

PRIVATE & CONFIDENTIAL

PBA HOLDINGS BHD

Company No: 515119-U
(Incorporated in Malaysia)

Interim Financial Report

30 SEPTEMBER 2012

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Condensed Consolidated Statement of Financial Position
As at 30 September 2012 - unaudited

	Note	30 September 2012 RM'000	31 December 2011 RM'000
Assets			
Property, plant and equipment	5	749,625	740,249
Investment in a jointly controlled entity		1,491	1,418
Other investments		26,658	25,157
Total non-current assets		<u>777,774</u>	<u>766,824</u>
Inventories		12,538	12,440
Trade and other receivables		37,883	36,474
Current tax assets		4,372	4,116
Cash and cash equivalents		68,383	78,081
Total current assets		<u>123,176</u>	<u>131,111</u>
Total assets		<u>900,950</u>	<u>897,935</u>
Equity			
Share capital		165,635	165,635
Reserves		531,995	515,344
Total equity	6	<u>697,630</u>	<u>680,979</u>
Deferred liabilities	19	68,332	69,528
Deferred tax liabilities		5,600	6,500
Loans and borrowings	18	8,589	-
Other non-current payables		21,818	22,365
Total non-current liabilities		<u>104,339</u>	<u>98,393</u>
Deferred liabilities	19	1,595	1,595
Trade and other payables		97,386	116,968
Total current liabilities		<u>98,981</u>	<u>118,563</u>
Total liabilities		<u>203,320</u>	<u>216,956</u>
Total equity and liabilities		<u>900,950</u>	<u>897,935</u>

Condensed Consolidated Statement of Comprehensive Income
For the nine months ended 30 September 2012 - unaudited

	Note	Three months ended 30 September		Current year-to-date ended 30 September	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Continuing operations					
Revenue		60,046	59,305	182,310	180,192
Cost of sales		(45,235)	(37,518)	(128,622)	(108,696)
Gross profit		<u>14,811</u>	<u>21,787</u>	<u>53,688</u>	<u>71,496</u>
Other operating income		2,391	2,355	7,494	9,197
Administrative expenses		(16,523)	(17,600)	(39,981)	(46,349)
Operating profit		<u>679</u>	<u>6,542</u>	<u>21,201</u>	<u>34,344</u>
Interest income		529	684	1,545	1,678
Share of profit of jointly controlled entity, net of tax		(21)	62	107	108
Profit before tax		<u>1,187</u>	<u>7,288</u>	<u>22,853</u>	<u>36,130</u>
Income tax expense	16	1,987	(1,508)	(971)	(7,173)
Profit for the period		<u>3,174</u>	<u>5,780</u>	<u>21,882</u>	<u>28,957</u>
Other comprehensive income, net of tax					
Foreign currency translation differences for foreign operation		139	47	(36)	(23)
Fair value of available-for-sale financial assets		(301)	(4,596)	603	(4,494)
Total other comprehensive income for the period		<u>(162)</u>	<u>(4,549)</u>	<u>567</u>	<u>(4,517)</u>
Total comprehensive income for the period		<u>3,012</u>	<u>1,231</u>	<u>22,449</u>	<u>24,440</u>
Profit for the period attributable to owners of the company		<u>3,174</u>	<u>5,780</u>	<u>21,882</u>	<u>28,957</u>
Total comprehensive income attributable to owners of the company		<u>3,012</u>	<u>1,231</u>	<u>22,449</u>	<u>24,440</u>
Basic earnings per ordinary share (sen) :	22	<u>0.96</u>	<u>1.74</u>	<u>6.61</u>	<u>8.74</u>

Condensed Consolidated Statement of Changes in Equity
For the nine months ended 30 September 2011 - unaudited

	/-----Non-distributable-----/					Distributable		Total equity RM'000
	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Share option reserve RM'000	Fair value reserve RM'000	Foreign Currency Translation reserve RM'000	Retained earnings RM'000	
At 1 January 2011	165,635	(4)	161,944	-	3,471	(252)	317,489	648,283
Fair value of available-for-sale financial assets	-	-	-	-	(4,494)	(23)	-	(4,517)
Total other comprehensive income for the period	-	-	-	-	(4,494)	(23)	-	(4,517)
Profit for the period	-	-	-	-	-	-	28,957	28,957
Total comprehensive income for the period	-	-	-	-	(4,494)	(23)	28,957	24,440
Dividends	-	-	-	-	-	-	(4,969)	(4,969)
Purchase of treasury shares	-	(1)	-	-	-	-	-	(1)
At 30 September 2011	165,635	(5)	161,944	-	(1,023)	(275)	341,477	667,753

