

PBA HOLDINGS BHD

Company No: 515119-U
(Incorporated in Malaysia)

Interim Financial Report

31 MARCH 2016

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Condensed Consolidated Statement of Financial Position
As at 31 March 2016 - unaudited

	Note	31 March 2016 RM'000	31 December 2015 RM'000
Assets			
Property, plant and equipment	5	927,866	924,510
Investment in a joint venture		4,204	5,009
Other investments		2,445	2,439
Total non-current assets		<u>934,515</u>	<u>931,958</u>
Inventories		7,871	7,690
Trade and other receivables		58,715	61,492
Tax recoverable		-	2,143
Cash and cash equivalents		31,700	51,740
Total current assets		<u>98,286</u>	<u>123,065</u>
Total assets		<u>1,032,801</u>	<u>1,055,023</u>
Equity			
Share capital		165,635	165,635
Reserves		592,560	588,128
Total equity	6	<u>758,195</u>	<u>753,763</u>
Loans and borrowings	18	25,176	24,835
Deferred income	19	60,004	58,995
Deferred liabilities	20	62,748	63,148
Deferred tax liabilities		9,900	5,490
Total non-current liabilities		<u>157,828</u>	<u>152,468</u>
Deferred liabilities	20	1,595	1,595
Trade and other payables		115,183	147,197
Total current liabilities		<u>116,778</u>	<u>148,792</u>
Total liabilities		<u>274,606</u>	<u>301,260</u>
Total equity and liabilities		<u>1,032,801</u>	<u>1,055,023</u>

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the three months ended 31 March 2016 - unaudited

	Note	Three months ended 31 March		Current year-to-date ended 31 March	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Continuing operations					
Revenue		80,862	64,265	80,862	64,265
Cost of sales		<u>(53,031)</u>	<u>(49,679)</u>	<u>(53,031)</u>	<u>(49,679)</u>
Gross profit		<u>27,831</u>	<u>14,586</u>	<u>27,831</u>	<u>14,586</u>
Other operating income		3,265	3,310	3,265	3,310
Administrative expenses		<u>(20,782)</u>	<u>(16,530)</u>	<u>(20,782)</u>	<u>(16,530)</u>
Operating profit		<u>10,314</u>	<u>1,366</u>	<u>10,314</u>	<u>1,366</u>
Interest income		259	259	259	259
Share of profit of equity-accounted joint venture, net of tax		<u>88</u>	<u>81</u>	<u>88</u>	<u>81</u>
Profit before tax		<u>10,661</u>	<u>1,706</u>	<u>10,661</u>	<u>1,706</u>
Income tax expense	16	<u>(5,184)</u>	<u>(186)</u>	<u>(5,184)</u>	<u>(186)</u>
Profit for the period		<u>5,477</u>	<u>1,520</u>	<u>5,477</u>	<u>1,520</u>
Other comprehensive income, net of tax					
Foreign currency translation differences for foreign operation		(919)	191	(919)	191
Fair value of available-for-sale financial assets		<u>(126)</u>	<u>496</u>	<u>(126)</u>	<u>496</u>
Total other comprehensive income for the period		<u>(1,045)</u>	<u>687</u>	<u>(1,045)</u>	<u>687</u>
Total comprehensive income for the period		<u>4,432</u>	<u>2,207</u>	<u>4,432</u>	<u>2,207</u>
Profit for the period attributable to owners of the company		<u>5,477</u>	<u>1,520</u>	<u>5,477</u>	<u>1,520</u>
Total comprehensive income attributable to owners of the company		<u>4,432</u>	<u>2,207</u>	<u>4,432</u>	<u>2,207</u>
Basic earnings per ordinary share (sen) :	23	<u>1.65</u>	<u>0.46</u>	<u>1.65</u>	<u>0.46</u>

Condensed Consolidated Statement of Changes in Equity
For the three months ended 31 March 2015 - 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 2015	165,635	(226)	161,944	1,325	1,149	397,724	727,551
Fair value of available-for-sale financial assets	-	-	-	496	-	-	496
Foreign currency translation differences for foreign operation	-	-	-	-	191	-	191
Total other comprehensive income for the period	-	-	-	496	191	-	687
Profit for the period	-	-	-	-	-	1,520	1,520
Total comprehensive income for the period	-	-	-	496	191	1,520	2,207
At 31 March 2015	165,635	(226)	161,944	1,821	1,340	399,244	729,758

Condensed Consolidated Statement of Changes in Equity
For the three months ended 31 March 2016 - 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 2016	165,635	(228)	161,944	202	2,899	423,311	753,763
Fair value of available-for-sale financial assets	-	-	-	(126)	-	-	(126)
Foreign currency translation differences for foreign operation	-	-	-	-	(919)	-	(919)
Total other comprehensive income for the period	-	-	-	(126)	(919)	-	(1,045)
Profit for the period	-	-	-	-	-	5,477	5,477
Total comprehensive income for the period	-	-	-	(126)	(919)	5,477	4,432
At 31 March 2016	<u>165,635</u>	<u>(228)</u>	<u>161,944</u>	<u>76</u>	<u>1,980</u>	<u>428,788</u>	<u>758,195</u>

