

PBA HOLDINGS BHD

Company No: 515119-U
(Incorporated in Malaysia)

Interim Financial Report

31 DECEMBER 2009

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Condensed Consolidated Balance Sheet
At 31 December 2009

	31 December 2009 RM '000	31 December 2008 RM '000
ASSETS		
Non-current assets		
Property, plant and equipment	681,447	660,745
Investments in jointly controlled entity	1,289	1,305
Investments	19,408	10,888
Prepaid lease payments	17,052	17,278
Current assets		
Inventories	15,333	17,390
Trade receivables	8,456	12,258
Other receivables	24,847	26,354
Tax recoverable	9,507	8,653
Fixed deposits	52,900	67,900
Cash and bank balances	9,407	12,264
	<u>120,450</u>	<u>144,819</u>
TOTAL ASSETS	<u><u>839,647</u></u>	<u><u>835,035</u></u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share Capital	165,635	165,603
Reserves	465,126	458,608
	<u>630,761</u>	<u>624,211</u>
Minority Interest	-	-
Total Equity	<u><u>630,761</u></u>	<u><u>624,211</u></u>
Non-Current Liabilities		
Term loans - unsecured	71,788	78,340
Deferred taxation	6,350	6,000
Provision for retirement benefits	25,291	23,631
	<u>103,429</u>	<u>107,971</u>
Current Liabilities		
Trade payables	569	1,133
Other payables	95,471	86,071
Term loans (unsecured)	6,552	6,552
Proposed Dividend	-	7,452
Retirement benefit obligations	2,863	1,645
	<u>105,456</u>	<u>102,853</u>
Total Liabilities	<u>208,885</u>	<u>210,824</u>
TOTAL EQUITY AND LIABILITIES	<u><u>839,647</u></u>	<u><u>835,035</u></u>
Net assets per share (RM)	<u><u>1.90</u></u>	<u><u>1.88</u></u>

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2008.

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Condensed Consolidated Income Statements
For the year ended 31 December 2009

	3 months ended 31 December 2009 RM'000	3 months ended 31 December 2008 RM'000	12 months ended 31 December 2009 RM'000	12 months ended 31 December 2008 RM'000
Revenue	47,379	45,252	184,695	187,857
Cost of Sales	33,567	30,023	134,171	130,371
Gross Profit	13,812	15,229	50,524	57,486
Other income				
- Interest income	390	639	1,889	3,159
- Others	3,260	3,168	9,661	10,435
Administrative expenses	(15,215)	(14,149)	(46,256)	(43,527)
Profit from operations	2,247	4,887	15,817	27,553
Finance Cost				
- Interest expense	(4)	(8)	(29)	(19)
Share of profits of jointly controlled entity	32	245	32	245
Profit before taxation	2,275	5,124	15,820	27,779
Income Tax expense				
Company and subsidiaries	320	(5,100)	998	(3,519)
Jointly controlled entity	5	-	5	-
	(325)	5,100	(1,004)	3,519
Profit after taxation	1,951	10,224	14,817	31,298
Minority interest	-	-	-	-
Net Profit for the year	1,951	10,224	14,817	31,298
Earnings per share (sen)				
- Basic	0.59	3.09	4.47	9.45

The condensed consolidated income statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2008.

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Condensed Consolidated Statement of Changes in Equity
For the year ended 31 December 2009

