

PBA HOLDINGS BHD

Company No: 515119-U
(Incorporated in Malaysia)

Interim Financial Report

30 SEPTEMBER 2014

Contents

	Page
Interim Financial Report	
Condensed Consolidated Statement of Financial Position	1
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	2
Condensed Consolidated Statement of Changes in Equity	3 - 4
Condensed Consolidated Statement of Cash Flows	5
Notes to the Condensed Consolidated Interim Financial Statements	6 - 14

Condensed Consolidated Statement of Financial Position
As at 30 September 2014 - unaudited

	Note	30 September 2014 RM'000	31 December 2013 RM'000
Assets			
Property, plant and equipment	5	862,972	838,330
Investment in a joint venture		2,174	2,226
Other investments		11,484	24,276
Total non-current assets		<u>876,630</u>	<u>864,832</u>
Inventories		9,139	12,101
Trade and other receivables		46,823	41,257
Tax recoverable		3,682	2,302
Cash and cash equivalents		45,059	52,395
Total current assets		<u>104,703</u>	<u>108,055</u>
Total assets		<u>981,333</u>	<u>972,887</u>
Equity			
Share capital		165,635	165,635
Reserves		567,504	551,113
Total equity	6	<u>733,139</u>	<u>716,748</u>
Loans and borrowings	18	11,174	10,280
Deferred income	19	43,513	39,595
Deferred liabilities	20	65,141	66,338
Other non-current payables		6,950	7,133
Total non-current liabilities		<u>126,778</u>	<u>123,346</u>
Deferred liabilities	20	1,595	1,595
Trade and other payables		119,821	131,198
Total current liabilities		<u>121,416</u>	<u>132,793</u>
Total liabilities		<u>248,194</u>	<u>256,139</u>
Total equity and liabilities		<u>981,333</u>	<u>972,887</u>

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the nine months ended 30 September 2014 - unaudited

	Note	Three months ended 30 September		Current year-to-date ended 30 September	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Continuing operations					
Revenue		65,195	63,541	197,807	189,874
Cost of sales		(47,689)	(46,268)	(144,305)	(134,761)
Gross profit		<u>17,506</u>	<u>17,273</u>	<u>53,502</u>	<u>55,113</u>
Other operating income		5,521	4,952	11,860	10,695
Administrative expenses		(14,573)	(17,966)	(40,791)	(41,934)
Operating profit		<u>8,454</u>	<u>4,259</u>	<u>24,571</u>	<u>23,874</u>
Interest income		347	464	837	1,488
Share of profit of equity-accounted joint venture, net of tax		46	75	119	194
Profit before tax		<u>8,847</u>	<u>4,798</u>	<u>25,527</u>	<u>25,556</u>
Income tax expense	16	(310)	738	(612)	(686)
Profit for the period		<u>8,537</u>	<u>5,536</u>	<u>24,915</u>	<u>24,870</u>
Other comprehensive income, net of tax					
Foreign currency translation differences for foreign operation		(59)	539	(171)	408
Fair value of available-for-sale financial assets		(1,061)	(1,335)	(1,731)	325
Total other comprehensive income for the period		<u>(1,120)</u>	<u>(796)</u>	<u>(1,902)</u>	<u>733</u>
Total comprehensive income for the period		<u>7,417</u>	<u>4,740</u>	<u>23,013</u>	<u>25,603</u>
Profit for the year attributable to owners of the company		<u>8,537</u>	<u>5,536</u>	<u>24,915</u>	<u>24,870</u>
Total comprehensive income attributable to owners of the company		<u>7,417</u>	<u>4,740</u>	<u>23,013</u>	<u>25,603</u>
Basic earnings per ordinary share (sen) :	23	<u>2.58</u>	<u>1.67</u>	<u>7.53</u>	<u>7.51</u>

Condensed Consolidated Statement of Changes in Equity
For the nine months ended 30 September 2013 -unaudited

	/-----Non-distributable-----/					Distributable	
	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Fair value reserve RM'000	Foreign Currency Translation reserve RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2013 (as restated)	165,635	(8)	161,944	1,735	(94)	369,861	699,073
Fair value of available-for-sale financial assets	-	-	-	325	-	-	325
Foreign currency translation differences for foreign operation	-	-	-	-	408	-	408
Total other comprehensive income for the period	-	-	-	325	408	-	733
Profit for the period	-	-	-	-	-	24,870	24,870
Total comprehensive income for the period	-	-	-	325	408	24,870	25,603
Dividends	-	-	-	-	-	(6,620)	(6,620)
Purchase of treasury shares	-	(214)	-	-	-	-	(214)
At 30 September 2013	165,635	(222)	161,944	2,060	314	388,111	717,842