Condensed Consolidated Statement of Cash Flows
For the three months ended 31 March 2016 - unaudited

	Three months ended 31 March	
	2016	2015
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	10,661	1,706
Adjustments for :		
Depreciation of property, plant and equipment	11,990	14,386
Reversal of impairment loss on other investments	-	135
Impairment gain on receivables	(64)	-
Amortisation of deferred liabilities	(399)	(399)
Amortisation of deferred income	(211)	(178)
Gain on disposal of other investments	(117)	(564)
Loss / (Gain) on disposal of property, plant and equipment	-	33
Property, plant & equipment written off	-	129
Share of profit of joint venture	(114)	(84)
Dividend income	(5)	(40)
Interest income	(332)	(326)
Write-down of inventories	-	2,321
Operating profit before working capital changes	21,409	17,119
Inventories	(181)	(886)
Trade and other receivables	1,996	(6,007)
Trade and other payables	(18,779)	(7,218)
Cash generated from operations	4,445	3,008
Retirement benefits paid	(6,744)	(41)
Income tax paid	(492)	(704)
Income tax refunded	2,008	-
Net cash from operating activities	(783)	2,263
Cash flows from investing activities		
Dividends received	5	40
Interest received	332	326
Proceeds from disposal of other investments	544	2,977
Purchase of other investments	(559)	(3,036)
Purchase of property, plant and equipment	(13,785)	(16,640)
Net cash used in investing activities	(13,463)	(16,333)
Cash flow from financing activities		
Dividends paid	(5,793)	(5,793)
Government loans received	-	3,000
Net cash used in financing activities	(5,793)	(2,793)
Net increase / (decrease) in cash and cash equivalents	(20,039)	(16,863)
Cash and cash equivalents at beginning	51,739	53,200
Cash and cash equivalents at end	31,700	36,337

Cash and cash equivalents

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

	Three months ended 31 March	
	2016	2015
	RM'000	RM'000
Cash and bank balances	14,035	4,943
Short-term deposits with licensed banks	17,665	31,394
	31,700	36,337

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 31 March 2016 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 2015 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 24 May 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 2015.

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 2015.

2.1 Standards issued but not yet effective

At the date of authorisation of these condensed consolidated interim financial statements, the following standards were issued by the Malaysian Accounting Standards Board ("MASB") 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 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
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 2018

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 7	Mandatory Date of MFRS 9 and Transition Disclosures

Notes to the Condensed Consolidated Interim Financial Statements

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:

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 2015.

4. Seasonality of operations

There is no seasonality or cyclical nature in the Group's operations.

5. Property, plant and equipment

a) Acquisition and disposals

During the period ended 31 March 2016 the Group acquired assets with a cost of RM13.79 million (31 March 2015 : RM16.64 million).

No assets were written off during the period ended 31 March 2016 (31 March 2015 : RM129,000).

b) Depreciation and amortization

	Three months ended		Current year to-date ended	
	31-Mar		31-Mar	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Charge for the period	11,990	14,386	11,990	14,386

c) Impairment

During the period ended 31 March 2016, there is no asset impairment (31 March 2015 : Nil)

Notes to the Condensed Consolidated Interim Financial Statements

d) Capital Commitments

	At 31 March 2016 RM'000	At 31 December 2015 RM'000
Approved Capital Expenditure:-		
i) Contracted but not provided for in the Financial Statements	53,000	57,000
ii) Approved but not contracted for	<u>309,000</u>	<u>319,000</u>

e) Transfer Of Assets From Customers

During the period ended 31 March 2016, assets transferred from Customers amounted to RM1.56 million (31 March 2015 : Nil)

6. Share capital

No additional issuance of share capital as at 31 March 2016 except for the following:

a) Treasury shares

During the period ended 31 March 2016, there is no repurchase of issued ordinary shares from the open market (31 March 2015 : Nil).

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 March 2016.

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.

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 31 March 2016 increased by RM16.6 million or 25.8% as compared to the corresponding quarter in 2015. 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 RM10.7 million increased substantially as compared to the preceding year's corresponding quarter of RM1.7 million due to the increase in water revenue and the inventory write down in 2015.

13. Variation of results against preceding quarter

Group revenue increased from RM78.3 million to RM80.9 million as compared to the immediate preceding quarter. Group profit before tax of RM10.7 million was lower by RM1.5 million compared to the immediate preceding quarter of RM12.2 million largely due to the increase in the administrative expenses.

14. Current year prospects

Revenue from sales of water is expected to further increase in line with the increase in tariff. Cost containment measures are also in place.

15. Profit forecast or profit guarantee

Not applicable.