	Share capital RM 000	Treasury Share RM 000	Share Premium RM 000	Other Reserves RM 000	Distributable Retained profits RM 000	Total RM 000
At 1 January 2009	165,603	-	161,910	1,269	295,429	624,211
Issuance of shares pursuant to ESOS	32		27			59
Forfeiture of share options granted/vested under ESOS				(21)	21	-
Exchange Fluctuation Reserve, representing net expense recognised directly in equity				(43)		(43)
Profit after taxation for the year	-		-	-	14,817	14,817
Total recognised income and expense for the year	-	-	-	(43)	14,817	14,774
Final Dividend of 4% Less Tax at 25%	-		-	-	(4,968)	(4,968)
Interim Tax Exempt Dividend of 2%	-		-	-	(3,313)	(3,313)
Purchase of treasury share	-	(2)	-	-	-	(2)
At 31 Dec 2009	165,635	(2)	161,937	1,205	301,986	630,761
At 1 January 2008	165,603	-	161,910	405	219,655	547,573
Effect of adopting revised FRS112	-	-	-	-	60,469	60,469
At 1 January 2008 (Restated)	165,603	-	161,910	405	280,124	608,042
Shares options granted under ESOS				340		340
Forfeiture of share options granted/vested under ESOS				(37)	37	-
Total recognised income and expense for the year	-	-	-	561	31,298	31,859
Final dividend of 6% less tax at 26%	-		-	-	(8,578)	(8,578)
Interim dividend of 6% less tax at 25%	-		-	-	(7,452)	(7,452)
At 31 Dec 2008	165,603	-	161,910	1,269	295,429	624,211

* The share capital includes 1 Special Rights Redeemable Preference Share (Special Share) of RM0.50 each

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2008.

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Condensed Consolidated Cash Flow Statement
For the year ended 31 December 2009

	12 months ended 31 December 2009 RM '000	12 months ended 31 December 2008 RM '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	15,820	27,779
Adjustments for -		
Depreciation	36,936	33,790
Interest expense	-	-
Interest income	(1,889)	(3,556)
Provision for retirement benefits	5,254	4,998
Other miscellaneous	844	6,638
	<hr/>	<hr/>
Operating profit before working capital changes	56,966	69,649
Net change in current assets	3,163	(4,420)
Net change in current liabilities	24,158	(9,246)
	<hr/>	<hr/>
Cash generated from operations	84,287	55,983
Interest paid	-	-
Retirement benefits paid	(2,376)	(1,635)
Tax refund /(paid)	(1,457)	(234)
	<hr/>	<hr/>
Net cash from operating activities	80,454	54,114
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received (net)	296	500
Interest received	1,889	3,556
Proceeds from disposal of property, plant and equipment	197	530
Proceeds from disposal/withdrawal of investments	24,405	28,194
Prepaid Land Lease payment	(0)	-
Purchase of property, plant and equipment	(73,111)	(81,690)
Purchase of investments	(29,759)	(18,768)
	<hr/>	<hr/>
Net cash used in investing activities	(76,083)	(67,678)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	60	-
Treasury Shares	(2)	-
Term loans (net)	(6,552)	(6,552)
Dividend paid	(15,733)	(8,578)
	<hr/>	<hr/>
Net cash used in financing activities	(22,227)	(15,130)
Net (decrease) / increase in cash and cash equivalents	(17,857)	(28,694)
Cash and cash equivalents at 1 January	80,164	108,858
	<hr/>	<hr/>
Cash and cash equivalents at 31 December	62,307	80,164
	<hr/>	<hr/>
Cash and cash equivalents at 31 December		
Fixed deposits	52,900	67,900
Cash and bank balances	9,407	12,264
	<hr/>	<hr/>
	62,307	80,164
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The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2008.

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Notes to the Interim Financial Report

PART A – Notes Pursuant to FRS 134

A1. Basis of preparation

The interim financial report is unaudited and has been prepared in compliance with FRS 134, Interim Financial Reporting and Chapter 9 Part K of the Listing Requirement of Bursa Malaysia Securities Berhad (BMSB).

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2008. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2008.

