

PBA HOLDINGS BHD

Company No: 515119-U
(Incorporated in Malaysia)

Interim Financial Report

31 DECEMBER 2015

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Condensed Consolidated Statement of Financial Position
As at 31 December 2015 - unaudited

	Note	31 December 2015 RM'000	31 December 2014 RM'000
Assets			
Property, plant and equipment	5	924,510	871,905
Investment in a joint venture		5,009	3,071
Other investments		2,439	10,501
Total non-current assets		<u>931,958</u>	<u>885,477</u>
Inventories		7,690	8,971
Trade and other receivables		60,637	44,430
Tax recoverable		2,143	1,301
Cash and cash equivalents		51,739	53,200
Total current assets		<u>122,209</u>	<u>107,902</u>
Total assets		<u>1,054,167</u>	<u>993,379</u>
Equity			
Share capital		165,635	165,635
Reserves		588,127	561,916
Total equity	6	<u>753,762</u>	<u>727,551</u>
Loans and borrowings	18	24,835	16,416
Deferred income	19	58,995	48,093
Deferred liabilities	20	63,147	64,743
Deferred tax liabilities		5,490	-
Total non-current liabilities		<u>152,467</u>	<u>129,252</u>
Deferred liabilities	20	1,595	1,595
Trade and other payables		146,343	134,981
Total current liabilities		<u>147,938</u>	<u>136,576</u>
Total liabilities		<u>300,405</u>	<u>265,828</u>
Total equity and liabilities		<u>1,054,167</u>	<u>993,379</u>

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the twelve months ended 31 December 2015 - unaudited

	Note	Three months ended 31 December		Current year-to-date ended 31 December	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Continuing operations					
Revenue		78,314	63,210	300,295	261,017
Cost of sales		<u>(54,572)</u>	<u>(51,298)</u>	<u>(207,119)</u>	<u>(195,603)</u>
Gross profit		<u>23,742</u>	<u>11,912</u>	<u>93,176</u>	<u>65,414</u>
Other operating income		2,590	4,993	11,241	16,853
Administrative expenses		<u>(14,440)</u>	<u>(17,310)</u>	<u>(60,599)</u>	<u>(58,101)</u>
Operating profit		<u>11,892</u>	<u>(405)</u>	<u>43,818</u>	<u>24,166</u>
Interest income		194	328	742	1,165
Share of profit of equity-accounted joint venture, net of tax		<u>68</u>	<u>184</u>	<u>209</u>	<u>303</u>
Profit before tax		<u>12,154</u>	<u>107</u>	<u>44,769</u>	<u>25,634</u>
Income tax expense	16	<u>(3,444)</u>	<u>(263)</u>	<u>(6,770)</u>	<u>(875)</u>
Profit for the year		<u>8,710</u>	<u>(156)</u>	<u>37,999</u>	<u>24,759</u>
Other comprehensive income, net of tax					
Foreign currency translation differences for foreign operation		(427)	714	1,750	543
Fair value of available-for-sale financial assets		<u>37</u>	<u>(351)</u>	<u>(1,123)</u>	<u>(2,082)</u>
Total other comprehensive income for the year		<u>(390)</u>	<u>363</u>	<u>627</u>	<u>(1,539)</u>
Total comprehensive income for the year		<u>8,320</u>	<u>207</u>	<u>38,626</u>	<u>23,220</u>
Profit for the period attributable to owners of the company		<u>8,710</u>	<u>(156)</u>	<u>37,999</u>	<u>24,759</u>
Total comprehensive income attributable to owners of the company		<u>8,320</u>	<u>207</u>	<u>38,626</u>	<u>23,220</u>
Basic earnings per ordinary share (sen) :	23	<u>2.63</u>	<u>(0.05)</u>	<u>11.48</u>	<u>7.48</u>