16. Income tax expense

	Three months ended 31 March		Current year to-date ended 31 March	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current income tax				
Malaysian - current year	774	186	774	186
Deferred Tax				
Origination and reversal of temporary differences	4,410	-	4,410	-
Income tax expense from continuing operations	<u>5,184</u>	<u>186</u>	<u>5,184</u>	<u>186</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.

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:

Notes to the Condensed Consolidated Interim Financial Statements

	31 March 2016 RM'000
Profit before taxation	10,661
Taxation at Malaysian statutory tax rate of 24%	2,559
Income not subject to tax	(173)
Expenses not deductible for tax purposes	242
Others	2,556
Tax expense for the period	5,184

As at 31 March 2016, the unutilised reinvestment allowance of the Group available indefinitely for off setting against future taxable profits amounted to RM471 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 March 2016, 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 March 2016 RM'000	At 31 December 2015 RM'000
Non-current		
<i>Unsecured:</i>		
Loans and borrowings	25,176	24,835
Deferred Income (refer to Note 19)	18,824	19,165
Term Loan from the Federal Government via the State Government of Penang	44,000	44,000

Notes to the Condensed Consolidated Interim Financial Statements

	At 31 March 2016 RM'000	At 31 December 2015 RM'000
Balance brought forward	24,835	16,416
Add : Additions during the period	-	7,124
Add : Notional Interest :- Transfer from Deferred Income	341	1,295
Balance carried forward	25,176	24,835

19. Deferred Income

	Note	At 31 March 2016 RM'000	At 31 December 2015 RM'000
Government Term Loans	19.1	18,824	19,165
Assets Transferred from Customer	19.2	41,180	39,830
		60,004	58,995

19.1 Deferred Income – Government Term Loans

Deferred income represents the difference between the nominal value of the interest free term loan obtained from Federal Government via 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 March 2016 RM'000	At 31 December 2015 RM'000
Balance brought forward		19,165	13,584
Add : Additions during the period		-	6,876
Less : Notional Interest :- Transfer to Loans & Borrowings		(341)	(1,295)
Balance carried forward	19	18,824	19,165

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 March 2016 RM'000	At 31 December 2015 RM'000
Balance brought forward		39,830	34,509
Add : Additions during the period		1,561	6,076
Less : Amortisation		(211)	(755)
Balance carried forward	19	<u>41,180</u>	<u>39,830</u>

20. Deferred liabilities

	At 31 March 2016 RM'000	At 31 December 2015 RM'000
Non-current	62,748	63,148
Current	1,595	1,595
Total Deferred liabilities	<u>64,343</u>	<u>64,743</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 24 May 2016, there was no material litigation against the Group.

22. Dividends

The Board of Directors recommend 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 March 2016 Continuing operations RM'000	Three months ended 31 March 2015 Continuing operations RM'000	Current year to-date 31 March 2016 Continuing operations RM'000	Current year to-date 31 March 2015 Continuing operations RM'000
Profit for the period	<u>5,477</u>	<u>1,520</u>	<u>5,477</u>	<u>1,520</u>
	Three months ended 31 March 2016 '000 Shares	Three months ended 31 March 2015 '000 Shares	Current year to-date 31 March 2016 '000 Shares	Current year to-date 31 March 2015 '000 Shares
Issued ordinary shares at 1 January	331,271	331,271	331,271	331,271
Effect of share buyback	(266)	(263)	(266)	(263)
Weighted average number of ordinary shares	<u>331,005</u>	<u>331,008</u>	<u>331,005</u>	<u>331,008</u>
	Three months ended 31 March 2016 Continuing operations Sen	Three months ended 31 March 2015 Continuing operations Sen	Current year to-date 31 March 2016 Continuing operations Sen	Current year to-date 31 March 2015 Continuing operations Sen
Basic earnings per ordinary share	<u>1.65</u>	<u>0.46</u>	<u>1.65</u>	<u>0.46</u>

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 March 2016, 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 March 2016 RM'000	At 31 December 2015 RM'000
Total retained earnings :		
Realised gain	362,811	361,832
Unrealised	9,900	5,490
	372,711	367,322
Share of retained earnings of joint venture		
Realised	2,219	2,131
	374,930	369,453
Add : Consolidation adjustments	53,858	53,858
Total retained earnings	428,788	423,311

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 2015 was not qualified

26. Notes to the Condensed Statement of Comprehensive Income

	Three months ended 31 March 2016 RM'000	Year to-date 31 March 2016 RM'000
a) Interest Income	(259)	(259)
b) Other Operating Income	(3,265)	(3,265)
c) Interest expense	5	5
d) Depreciation and amortization	11,990	11,990
e) Recovery from Provision for receivables	70	70
f) Gain on disposal of other investments	(117)	(117)
g) Water Intake Fees to State Government of Penang	5,121	5,121
h) Leasing charges to Pengurusan Aset Air Berhad (PAAB)	3,241	3,241
i) License Fees to Suruhanjaya Perkhidmatan Air Negara (SPAN)	815	815