A2. Changes in Accounting Policies and Effects Arising from Adoption of Revised Financial Reporting Standards (FRSs)

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2008 except for the following new FRSs, Amendments and Interpretations which have been issued but are not yet effective and are applicable but have not been applied by the Group and the company:-

FRSs, Amendments and Interpretations	Effective for financial periods beginning on or after
FRS 7: Financial Instruments: Disclosures	1 January 2010
FRS 8: Operating Segments	1 July 2009
FRS 139: Financial Instruments: Recognition and Measurement	1 January 2010
Amendments to FRS 139, Financial Instruments: Recognition and Measurement, FRS 7, Financial Instruments: Disclosures and IC Interpretation 9, Reassessment of Embedded Derivatives	1 January 2010
Amendments to FRS 139, Financial Instruments: Recognition and Measurement	1 January 2010
IC Interpretation 9: Reassessment of Embedded Derivatives	1 January 2010
Amendments to IC Interpretation 9, Reassessment of Embedded Derivatives	1 July 2010
IC Interpretation 10: Interim Financial Reporting and Impairment	1 January 2010

The Group and the Company are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 7 and FRS 139.

The other new FRSs, Amendments and Interpretations above are expected to have no significant impact on the financial statements of the Group and the Company upon their initial application.

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A3. Auditors' report on preceding annual financial statements

The audit report of the audited financial statements for the year ended 31 December 2008 was not subject to any qualification.

A4. Comments about seasonal or cyclical factors

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

A5. Unusual items due to their nature, size or incidence

There is no unusual item in the current quarter and current financial year to-date ended 31 December 2009.

A6. Significant Accounting Estimates and Judgments

There is no change in estimates that has had a material effect on the current quarter and current financial year to-date results.

A7. Debt and equity securities

There is no issuance and repayment of debt and equity securities, share cancellations, and resale of treasury shares except for the following

(a) Treasury Shares

During the current financial year-to-date 31 December 2009, the Company repurchased 2,000 of its issued ordinary shares from the open market. 1,000 shares were at an average price of RM1.00 per share and another 1,000 shares were at an average price of RM0.95. The total consideration paid for the repurchase was RM2,032 comprising of consideration paid to amounting RM1,950 and transaction costs of RM83. The repurchased transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

Of the total 331,270,400 issued and fully paid ordinary shares as at 31 December 2009, 2,000 are held as treasury shares by the Company. As at 31 December 2009, the number of outstanding ordinary shares in issue after setoff is therefore 331,268,400 ordinary shares of RM0.50 each.

(b) Employees' Share Options Scheme (ESOS)

During the current financial year-to-date 31 December 2009, the Company issued 65,000 shares of RM0.50 each respectively for cash pursuant to the Company's ESOS at exercise price at RM0.92 per ordinary share.

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Notes to the Interim Financial Report

A8. Dividends paid

	Amount		Net dividends per share	
	31-Dec 2009 RM'000	31-Dec 2008 RM'000	31-Dec 2009 Sen	31-Dec 2008 Sen
In respect of financial year ended 31 December 2007:				
Final dividend of 7% less tax at 26 % paid on 25 July 2008	-	8,578	-	2.59
In respect of financial year ended 31 December 2008:				
Interim dividend of 6% less tax at 25% paid on 9 January 2009	-	7,452	-	2.25
Final dividend of 4% less tax at 25 % paid on 17 July 2009	4,968		1.50	
In respect of financial year ended 31 December 2009:				
Interim Tax Exempt dividend of 2% paid on 28 December 2009	3,313		1.00	
	8,281	16,030	2.50	4.84

An Interim Tax Exempt dividend of 2% amounting to RM3,313,000 for the financial year ended 31 December 2009 was paid on 28 December 2009.

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A9. Segmental information

Currently, there is only one business segment in the PBA Holdings Bhd's Group operating within the State of Penang to undertake the business of a water supplier involved in the abstraction of raw water, treatment of water, supply and sale of treated water to consumers.

A10. Carrying amount of property, plant and equipment

The property, plant and equipment have not been revalued and are stated at cost less accumulated depreciation since the previous financial year-end.

A11. Subsequent events

There are no material events subsequent to the balance sheet date up to the date of the issue of this report.

A12. Changes in composition of the Group

There are no changes in the composition of the Group for the current quarter and current financial year to-date ended 31 December 2009.

