

PRIVATE & CONFIDENTIAL

PBA HOLDINGS BHD

Company No: 515119-U
(Incorporated in Malaysia)

Interim Financial Report

30 SEPTEMBER 2015

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Condensed Consolidated Statement of Financial Position
As at 30 September 2015 - unaudited

	Note	30 September 2015 RM'000	31 December 2014 RM'000
Assets			
Property, plant and equipment	5	887,861	871,905
Investment in a joint venture		5,366	3,071
Other investments		2,466	10,501
Total non-current assets		895,693	885,477
Inventories		8,043	8,971
Trade and other receivables		61,364	44,430
Tax recoverable		2,229	1,301
Cash and cash equivalents		42,002	53,200
Total current assets		113,638	107,902
Total assets		1,009,331	993,379
Equity			
Share capital		165,635	165,635
Reserves		585,598	561,916
Total equity	6	751,233	727,551
Loans and borrowings	18	18,683	16,416
Deferred income	19	51,959	48,093
Deferred liabilities	20	63,546	64,743
Deferred tax liabilities		2,660	-
Total non-current liabilities		136,848	129,252
Deferred liabilities	20	1,595	1,595
Trade and other payables		119,655	134,981
Total current liabilities		121,250	136,576
Total liabilities		258,098	265,828
Total equity and liabilities		1,009,331	993,379

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the nine months ended 30 September 2015 - unaudited

	Note	Three months ended 30 September		Current year-to-date ended 30 September	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Continuing operations					
Revenue		82,377	65,195	221,981	197,807
Cost of sales		<u>(53,609)</u>	<u>(47,689)</u>	<u>(152,547)</u>	<u>(144,305)</u>
Gross profit		<u>28,768</u>	<u>17,506</u>	<u>69,434</u>	<u>53,502</u>
Other operating income		3,024	5,521	8,651	11,860
Administrative expenses		<u>(15,732)</u>	<u>(14,573)</u>	<u>(46,159)</u>	<u>(40,791)</u>
Operating profit		<u>16,060</u>	<u>8,454</u>	<u>31,926</u>	<u>24,571</u>
Interest income		82	347	548	837
Share of profit of equity-accounted joint venture, net of tax		<u>(11)</u>	<u>46</u>	<u>141</u>	<u>119</u>
Profit before tax		<u>16,131</u>	<u>8,847</u>	<u>32,615</u>	<u>25,527</u>
Income tax expense	16	<u>(3,009)</u>	<u>(310)</u>	<u>(3,326)</u>	<u>(612)</u>
Profit for the period		<u>13,122</u>	<u>8,537</u>	<u>29,289</u>	<u>24,915</u>
Other comprehensive income, net of tax					
Foreign currency translation differences for foreign operation		1,427	(59)	2,177	(171)
Fair value of available-for-sale financial assets		<u>(1,095)</u>	<u>(1,061)</u>	<u>(1,160)</u>	<u>(1,731)</u>
Total other comprehensive income for the period		<u>332</u>	<u>(1,120)</u>	<u>1,017</u>	<u>(1,902)</u>
Total comprehensive income for the period		<u>13,454</u>	<u>7,417</u>	<u>30,306</u>	<u>23,013</u>
Profit for the period attributable to owners of the company		<u>13,122</u>	<u>8,537</u>	<u>29,289</u>	<u>24,915</u>
Total comprehensive income attributable to owners of the company		<u>13,454</u>	<u>7,417</u>	<u>30,306</u>	<u>23,013</u>
Basic earnings per ordinary share (sen) :	23	<u>3.96</u>	<u>2.58</u>	<u>8.85</u>	<u>7.53</u>