Condensed Consolidated Statement of Changes in Equity
For the twelve months ended 31 December 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	-	-	-	(2,082)	-	-	(2,082)
Foreign currency translation differences for foreign operation	-	-	-	-	542	-	542
Total other comprehensive income for the year	-	-	-	(2,082)	542	-	(1,540)
Profit for the year	-	-	-	-	-	24,759	24,759
Total comprehensive income for the year	-	-	-	(2,082)	542	24,759	23,219
Dividends	-	-	-	-	-	(12,413)	(12,413)
Purchase of treasury shares	-	(3)	-	-	-	-	(3)
At 31 December 2014	165,635	(226)	161,944	1,325	1,149	397,724	727,551

Condensed Consolidated Statement of Changes in Equity
For the twelve months ended 31 December 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	-	-	-	(1,123)	-	-	(1,123)
Foreign currency translation differences for foreign operation	-	-	-	-	1,750	-	1,750
Total other comprehensive income for the year	-	-	-	(1,123)	1,750	-	627
Profit for the year	-	-	-	-	-	37,999	37,999
Total comprehensive income for the year	-	-	-	(1,123)	1,750	37,999	38,626
Dividends	-	-	-	-	-	(12,413)	(12,413)
Purchase of treasury shares	-	(2)	-	-	-	-	(2)
At 31 December 2015	165,635	(228)	161,944	202	2,899	423,310	753,762

Condensed Consolidated Statement of Cash Flows
For the twelve months ended 31 December 2015 - unaudited

	Twelve months ended 31 December	
	2015	2014
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	44,769	25,634
Adjustments for :		
Depreciation of property, plant and equipment	56,288	52,190
Reversal of impairment loss on other investments	(236)	(117)
Impairment on property, plant and equipment	6,276	-
Impairment loss on receivables	1,546	140
Amortisation of deferred liabilities	(1,595)	(1,595)
Amortisation of deferred income	(756)	(5,802)
Gain on disposal of other investments	(1,633)	(1,750)
Loss / (Gain) on disposal of property, plant and equipment	33	(125)
Property, plant & equipment written off	498	940
Share of profit of joint venture	(187)	(303)
Dividend income	(139)	(330)
Interest income	(1,020)	(1,419)
Write-down of inventories	-	2,321
Operating profit before working capital changes	103,844	69,784
Inventories	1,281	809
Trade and other receivables	(17,888)	(3,313)
Trade and other payables	11,491	(3,350)
Cash generated from operations	98,728	63,930
Income tax paid	(2,120)	(2,383)
Income tax refunded	4	2,512
Net cash from operating activities	96,612	64,059
Cash flows from investing activities		
Dividends received	139	327
Interest received	1,020	1,419
Proceeds from disposal of other investments	14,181	25,107
Proceeds from disposal of property, plant and equipment	-	114
Purchase of other investments	(5,373)	(11,547)
Purchase of property, plant and equipment	(109,625)	(77,109)
Net cash used in investing activities	(99,658)	(61,689)
Cash flow from financing activities		
Dividends paid	(12,413)	(12,413)
Government loans received	14,000	10,851
Purchase of treasury shares	(2)	(3)
Net cash used in financing activities	1,585	(1,565)
Net increase / (decrease) in cash and cash equivalents	(1,461)	805
Cash and cash equivalents at beginning	53,200	52,395
Cash and cash equivalents at end	51,739	53,200

Cash and cash equivalents

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

	Twelve months ended 31 December	
	2015	2014
	RM'000	RM'000
Cash and bank balances	17,126	10,831
Short-term deposits with licensed banks	34,613	42,369
	51,739	53,200

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 year ended 31 December 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 the Board of Directors on 23 February 2016.

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 MFRS 119 Defined Benefit Plans: Employee Contributions, Annual Improvements to MFRS 2010-2012 Cycle and Annual Improvements to MFRS 2011-2013 Cycle effective for annual periods beginning on or after 1 July 2014. Initial application of the standards did not have any material impact to the financial statements of the Group.

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

Notes to the Condensed Consolidated Interim Financial Statements

Amendments to MFRS 101	Disclosure Initiative
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
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 impact to the financial statements of the Group upon adoption except as mentioned below

MRFS 15 Revenue from Contracts with Customers

MRFS 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 cyclicity in the Group's operations.

