM'000
Emoluments paid and payable	<u>2,581</u>	<u>2,656</u>

(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 2021 or entered into since the end of the previous financial year except as disclosed elsewhere in the financial statements.

23. 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 current financial year and previous financial years.

The Company is not subject to any externally imposed capital requirements other than those disclosed in Note 13 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.

23. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

(b) Financial risk management (continued)

(i) Credit risk

Credit risk is the potential risk of financial loss arising from the failure of a customer or a 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 deposits from consumers when opening a new account and the 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 10 and Note 11 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 ensure availability of sufficient bank balances to meet the obligations as and when due. 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.

The analysis of financial instruments by remaining contractual maturities has been disclosed in Note 13 and Note 14 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.

23. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

(b) Financial risk management (continued)

(iii) Interest rate risk (continued)

The Company's primary interest rate risk relates to interest-earning deposits, interest-bearing loans and borrowings and interest-bearing payables. The Company's fixed rate loans and borrowings and payables are exposed to a risk of changes in their fair values due to changes in interest rates. However, the Company does not account for fixed rate financial instruments at fair value through profit or loss and the carrying amount of fixed rate financial instruments of the Company are measured at amortised cost. 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 11, Note 13 and Note 14 to the financial statements respectively.

24. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs

24.1 New MFRSs adopted during the financial year

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

Title	Effective Date
<i>Interest Rate Benchmark Reform - Phase 2</i> (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)	1 January 2021
<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i> (Amendment to MFRS 16 Leases)	1 April 2021 (early adopted)

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

24.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2022

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

Title	Effective Date
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

24. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (continued)

24.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2022 (continued)

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

Title	Effective Date
MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 17 <i>Insurance Contracts</i>	1 January 2023
<i>Initial Application of MFRS 17 and MFRS 9 Comparative Information</i> (Amendment 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
<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> (Amendments to MFRS 112)	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.

25. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE END OF THE REPORTING PERIOD

The Coronavirus 2019 disease ("COVID-19") pandemic

The COVID-19 pandemic, which started in 2020, remained an international concern as the number of COVID-19 cases continued to increase with the appearance of various variants of concern. As a result, the Movement Control Order ("MCO") initially imposed by the Government of Malaysia had subsequently entered into various phases of the MCO, followed by the announcement of the National Recovery Plan ("NRP") in June 2021, which details a roadmap to control the COVID-19 pandemic while progressively reopening society and the economic sectors towards the new normal under four progressive phases.

Based on the assessment of the Company, there is no significant impact arising from the COVID-19 pandemic in respect of the judgements and assumptions used in the preparation of the financial statements for the financial year ended 31 December 2021. The Company will continue to assess the impact of the COVID-19 pandemic on the financial statements of the Company for the financial year ending 31 December 2022.

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