Condensed Consolidated Statement of Changes in Equity
For the nine months ended 30 September 2014 - unaudited

	/-----Non-distributable-----/				Distributable		Total equity RM'000
	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Fair value reserve RM'000	Foreign Currency Translation reserve RM'000	Retained earnings RM'000	
At 1 January 2014	165,635	(223)	161,944	3,407	607	385,378	716,748
Fair value of available-for-sale financial assets	-	-	-	(1,731)	-	-	(1,731)
Foreign currency translation differences for foreign operation	-	-	-	-	(171)	-	(171)
Total other comprehensive income for the period	-	-	-	(1,731)	(171)	-	(1,902)
Profit for the period	-	-	-	-	-	24,915	24,915
Total comprehensive income for the period	-	-	-	(1,731)	(171)	24,915	23,013
Dividends	-	-	-	-	-	(6,620)	(6,620)
Purchase of treasury shares	-	(2)	-	-	-	-	(2)
At 30 September 2014	165,635	(225)	161,944	1,676	436	403,673	733,139

Condensed Consolidated Statement of Cash Flows
For the nine months ended 30 September 2014 - unaudited

	Nine months ended 30 September	
	2014	2013
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax from continuing operations	25,527	25,556
Adjustments for :		
Depreciation of property, plant and equipment	35,317	34,021
Write back Impairment of assets	(140)	-
Impairment of quoted shares	(118)	(238)
Amortisation of deferred liabilities	(1,196)	(1,196)
Amortisation of deferred income	(2,686)	(2,046)
Gain on disposal of other investments	(2,447)	(1,201)
Loss on disposal of property, plant and equipment	20	-
Property, plant & equipment written off	9	12
Share of profit of joint venture	(120)	(195)
Dividend income	(279)	(510)
Interest income	(919)	(1,674)
Operating profit before changes in working capital changes	52,968	52,529
Inventories	2,962	(280)
Trade and other receivables	(5,484)	(6,988)
Trade and other payables	(4,501)	(3,056)
Cash generated from operations	45,945	42,205
Income tax (paid) / refunded	(1,990)	1,757
Net cash from operating activities	43,955	43,962
Cash flows from investing activities		
Dividends received	276	473
Interest received	919	1,674
Proceeds from disposal of other investments	22,760	20,333
Proceeds from disposal of property, plant and equipment	108	6
Purchase of other investments	(9,134)	(20,840)
Purchase of property, plant and equipment	(54,656)	(52,647)
Net cash used in investing activities	(39,727)	(51,001)
Cash flow from financing activities		
Dividend paid	(12,413)	(12,417)
Drawdown of loans	851	3,838
Purchase of treasury shares	(2)	(214)
Net cash from financing activities	(11,564)	(8,792)
Net decrease in cash and cash equivalents	(7,336)	(15,831)
Cash and cash equivalents at 1 January	52,395	75,269
Cash and cash equivalents at 31 December	45,059	59,438

Cash and cash equivalents

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

	Nine months ended 30 September	
	2014	2013
	RM'000	RM'000
Cash and bank balances	1,729	3,268
Short-term deposits with licensed banks	43,330	56,170
	45,059	59,438

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 period ended 30 September 2014 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interests in joint venture entity.

The Consolidated Financial Statements of the Group as at and for the year ended 31 December 2013 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 27 November 2014.

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 2013.

2. Significant accounting policies

The accounting policies adopted in the preparation of these condensed consolidation interim financial statements are consistent with those followed in the preparation of the Group's audited financial statements for the financial year ended 31 December 2013, except for the adoption of Amendments to Standards and Issue Committee (IC) Interpretations effective as of 1 January 2014.

2.1 Adoption of Amendments to Standards and IC Interpretations

The Group has adopted the following Amendments to Standards and IC Interpretations, with a date of initial application of 1 January 2014.

Amendments to MRFS 10	Consolidated Financial Statements: Investment Entities
Amendments to MRFS 12	Disclosure of Interests in Other Entities: Investment Entities
Amendments to MFRS 127	Separate Financial Statements: Investment Entities
Amendments to MFRS 132	Financial Instrument: Presentation – Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 136	Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets
Amendments to MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21	Levies

The adoption of the above pronouncements did not have any impact on the financial statements of the Group.