Condensed Consolidated Statement of Changes in Equity
For the nine months ended 30 September - unaudited

	/-----Non-distributable-----/					Distributable		Total equity RM'000
	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Share option reserve RM'000	Fair value reserve RM'000	Foreign Currency Translation reserve RM'000	Retained earnings RM'000	
At 1 January 2012	165,635	(6)	161,944	-	852	134	352,420	680,979
Fair value of available-for-sale financial assets	-	-	-	-	603	(36)	-	567
Total other comprehensive income for the period	-	-	-	-	603	(36)	-	567
Profit for the period	-	-	-	-	-	-	21,882	21,882
Total comprehensive income for the period	-	-	-	-	603	(36)	21,882	22,449
Dividends	-	-	-	-	-	-	(5,797)	(5,797)
Purchase of treasury shares	-	(1)	-	-	-	-	-	(1)
At 30 September 2012	165,635	(7)	161,944	-	1,455	98	368,505	697,630

Condensed Consolidated Statement of Cash Flows
For the nine months ended 30 September 2012 - unaudited

	Nine months ended 30 September	
	2012	2011
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax from continuing operations	22,853	36,130
	<u>22,853</u>	<u>36,130</u>
Adjustments for :		
Depreciation of property, plant and equipment	34,663	32,237
Impairment of assets	2,266	-
Amortisation of deferred liabilities	(1,196)	-
Net change in provisions	-	8,819
Gain on disposal of other investments	(251)	(2,400)
Gain on disposal of property, plant and equipment	(20)	(4)
Property, plant & equipment written off	7	13
Share of profit of jointly controlled entity	(108)	(109)
Dividend income	(590)	(451)
Interest income	(1,734)	(1,895)
Operating profit before changes in working capital changes	<u>55,890</u>	<u>72,339</u>
Inventories	(98)	571
Trade and other receivables	(1,524)	1,846
Trade and other payables	(15,002)	(11,777)
Cash generated from operations	<u>39,266</u>	<u>62,979</u>
Retirement benefits paid	(4,256)	(4,648)
Income tax (paid) / refunded	(2,097)	1,256
Net cash from operating activities	<u>32,913</u>	<u>59,587</u>
Cash flows from investing activities		
Dividends received	558	403
Interest received	1,734	1,895
Proceeds from disposal of other investments	17,528	26,264
Proceeds from disposal of property, plant and equipment	22	13
Purchase of other investments	(18,174)	(26,749)
Purchase of property, plant and equipment	(47,069)	(35,455)
Net cash used in investing activities	<u>(45,401)</u>	<u>(33,629)</u>
Cash flow from financing activities		
Dividend paid	(5,797)	(4,969)
Drawdown of loans	8,589	-
Purchase of treasury shares	(1)	(1)
Net cash from financing activities	<u>2,790</u>	<u>(4,970)</u>
Net (decrease) / increase in cash and cash equivalents	(9,698)	20,988
Cash and cash equivalents at 1 January	78,081	66,425
Cash and cash equivalents at 30 September	<u>68,383</u>	<u>87,413</u>

Cash and cash equivalents

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

	Nine months ended 30 September	
	2012	2011
	RM'000	RM'000
Cash and bank balances	1,803	5,502
Short-term deposits with licensed banks	66,580	81,911
	<u>68,383</u>	<u>87,413</u>

Notes to the Condensed Consolidated Interim Financial Statements

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

The Condensed Consolidated Interim Financial Statements of the Group as at and for the nine months period ended 30 September 2012 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interests in jointly controlled entity.

The Consolidated Financial Statements of the Group as at and for the year ended 31 December 2011 are available upon request from the Company's registered office at:

Level 32, Komtar
10000 Penang

These Condensed Consolidated Interim Financial Statements were authorized for issue by Board of Directors on 28 November 2012.

1. Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad and MFRS 134, *Interim Financial Reporting* in Malaysia and with IAS 34, *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2011.