Condensed Consolidated Statement of Changes in Equity
For the nine months ended 30 September 2014 -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 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 Changes in Equity
For the nine months ended 30 September 2015 - 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 2015	165,635	(226)	161,944	1,325	1,149	397,724	727,551
Fair value of available-for-sale financial assets	-	-	-	(1,160)	-	-	(1,160)
Foreign currency translation differences for foreign operation	-	-	-	-	2,177	-	2,177
Total other comprehensive income for the period	-	-	-	(1,160)	2,177	-	1,017
Profit for the period	-	-	-	-	-	29,289	29,289
Total comprehensive income for the period	-	-	-	(1,160)	2,177	29,289	30,306
Dividends	-	-	-	-	-	(6,623)	(6,623)
Purchase of treasury shares	-	(1)	-	-	-	-	(1)
At 30 September 2015	165,635	(227)	161,944	165	3,326	420,390	751,233

Condensed Consolidated Statement of Cash Flows
For the nine months ended 30 September 2015 - unaudited

	Nine months ended 30 September	
	2015	2014
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax from continuing operations	32,615	25,527
Adjustments for :		
Depreciation of property, plant and equipment	41,007	35,317
Write back Impairment of assets	-	(140)
Reversal of impairment loss on other investments	(236)	(118)
Impairment on property, plant and equipment	3,768	-
Impairment loss on receivables	317	-
Amortisation of deferred liabilities	(1,196)	(1,196)
Amortisation of deferred income	(555)	(2,686)
Gain on disposal of other investments	(1,711)	(2,447)
Loss on disposal of property, plant and equipment	33	20
Property, plant & equipment written off	309	9
Share of profit of joint venture	(119)	(120)
Dividend income	(130)	(279)
Interest income	(754)	(919)
Operating profit before changes in working capital changes	73,348	52,968
Inventories	929	2,962
Trade and other receivables	(17,460)	(5,484)
Trade and other payables	(9,325)	(4,501)
Cash generated from operations	47,492	45,945
Income tax paid	(1,598)	(1,990)
Income tax refunded	4	-
Net cash from operating activities	45,898	43,955
Cash flows from investing activities		
Dividends received	130	276
Interest received	754	919
Proceeds from disposal of other investments	13,188	22,760
Proceeds from disposal of property, plant and equipment	-	108
Purchase of other investments	(4,366)	(9,134)
Purchase of property, plant and equipment	(57,385)	(54,656)
Net cash used in investing activities	(47,679)	(39,727)
Cash flow from financing activities		
Dividend paid	(12,416)	(12,413)
Drawdown of loans	3,000	851
Purchase of treasury shares	(1)	(2)
Net cash used in financing activities	(9,417)	(11,564)
Net increase / (decrease) in cash and cash equivalents	(11,198)	(7,336)
Cash and cash equivalents at 1 January	53,200	52,395
Cash and cash equivalents at 30 September	42,002	45,059

Cash and cash equivalents

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

	Nine months ended 30 September	
	2015	2014
	RM'000	RM'000
Cash and bank balances	11,530	1,729
Short-term deposits with licensed banks	30,472	43,330
	42,002	45,059

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 2015 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 2014 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 26 November 2015.

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 2014.

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 2014, except for the adoption of Amendments to MFRSs effective as of 1 July 2014.

2.1 Adoption of Amendments to MFRSs

The Group has adopted the following Amendments to MFRSs, with a date of initial application of 1 July 2014.

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

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:

Effective for financial periods beginning on or after 1 January 2016

MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 101	Disclosure Initiative
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation

Notes to the Condensed Consolidated Interim Financial Statements

Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plants
Amendments to MFRS 127	Equity Method in Separate Financial Statements
Amendments to MFRSs	Annual Improvements to MFRSs 2012-2014 Cycle

Effective for annual periods beginning on or after 1 January 2017

MRFS 15	Revenue from Contracts with Customers
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Effective for annual periods beginning on or after 1 January 2018

MRFS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)
Amendments to MFRS 7	Mandatory Date of MFRS 9 and Transition Disclosures

The initial application of the above standards is not expected to have any material impacts to the financial statements of the Group upon adoption except as mentioned below

MFRS 15 Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111 *Construction Contracts*, MFRS 118 *Revenue*, IC Int 13 *Customer Loyalty Programmes*, IC Int 15 *Agreements for Construction of Real Estate*, IC Int 18 *Transfers of Assets from Customers* and IC Int 131 *Revenue – Barter Transactions Involving Advertising Services*. Upon adoption of MFRS 15, it is expected that the timing of revenue recognition might be different as compared with the current practices.