A13. Changes in contingent liabilities and contingent assets

There are no material contingent liabilities or contingent assets since the last financial statements for the year ended 31 December 2009 except as follows:

	31 December 2009 RM'000	31 December 2008 RM'000
Corporate Guarantee given to a bank in respect of credit facilities granted to a jointly controlled entity	362 =====	479 =====

A14. Capital Commitments

	31 December 2009 RM'000	31 December 2008 RM'000
Approved Capital Expenditures: -		
(i) Contracted but not provided for in the Financial Statements	65,000	96,000
(ii) Approved but not contracted for	266,000 =====	308,000 =====

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Notes to the Interim Financial Report

PART B – Notes Pursuant to Appendix 9B of the Listing Requirements of BMSB

B1. Performance Review

The Group's revenue for the current quarter and current financial year to-date ended 31 December 2009 totalled RM47.4 million and RM184.7 million, representing a 4.6% and -1.7% increase/decrease over the preceding year corresponding years' revenue of RM45.3 million and RM187.9 million respectively. The decrease was due to reduction in sales of water and trunk mains contribution in Penang.

The Group recorded a profit before taxation of RM2.3 million for the quarter under review, which is 54.9% lower than the preceding year corresponding quarter's profit before taxation of RM5.1 million. The decrease is due to higher cost of sales and administrative expenses.

B2. Material changes in the quarterly results compared to the results of the preceding quarter

The Group recorded a profit before taxation of RM2.3 million for the quarter under review as compared to RM8.2 million in the preceding quarter due mainly to higher in cost of sales and administrative expenses in the current quarter.

B3. Commentary on the prospects

The Board expects the Group to achieve satisfactorily results for the year ended 31 December 2010. The Board will continue with the cost containment program that have been implemented to mitigate sharp increased in cost of sales as well as administrative expenses..

B4. Profit forecast or profit guarantee

Not applicable.

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B5. Taxation

The Group tax provision includes the following:

	Current quarter ended 31 December 2009 RM'000	Current year-to-date ended 31 December 2009 RM'000
Current period tax		
- Company and subsidiaries	270	649
- Jointly controlled entity	5	5
Transfer to deferred taxation account	50	350
Total	325	1,004

The lower tax charge of the Group is due to reinvestment allowance claimed by the subsidiary company.

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

	31 December 2009 RM'000
Profit before taxation	15,820
Taxation at Malaysian statutory tax rate of 25%	3,955
Income not subject to tax	(792)
Expenses not deductible for tax purposes	656
Deferred tax assets recognised in respect of unutilised reinvestment allowances	(1,933)
Overprovision of deferred tax in prior years	(882)
Tax expense for the year	1,004

The unutilised reinvestment allowances and unabsorbed capital allowances of the Group are available indefinitely for off setting against future taxable profits.

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	31 December 2009 RM'000
Unutilised reinvestment allowances	290,218
Unabsorbed capital allowances	32,306

During the current quarter ended 31 December 2009, the subsidiary company has been issued with prior years' notices of additional tax payable and tax refundable of RM5.8 million and RM8.0 million respectively by the Inland Revenue Board (IRB). The additional tax payable was caused by the rejection of the reinvestment allowances claimed on certain assets whilst the tax refundable was due to the additional capital allowances claimed on revised tax computations of prior years.

The rejection of the reinvestment allowances claimed by IRB may potentially reduce the above unutilized reinvestment allowances by RM219.7 million and hence, the amount of unutilized reinvestment allowance available to set off against future taxable profits. The subsidiary has submitted an appeal to the IRB and the management after consulting the tax lawyers, is of the opinion that there are grounds to appeal against the rejection.

The deferred tax calculation as at 31 December 2009 has taken into account of the unutilized reinvestment allowance rejected of RM219.7 million. In the event that the subsidiary is not successful in its appeal, the deferred tax liability of the Group will increase by approximately RM54.9 million with the corresponding amount being charged to the income statement.

B6. Sale of unquoted investments and properties

There is no sale of unquoted investments and / or properties for the current quarter and current financial year to-date.