5. Property, plant and equipment

a) Acquisition and disposals

During the year ended 31 December 2015 the Group acquired assets with a cost of RM109.63 million (31 December 2014 : RM77.11 million).

Other assets with a carrying amount of RM498,000 were written off during the year ended 31 December 2015 (31 December 2014 : RM940,000).

Notes to the Condensed Consolidated Interim Financial Statements

b) Depreciation and amortization

	Three months ended		Current year to-date ended	
	31-Dec		31-Dec	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Charge for the year	15,281	16,873	56,288	52,190

c) Impairment

During the year ended 31 December 2015, a subsidiary company has impaired its assets amounting to RM6.28 million for Sungai Prai pumping station and Sungai Prai Raw Pumping Mains - not in use and there is no plan to revive the asset. (31 December 2014 : a subsidiary company has written back the impairment of its assets amounting to RM140,000)

d) Capital Commitments

	At 31 December	At 31 December
	2015	2014
	RM'000	RM'000
Approved Capital Expenditure:-		
i) Contracted but not provided for in the Financial Statements	57,000	81,000
ii) Approved but not contracted for	319,000	404,000

e) Transfer Of Assets From Customers

During the year ended 31 December 2015, assets transferred from Customers amounted to RM6.08 million (31 December 2014 : RM9.59 million)

6. Share capital

No additional issuance of share capital as at 31 December 2015 except for the following:

a) Treasury shares

During the year ended 31 December 2015, the Company repurchased 2,000 of its issued ordinary shares from the open market at an average price of RM1.20 per share (31 December 2014 : 2,000 shares at average price of RM1.35 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 31 December 2015.

8. Operating segments

The Group has only one reportable segment, which is principally engaged in the abstraction of raw water, treatment of water, supply and sale of treated water to consumers in the State of Penang and to engage in water related business. The Group's Chief Executive Officer (the Chief operating decision maker) reviews internal management reports on the reportable segment on a quarterly basis.

Accordingly, information by operating segment on the Group's operations as required by MFRS 8 is not presented.

Notes to the Condensed Consolidated Interim Financial Statements

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 year.

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 year.

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

Group revenue for the quarter ended 31 December 2015 increased by RM15.1 million or 23.9% 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 RM12.2 million increased substantially as compared to the preceding year's corresponding quarter of RM0.1 million due to the increase in water revenue.

13. Variation of results against preceding quarter

Group revenue decreased from RM82.4 million to RM78.3 million as compared to the immediate preceding quarter. Group profit before tax of RM12.2 million was lower by RM3.9 million compared to the immediate preceding quarter of RM16.1 million largely due to the decrease in the water consumption.

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 31 December		Current year to-date ended 31 December	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Current income tax				
Malaysian - current year	(614)	(252)	(1,280)	(864)
Under provision in prior year	-	(11)	-	(11)
	<u>(614)</u>	<u>(263)</u>	<u>(1,280)</u>	<u>(875)</u>
Deferred Tax				
Origination and reversal of temporary differences	(2,830)	-	(5,490)	-
	<u>(2,830)</u>	<u>-</u>	<u>(5,490)</u>	<u>-</u>
Income tax expense from continuing operations	<u>(3,444)</u>	<u>(263)</u>	<u>(6,770)</u>	<u>(875)</u>

Notes to the Condensed Consolidated Interim Financial Statements

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.

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 2015 RM'000
Profit before taxation	44,769
Taxation at Malaysian statutory tax rate of 24%	10,745
Income not subject to tax	(707)
Expenses not deductible for tax purposes	339
Others	(3,607)
Tax expense for the year	6,770

As at 31 December 2015, the unutilised reinvestment allowance of the Group available indefinitely for off setting against future taxable profits amounted to RM476 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 Federal Government via 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 31 December 2015, the subsidiary company has fully drawdown RM20.0 million from the 1st term loan agreement and RM24.0 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 a 20 year period with effect from 14 September 2016 and 10 December 2018 respectively.