2.2 Standards issued but not yet effective

At the date of authorisation of these condensed consolidated interim financial statements, the following Standards were issued but not yet effective and have not been adopted by the Group:

Notes to the Condensed Consolidated Interim Financial Statements

Effective for financial periods beginning on or after 1 July 2014

Amendments to MFRS 119 Defined Benefit Plans: Employee Contributions
 Annual Improvements to MFRSs 2010 – 2012 Cycle
 Annual Improvements to MFRSs 2011 – 2013 Cycle

Effective date to be announced by MASB

MRFS 9 Financial Instruments (IFRS 9 issued by IASB in October 2010)
 MRFS 9 Financial Instruments: Mandatory Effective Date of MFRS 9 and
 Transition Disclosures (Amendments to MFRS 9 and MFRS 7)
 MRFS 9 Financial Instruments (Hedge Accounting and amendments to MFRS 9,
 MFRS 7 and MFRS 139)
 Amendments to MFRS 119 Defined Benefit Plans: Employee Contributions

The Group will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any effect to the financial statements of the Group upon their initial application, other than MFRS 9 Financial Instruments. The Group will assess the financial implications of MFRS 9 Financial Instruments when the full standard is issued.

3. Changes in estimates

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

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimating uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2013.

4. Seasonality of operations

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

5. Property, plant and equipment

a) Acquisition and disposals

During the period ended 30 September 2014 the Group acquired assets with a cost of RM54.66 million (30 September 2013 : RM52.65 million).

Other assets with carrying amount of RM9,000 were written off during the period ended 30 September 2014 (30 September 2013 : RM12,000).

b) Depreciation and amortization

	Three months ended 30-Sep		Current year to-date ended 30-Sep	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Charge for the period	11,706	11,323	35,317	34,021

Notes to the Condensed Consolidated Interim Financial Statements

c) Impairment

During the period ended 30 September 2014, the subsidiary companies have written back the impairment of its assets amounting to RM140,000 (30 September 2013 : Nil)

d) Capital Commitments

	At 30 September 2014 RM'000	At 31 December 2013 RM'000
Approved Capital Expenditures:-		
i) Contracted but not provided for in the Financial Statements	85,000	123,000
ii) Approved but not contracted for	424,000	441,000

e) Transfer Of Assets From Customers

During the period ended 30 September 2014, assets transferred from Customer amounting RM6.65 million (30 September 2013 : RM28.5 million)

6. Share capital

No additional issuance of share capital as at 30 September 2014 except for the following:

a) Treasury shares

During the period ended 30 September 2014, the Company repurchased 1,000 of its issued ordinary shares from the open market at an average price of RM1.52 per share (30 September 2013 : 252,900 shares at average price of RM0.84 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 2014.

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.

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

There are no contingencies to the Company for the period.

11. Related parties

There are no significant transactions and changes with a joint venture entity, Government related entities and 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 2014 increased by RM1.7 million or 2.6% as compared to the preceding year corresponding quarter 2013. The increase was mainly due to the increase in water revenue. Group profit before tax of RM8.8 million increased by 84.4% as compared to the preceding year corresponding quarter of RM4.8 million due to the decrease in administrative expenses.

13. Variation of results against preceding quarter

Group revenue decreased from RM67.1 million to RM65.2 million as compared to the immediate preceding quarter. Group profit before tax of RM8.8 million was higher by RM0.4 million compared to the immediate preceding quarter of RM8.4 million largely due to lower cost of sales.

14. Current year prospects

Revenue from sales of water is expected to sustain for the year. Nevertheless, the Board continues to adopt measures to mitigate 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	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Current income tax				
Malaysian - current year	310	(338)	612	746
Over provision in prior year	-	(400)	-	(400)
	<u>310</u>	<u>(738)</u>	<u>612</u>	<u>346</u>
Deferred Tax				
Origination and reversal of temporary differences	-	-	-	340
	<u>310</u>	<u>(738)</u>	<u>612</u>	<u>686</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 2014 RM'000
Profit before taxation	25,527
Taxation at Malaysian statutory tax rate of 25%	6,382
Income not subject to tax	(1,384)
Expenses not deductible for tax purposes	404
Deferred tax assets recognised in respect of unutilised reinvestment allowances	(3,123)
Others	(1,667)
Tax expense for the year	612

As at 30 September 2014, the unutilised reinvestment allowance of the Group available indefinitely for off setting against future taxable profits amounted to RM462 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

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 from 14 September 2016.

As at 30 September 2014, the subsidiary company has fully drawdown from a RM20.0 million term loan agreement.

The term loan has been discounted using the prevailing financial rate of 5.5%. The fair value of the term loan was recognised as Deferred Income which will be amortised over 20 years period with effect from 14 September 2016.