B7. Quoted securities

- (a) The total purchase consideration and sale proceeds of investments for the current quarter and current financial year to-date and gain/loss arising there from are as follows:

	Current quarter ended 31 December 2009 RM'000	Current year-to-date ended 31 December 2009 RM'000
Balance at 01-10-09/01-01-09	13,913	13,008
Add: Purchase of investments	11,259	29,759
Less : Proceeds from disposal of investments	(6,164)	(24,405)
Gain on disposal of investments	400	1,046
Gross Balance at 31-12-09	19,408	19,408

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- (b) These investments are managed by external fund management companies in accordance with the terms of the investment management mandate.

As at 31 December 2009 and 31 December 2008, the funds were invested as follows:

	31 December 2009 RM'000	31 December 2008 RM'000
Shares quoted in Malaysia, at cost	15,473	9,398
Fixed deposits with licensed banks	1,147	601
Money market placement	2,788	3,009
Less : Provision for diminution in value of investment	-	(2,120)
Total	19,408	10,888

Market value of quoted shares	17,124	7,278
	=====	=====

B8. Corporate proposals

There are no corporate proposals which have been announced for the current quarter and current financial year to-date except for the proposed purchase by the Company of its own Shares. On 9 June 2009, the shareholders of the Company has approved the proposed purchase and/or hold its own Shares of up to maximum of ten (10%) of the issued and paid-up share capital of the Company at any point in time subject to compliance with Section 67A of the Companies Act, 1965, Part IIIA of the Companies Regulations 1966, the Listing Requirements and any prevailing laws, rules, regulations, orders, guidelines and requirements issued by the relevant authorities. The purchase of the Company's own Shares will be carried out on Bursa Securities through appointed stockbrokers.

B9. Borrowing and debt securities

	31 December 2009 RM'000	31 December 2008 RM'000
Short Term Borrowings-Local Currency	6,552	6,552
Long Term Borrowings-Local Currency	71,788	78,340
	78,340	84,892

The unsecured term loans were obtained to finance major water projects.

The term loans are repayable over a period of 9 to 14 years by yearly installments ranging between RM14,800 and RM2,940,000 per annum.

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B10. Off balance sheet financial instruments

During the financial year to-date, the Group did not enter into any contracts involving off balance sheet financial instruments.

B11. Changes in material litigation

There is no pending material litigation as at the date of the issue of this report except the following:-

The subsidiary company's counter claim against a writ summon by Guntong Technologies Holding Sdn Bhd ("Plaintiff") consequential from the rescission of contract by the subsidiary company for failure to complete the information technology project with the extended period. Total project cost was about RM12.5 million. The Management does not expect any losses to arise by reason of the commencement of the said writ other than legal cost and time in defending the suit and is currently in the process of seeking a professional opinion on the matter. The group vehemently refutes Plaintiff's claim and will defend the suit and proceed with the counter claim against the Plaintiff.

B12. Dividend payable

The Board of Directors recommend a final tax exempt dividend of 4% amounting to RM6,625,000 in respect of the financial year ended 31 December 2009 subject to the approval of shareholders at the forth coming Annual General Meeting (31 December 2008 – final dividend of 4% less tax at 25% amounting to RM4,968,000).

B13. Earnings per share (sen)

(a) Basic

The calculation of basic earnings per share for the quarter/year-to-date is based on the net profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding as follows:

	Current quarter ended 31 December 2009	Current year-to-date ended 31 December 2009
Group's profit after taxation attributable to ordinary shareholders: (RM'000)	1,951	14,817
Weighted average number of ordinary shares in issue: ('000)	331,230	331,230
Basic earnings per share (sen)	0.59	4.47

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(b) Diluted

Diluted EPS is not applicable as the exercise price for the unexercised ESOS is higher than the market price of the Company's ordinary shares.

B14. Authorisation for Issue

On 8 February 2010, the Board of Directors authorised this Interim Financial Report for issue.