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 2014.

4. Seasonality of operations

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

5. Property, plant and equipment

a) Acquisition and disposals

During the period ended 30 September 2015 the Group acquired assets with a cost of RM57.39 million (30 September 2014 : RM54.66 million).

Other assets with carrying amount of RM309,000 were written off during the period ended 30 September 2015 (30 September 2014 : RM9,000).

b) Depreciation and amortization

	Three months ended		Current year to-date ended	
	30-Sep		30-Sep	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Charge for the period	13,797	11,706	41,007	35,317

Notes to the Condensed Consolidated Interim Financial Statements

c) Impairment

During the period ended 30 September 2015, the subsidiary companies have impaired its assets amounting to RM3.77 million for Sungai Prai pumping station - not in use and there is no plan to revive the asset. (30 September 2014 : the subsidiary companies have written back the impairment of its assets amounting to RM140,000)

d) Capital Commitments

	At 30 September 2015 RM'000	At 31 December 2014 RM'000
Approved Capital Expenditures:-		
i) Contracted but not provided for in the Financial Statements	80,000	81,000
ii) Approved but not contracted for	347,000	404,000

e) Transfer Of Assets From Customers

During the period ended 30 September 2015, assets transferred from Customer amounted to RM3.69 million (30 September 2014 : RM6.65 million)

6. Share capital

No additional issuance of share capital as at 30 September 2015 except for the following:

a) Treasury shares

During the period ended 30 September 2015, the Company repurchased 1,000 of its issued ordinary shares from the open market at an average price of RM1.10 per share (30 September 2014 : 1,000 shares at average price of RM1.49 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 2015.

8. Operating segments

There is only one business segment which is 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 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 2015 increased by RM17.2 million or 26.4% as compared to the corresponding quarter in 2014. The increase was mainly due to the review in water tariffs which were raised with effect from 1 April 2015 for domestic and trade consumers. Group profit before tax of RM28.8 million increased by 64.3% as compared to the preceding year corresponding quarter of RM17.51 million due to the increase in water revenue.

13. Variation of results against preceding quarter

Group revenue increased from RM75.3 million to RM82.4 million as compared to the immediate preceding quarter. Group profit before tax of RM28.8 million was higher by RM2.7 million compared to the immediate preceding quarter of RM26.1 million largely due to the increase in water revenue as a result of water tariffs raised with effect from 1 April 2015 for domestic and trade consumers.

14. Current year prospects

Revenue from sales of water is expected to further increase in line with the increase in tariff, population and business levels. Nevertheless the Board continues to adopt measures to contain 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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Current income tax				
Malaysian - current year	349	310	666	612
	<u>349</u>	<u>310</u>	<u>666</u>	<u>612</u>
Deferred Tax				
Origination and reversal of temporary differences	2,660	-	2,660	-
	<u>2,660</u>	<u>-</u>	<u>2,660</u>	<u>-</u>
Income tax expense from continuing operations	<u>3,009</u>	<u>310</u>	<u>3,326</u>	<u>612</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 2015 RM'000
Profit before taxation	32,615
Taxation at Malaysian statutory tax rate of 24%	7,828
Income not subject to tax	(644)
Expenses not deductible for tax purposes	249
Others	(4,107)
Tax expense for the period	3,326

As at 30 September 2015, the unutilised reinvestment allowance of the Group available indefinitely for off setting against future taxable profits amounted to RM479 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 :

- a) RM20 million : repayable over 20 years period with effect from 14 September 2016
- b) RM24 million : repayable over 20 years period with effect from 10 December 2018

As at 30 September 2015, the subsidiary company has fully drawdown RM20.0 million from the 1st term loan agreement and RM13.0 million from the 2nd 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 and 10 December 2018 respectively.