	At 30 September 2014 RM'000	At 31 December 2013 RM'000
Non-current		
<i>Unsecured:</i>		
Loans and borrowings	11,174	10,280
Deferred Income (refer to Note 19)	8,826	8,869
Term Loan from State Government of Penang	20,000	19,149

Notes to the Condensed Consolidated Interim Financial Statements

	At 30 September 2014 RM'000	At 31 December 2013 RM'000
Balance brought forward	10,280	6,615
Add : Additions during the period	433	3,129
Add : Notional Interest :- Transfer from Deferred Income	461	536
Balance carried forward	<u>11,174</u>	<u>10,280</u>

19. Deferred Income

	Note	At 30 September 2014 RM'000	At 31 December 2013 RM'000
Government Term Loans	19.1	8,826	8,869
Assets Transferred from Customer	19.2	34,687	30,726
		<u>43,513</u>	<u>39,595</u>

19.1 Deferred Income – Government Term Loans

Deferred income represents the difference between the nominal value of the interest free term loan obtained from the State Government of Penang to finance Non-Revenue Water projects and the fair value of the loan measured on initial recognition. The deferred income is amortised over the useful life of the assets funded which ranged from 25 years to 50 years.

	Note	At 30 September 2014 RM'000	At 31 December 2013 RM'000
Balance brought forward		8,869	6,385
Add : Additions during the period		418	3,020
Less : Notional Interest :- Transfer to Loans & Borrowings		(461)	(536)
Balance carried forward	19	<u>8,826</u>	<u>8,869</u>

19.2 Deferred Income – Assets Transferred From Customers

The Deferred income from Transfer of Assets from Customers consist of the fair value of the assets transferred to a subsidiary company. The Deferred Income is amortised over the useful life of the transferred assets.

Notes to the Condensed Consolidated Interim Financial Statements

	Note	At 30 September 2014 RM'000	At 31 December 2013 RM'000
Balance brought forward		30,726	17,934
Add : Additions during the period		6,647	14,978
Less : Amortisation		(2,686)	(2,186)
Balance carried forward	19	<u>34,687</u>	<u>30,726</u>

20. Deferred liabilities

		At 30 September 2014 RM'000	At 31 December 2013 RM'000
Non-current		65,141	66,338
Current		1,595	1,595
Total Deferred liabilities		<u>66,736</u>	<u>67,933</u>

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

21. Material litigation

As at 27 November 2014, there was no material litigation against the Group.

22. Dividends

The Board of Directors has declared an interim single tier dividend of 3.5% amounting to RM5,793,000 for the financial year ending 31 December 2014 (30 September 2013 – interim single tier dividend of 3.5% amounting to RM5,793,000).

Notes to the Condensed Consolidated Interim Financial Statements

23. Earnings per ordinary share

Basic earnings per ordinary shareholders

	Three months ended 30 September 2014 Continuing operations RM'000	Three months ended 30 September 2013 Continuing operations RM'000 (Restated)	Current year to-date 30 September 2014 Continuing operations RM'000	Current year to-date 30 September 2013 Continuing operations RM'000 (Restated)
Profit for the period	8,537	5,536	24,915	24,870
	Three months ended 30 September 2014 '000 Shares	Three months ended 30 September 2013 '000 Shares	Current year to-date 30 September 2014 '000 Shares	Current year to-date 30 September 2013 '000 Shares
Issued ordinary shares at 1 January	331,271	331,271	331,271	331,271
Effect of share buyback	(263)	(174)	(263)	(174)
Weighted average number of ordinary shares	331,008	331,097	331,008	331,097
	Three months ended 30 September 2014 Continuing operations Sen	Three months ended 30 September 2013 Continuing operations Sen	Current year to-date 30 September 2014 Continuing operations Sen	Current year to-date 30 September 2013 Continuing operations Sen
Basic earnings per ordinary share	2.58	1.67	7.53	7.51

Notes to the Condensed Consolidated Interim Financial Statements

24. Realised and Unrealised Profits or Losses

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2013, 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 2014 RM'000	At 31 December 2013 RM'000
Total retained earnings :		
Realised gain	348,155	329,980
	348,155	329,980
Share of retained earnings of joint venture		
Realised	1,738	1,618
	349,893	331,598
Add : Consolidation adjustments	53,780	53,780
Total retained earnings	403,673	385,378

25. Auditor's report on preceding annual financial statements

The auditor's report on the audited annual financial statements for the year ended 31 December 2013 was not qualified

26. Notes to the Condensed Statement of Comprehensive Income

	Three months ended 30 September 2014 RM'000	Year to-date 30 September 2014 RM'000
a) Interest Income	347	837
b) Other Operating Income	5,521	11,860
c) Interest expense	1	15
d) Depreciation and amortization	11,706	35,317
e) Provision for and write off of receivables	82	228
f) Gain on disposal of quoted investments	(929)	(2,447)
g) Write-back Impairments of assets	-	(140)
h) Water Intake Fees to State Government of Penang	2,055	6,195
i) Leasing charges to Pengurusan Aset Air Berhad (PAAB)	3,241	9,724
j) License Fees to Suruhanjaya Perkhidmatan Air Negara (SPAN)	626	1,879