2. Significant accounting policies

The Group's financial statements for annual period beginning on 1 January 2012 were prepared in accordance with the Malaysian Financial Reporting Standards (MFRSs) issued by the MASB and International Financial Reporting Standards (IFRSs). The transitioning to MFRS will not have any significant impact on the Group.

3. Changes in estimates

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

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2011.

4. Seasonality of operations

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

Notes to the Condensed Consolidated Interim Financial Statements

5. Property, plant and equipment**a) Acquisition and disposals**

During the nine months ended 30 September 2012 the Group acquired assets with a cost of RM47.07 million (30 September 2011 : RM35.46 million).

Other assets with carrying amount of RM7,000 were disposed off during the nine month period ended 30 September 2012 (30 September 2011: RM13,000), resulting in a gain on disposal of RM20,000 (30 September 2011: gain of RM4,000), which is included in other income.

b) Depreciation and amortization

	Three months ended		Current year to-date ended	
	30 September		30 September	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Charge for the period	13,555	10,324	34,663	32,237

c) Capital Commitments

	At 30 September	At 31 December
	2012	2011
	RM'000	RM'000
Approved Capital Expenditures:-		
i) Contracted but not provided for in the Financial Statements	113,000	107,000
ii) Approved but not contracted for	81,000	134,000

6. Share capital

No additional issuance of share capital as at 30 September 2012 except for the following:

a) Treasury shares

During the nine months ended 30 September 2012, the Company repurchased 1,000 of its issued ordinary shares from the open market at an average price of RM0.89 per share (nine months ended 30 September 2011 : 1,000 shares at average price of RM0.99 per share). The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

7. Changes in composition of the Group

There are no changes in the composition of the Group for the current quarter and current financial year to-date ended 30 September 2012.

8. Operating segments

There is only one business segment being to abstract raw water, treat, supply and distribute water in the state of Penang. Other operations of the Group mainly comprise investment holding, provision of water bottling services and training facilities none of which constitutes a separately reportable segment.

Notes to the Condensed Consolidated Interim Financial Statements

9. Subsequent event

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

10. Contingencies

Company

	At 30 September 2012 RM'000	At 31 December 2011 RM'000
Corporate guarantee given to a bank in respect of credit facilities granted to a jointly controlled entity	125	129

11. Related parties

No disclosure of related party transactions is required in the financial statements of state-controlled enterprises of transactions with other state-controlled enterprises as permitted by FRS 124 – Related Party Disclosures.

There are no significant changes in the key management personnel compensation for the period.

Notes to the Condensed Consolidated Interim Financial Statements

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

Group revenue for the quarter ended 30 September 2012 increased by RM0.7 million or 1.2% as compared to the preceding year corresponding quarter 2011. The increase was mainly due to the increase in consumption. Group profit before tax of RM1.2 million decreased by 83.7% as compared to the preceding year corresponding quarter of RM7.3 million. The decrease was mainly due to the increase in the cost of sales from administrative and depreciation expenses.

13. Variation of results against preceding quarter

Group revenue dropped from RM61.2 million to RM60.0 million as compared to the immediate preceding quarter. Group profit before tax of RM1.2 million was down by RM10.3 million compared to the immediate preceding quarter of RM11.5 million largely due to higher cost of sales from administrative expenses and depreciation expenses.

14. Current year prospects

Resulting from the prevailing global economic conditions, the Board expects some impact on the results for the year ending 31 December 2012. Nevertheless, certain measures have been implemented to mitigate the escalating costs.

15. Profit forecast or profit guarantee

Not applicable.

16. Income tax expense

	Three months ended 30 September		Current year to-date ended 30 September	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Current income tax				
Malaysian - current year	63	508	71	2,173
- prior year	-	-	-	-
	<u>63</u>	<u>508</u>	<u>71</u>	<u>2,173</u>
Deferred Tax				
- Origination and reversal of temporary differences	(2,050)	1,000	900	5,000
- Prior Year		-	-	-
	<u>(2,050)</u>	<u>1,000</u>	<u>900</u>	<u>5,000</u>
Income tax expense from continuing operations	<u>(1,987)</u>	<u>1,508</u>	<u>971</u>	<u>7,173</u>

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

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

Notes to the Condensed Consolidated Interim Financial Statements

16. Income tax expense (continued)

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:

	30 September 2012 RM'000
Profit before taxation	22,853
Taxation at Malaysian statutory tax rate of 25%	5,713
Income not subject to tax	(191)
Expenses not deductible for tax purposes	1,477
Deferred tax assets recognised in respect of unutilised reinvestment allowances	(6,028)
Others	-
Tax expense for the period	971

As at 30 September 2012, the unutilised reinvestment allowance of the Group available indefinitely for off setting against future taxable profits amounted to RM363 million.