	At 30 September 2015 RM'000	At 31 December 2014 RM'000
Non-current		
<i>Unsecured:</i>		
Loans and borrowings	18,683	16,416
Deferred Income (refer to Note 19)	14,317	13,584
Term Loan from State Government of Penang	33,000	30,000

Notes to the Condensed Consolidated Interim Financial Statements

	At 30 September 2015 RM'000	At 31 December 2014 RM'000
Balance brought forward	16,416	10,280
Add : Additions during the year	1,527	5,522
Add : Notional Interest :- Transfer from Deferred Income	740	614
Balance carried forward	<u>18,683</u>	<u>16,416</u>

19. Deferred Income

	Note	At 30 September 2015 RM'000	At 31 December 2014 RM'000
Government Term Loans	19.1	14,317	13,584
Assets Transferred from Customer	19.2	37,642	34,509
		<u>51,959</u>	<u>48,093</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 2015 RM'000	At 31 December 2014 RM'000
Balance brought forward		13,584	8,869
Add : Additions during the year		1,473	5,329
Less : Notional Interest :- Transfer to Loans & Borrowings		(740)	(614)
Balance carried forward	19	<u>14,317</u>	<u>13,584</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 2015 RM'000	At 31 December 2014 RM'000
Balance brought forward		34,509	30,726
Add : Additions during the year		3,688	9,585
Less : Amortisation		(555)	(5,802)
Balance carried forward	19	37,642	34,509

20. Deferred liabilities

Non-current		63,546	64,743
Current		1,595	1,595
Total Deferred liabilities		65,141	66,338

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 26 November 2015, 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 2015 (30 September 2014 – 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 2015 Continuing operations RM'000	Three months ended 30 September 2014 Continuing operations RM'000	Current year to-date 30 September 2015 Continuing operations RM'000	Current year to-date 30 September 2014 Continuing operations RM'000
Profit for the period	13,122	8,537	29,289	24,915
	Three months ended 30 September 2015 '000 Shares	Three months ended 30 September 2014 '000 Shares	Current year to-date 30 September 2015 '000 Shares	Current year to-date 30 September 2014 '000 Shares
Issued ordinary shares at 1 January	331,271	331,271	331,271	331,271
Effect of share buyback	(265)	(263)	(265)	(263)
Weighted average number of ordinary shares	331,006	331,008	331,006	331,008
	Three months ended 30 September 2015 Continuing operations Sen	Three months ended 30 September 2014 Continuing operations Sen	Current year to-date 30 September 2015 Continuing operations Sen	Current year to-date 30 September 2014 Continuing operations Sen
Basic earnings per ordinary share	3.96	2.58	8.85	7.53

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 30 September 2015, 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 2015 RM'000	At 31 December 2014 RM'000
Total retained earnings :		
Realised gain	361,810	341,923
Unrealised	2,660	-
	364,470	341,923
Share of retained earnings of joint venture		
Realised	2,040	1,921
	366,510	343,844
Add : Consolidation adjustments	53,880	53,880
Total retained earnings	420,390	397,724

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 2014 was not qualified

26. Notes to the Condensed Statement of Comprehensive Income

	Three months ended 30 September 2015 RM'000	Year to-date 30 September 2015 RM'000
a) Interest Income	(82)	(548)
b) Other Operating Income	(3,024)	(8,651)
c) Interest expense	4	13
d) Depreciation and amortization	13,797	41,007
e) Provision for and write off of receivables	285	317
f) Gain on disposal of other investments	(951)	(1,711)
g) Reversal of impairment loss on other investments	(142)	(236)
h) Water Intake Fees to State Government of Penang	2,129	6,288
i) Leasing charges to Pengurusan Aset Air Berhad (PAAB)	3,241	9,724
j) License Fees to Suruhanjaya Perkhidmatan Air Negara (SPAN)	1,189	2,517