	At 31 December 2015 RM'000	At 31 December 2014 RM'000
Non-current		
<i>Unsecured:</i>		
Loans and borrowings	24,835	16,416
Deferred Income (refer to Note 19)	19,165	13,584
Term Loan from the Federal Government via the State Government of Penang	44,000	30,000

Notes to the Condensed Consolidated Interim Financial Statements

	At 31 December 2015 RM'000	At 31 December 2014 RM'000
Balance brought forward	16,416	10,280
Add : Additions during the year	7,124	5,522
Add : Notional Interest :- Transfer from Deferred Income	1,295	614
Balance carried forward	<u>24,835</u>	<u>16,416</u>

19. Deferred Income

	Note	At 31 December 2015 RM'000	At 31 December 2014 RM'000
Government Term Loans	19.1	19,165	13,584
Assets Transferred from Customer	19.2	39,830	34,509
		<u>58,995</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 31 December 2015 RM'000	At 31 December 2014 RM'000
Balance brought forward		13,584	8,869
Add : Additions during the year		6,876	5,329
Less : Notional Interest :- Transfer to Loans & Borrowings		(1,295)	(614)
Balance carried forward	19	<u>19,165</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 31 December 2015 RM'000	At 31 December 2014 RM'000
Balance brought forward		34,509	30,726
Add : Additions during the year		6,076	9,585
Less : Amortisation		(755)	(5,802)
Balance carried forward	19	<u>39,830</u>	<u>34,509</u>

20. Deferred liabilities

	At 31 December 2015 RM'000	At 31 December 2014 RM'000
Non-current	63,147	64,743
Current	1,595	1,595
Total Deferred liabilities	<u>64,742</u>	<u>66,338</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 23 February 2016, there was no material litigation against the Group.

22. Dividends

The Board of Directors recommended a final single tier dividend of 4.0% amounting to RM6,620,000 for the financial year ended 31 December 2015 subject to the approval of shareholders at the forthcoming Annual General Meeting (31 December 2014 – final single tier dividend of 4.0% amounting to RM6,620,000).

Notes to the Condensed Consolidated Interim Financial Statements

23. Earnings per ordinary share

Basic earnings per ordinary shareholders

	Three months ended 31 December 2015 Continuing operations RM'000	Three months ended 31 December 2014 Continuing operations RM'000	Current year to-date 31 December 2015 Continuing operations RM'000	Current year to-date 31 December 2014 Continuing operations RM'000
Profit for the year	8,710	(156)	37,999	24,759
	Three months ended 31 December 2015 '000 Shares	Three months ended 31 December 2014 '000 Shares	Current year to-date 31 December 2015 '000 Shares	Current year to-date 31 December 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 31 December 2015 Continuing operations Sen	Three months ended 31 December 2014 Continuing operations Sen	Current year to-date 31 December 2015 Continuing operations Sen	Current year to-date 31 December 2014 Continuing operations Sen
Basic earnings per ordinary share	2.63	(0.05)	11.48	7.48

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 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 31 December 2015 RM'000	At 31 December 2014 RM'000
Total retained earnings :		
Realised gain	361,832	341,923
Unrealised	5,490	-
	367,322	341,923
Share of retained earnings of joint venture		
Realised	2,108	1,921
	369,430	343,844
Add : Consolidation adjustments	53,880	53,880
Total retained earnings	423,310	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 31 December 2015 RM'000	Year to-date 31 December 2015 RM'000
a) Interest Income	(194)	(742)
b) Other Operating Income	(2,590)	(11,241)
c) Interest expense	16	29
d) Depreciation and amortization	15,281	56,288
e) Provision for and write off of receivables	277	594
f) Gain on disposal of other investments	78	(1,633)
g) Reversal of impairment loss on other investments	-	(236)
h) Water Intake Fees to State Government of Penang	2,121	8,409
i) Leasing charges to Pengurusan Aset Air Berhad (PAAB)	3,242	12,966
j) License Fees to Suruhanjaya Perkhidmatan Air Negara (SPAN)	794	3,311