17. Corporate proposals

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

18. Loans and borrowings

During the quarter ended 30 September 2012, the subsidiary company has drawdown RM8.5million from a RM20million term loan agreement.

The unsecured and interest free term loan was obtained from the State Government of Penang to finance Non Revenue Water (NRW) projects and repayable over 20 years period with effect 14 September 2016.

19. Deferred liabilities

	At 30 September 2012 RM'000	At 31 December 2011 RM'000
Non-current	68,332	69,528
Current	1,595	1,595
Total Deferred liabilities	69,927	71,123

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

Notes to the Condensed Consolidated Interim Financial Statements

20. Material litigation

As at 28 November 2012, there was no material litigation against the Group.

21. Dividends

The Board of Directors has declared an interim tax exempt dividend of 3.5% amounting to approximately RM5,798,000 in respect of the financial year ended 31 December 2012 for the current quarter ended 30 September 2012 (30 September 2011 – interim tax exempt dividend of 3.5% amounting to RM5,798,000).

Notes to the Condensed Consolidated Interim Financial Statements

22. Earnings per ordinary share

Basic earnings per ordinary shareholders

	Three months ended 30 September 2012 Continuing operations RM'000	Three months ended 30 September 2011 Continuing operations RM'000	Current year to-date 30 September 2012 Continuing operations RM'000	Current year to-date 30 September 2011 Continuing operations RM'000
Profit for the period	3,174	5,780	21,882	28,957
	Three months ended 30 September 2012 '000 Shares	Three months ended 30 September 2011 '000 Shares	Current year to-date 30 September 2012 '000 Shares	Current year to-date 30 September 2011 '000 Shares
Issued ordinary shares at 1 January	331,265	331,266	331,265	331,266
Effect of share buyback	(1)	(1)	(1)	(1)
Weighted average number of ordinary shares	331,264	331,265	331,264	331,265
	Three months ended 30 September 2012 Continuing operations Sen	Three months ended 30 September 2011 Continuing operations Sen	Current year to-date 30 September 2012 Continuing operations Sen	Current year to-date 30 September 2011 Continuing operations Sen
Basic earnings per ordinary share	0.96	1.74	6.61	8.74

Notes to the Condensed Consolidated Interim Financial Statements

23. Realised and Unrealised Profits or Losses

The breakdown of the retained earnings of the Group and of the Company as at 30 September 2012, into realised and unrealised profits, was compiled with the Guidance on Special Matter No 1, Determination of Realised and Unrealised Profit or Losses in the context of Disclosures pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysia Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad, is as follows:

	At 30 September 2012 RM'000	At 31 December 2011 RM'000
Total retained earnings :		
Realised gain	318,982	303,856
Unrealised	(5,600)	(6,500)
	313,382	297,356
Share of retained earnings of jointly controlled entity		
Realised	1,343	1,284
	314,725	298,640
Add : Consolidation adjustments	53,780	53,780
Total retained earnings	368,505	352,420

24. Auditor's report on preceding annual financial statements

The auditor's report on the audited annual financial statements for the year ended 31 December 2011 was not qualified

25. Notes to the Condensed Statement of Comprehensive Income

	Three months ended 30 September 2012 RM'000	Year to-date 30 September 2012 RM'000
a) Interest Income	529	1,545
b) Other Operating Income	2,391	7,494
c) Depreciation and amortization	13,555	34,663
d) Provision for and write off of receivables	233	1,414
e) Gain on disposal of quoted investments	(157)	(251)
f) Impairments of assets	2,266	2,266
g) Water Intake Fees to State Government of Penang	1,660	5,950
h) Leasing charges to Pengurusan Aset Air Berhad (PAAB)	3,241	9,724
i) License Fees to Suruhanjaya Perkhidmatan Air Negara (SPAN)	586	1,747