

PETRONAS Gas Berhad
(Company No.: 101671-H)
Condensed Group Statement of Financial Position
as at 31 March 2011 - Audited



	As at 31-Mar-11 RM'000	As at 31-Mar-10 RM'000 (restated)	
Assets			
Property, plant and equipment	6,830,609	6,908,208	Note 2 (c)
Investment in associate	175,087	174,036	
Investment in jointly controlled entity	2,606	4,481	
Total non-current assets	7,008,302	7,086,725	
Trade and other inventories	100,399	144,017	
Trade and other receivables	369,997	322,228	
Fund and other investments	275,082	100,252	
Cash and cash equivalents	2,756,079	2,181,502	
Total current assets	3,501,557	2,747,999	
TOTAL ASSETS	10,509,859	9,834,724	
Equity			
Share Capital	1,978,732	1,978,732	
Reserves	6,487,024	6,037,138	
Total equity attributable to the shareholders of the Company	8,465,756	8,015,870	
Minority shareholder's interests	49,415	1,131	
Total equity	8,515,171	8,017,001	
Liabilities			
Borrowings	423,580	437,682	
Deferred tax	1,107,000	1,132,000	
Deferred income	11,937	13,597	
Total non-current liabilities	1,542,517	1,583,279	
Trade and other payables	340,030	202,230	
Taxation	112,141	32,214	
Total current liabilities	452,171	234,444	
Total liabilities	1,994,688	1,817,723	
TOTAL EQUITY AND LIABILITIES	10,509,859	9,834,724	
Net Assets per share attributable to the shareholders of the Company (RM)	4.2784	4.0510	

The condensed Group statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 March 2010 and the accompanying explanatory notes attached to the interim financial statements.

PETRONAS Gas Berhad
(Company No.: 101671-H)
Condensed Group Statement of Comprehensive Income
for the quarter and year ended 31 March 2011



	3 months ended		(Audited) Year ended	
	31-Mar-11 RM'000	31-Mar-10 RM'000	31-Mar-11 RM'000	31-Mar-10 RM'000
Revenue	891,190	802,211	3,524,952	3,221,843
Cost of revenue	(559,298)	(532,092)	(1,737,779)	(2,043,483)
Gross profit	<u>331,892</u>	<u>270,119</u>	<u>1,787,173</u>	<u>1,178,360</u>
Administration expenses	(29,395)	(22,332)	(93,450)	(79,082)
Other expenses	(23,112)	(39,551)	(67,576)	(81,030)
Other income	57,467	63,707	232,353	193,582
Operating profit	<u>336,852</u>	<u>271,943</u>	<u>1,858,500</u>	<u>1,211,830</u>
Financing costs	(4,586)	(4,605)	(20,096)	(20,235)
Share of profit after tax of equity accounted associate and jointly controlled entity	18,493	10,160	61,851	52,208
Profit before taxation	<u>350,759</u>	<u>277,498</u>	<u>1,900,255</u>	<u>1,243,803</u>
Tax expense	(84,196)	(75,410)	(461,206)	(303,114)
Profit for the period/ Total comprehensive income for the period	<u>266,563</u>	<u>202,088</u>	<u>1,439,049</u>	<u>940,689</u>
Total comprehensive income attributable to:				
Shareholders of the Company	266,658	201,392	1,439,251	940,896
Minority Interest	(95)	696	(202)	(207)
Total comprehensive income for the period	<u>266,563</u>	<u>202,088</u>	<u>1,439,049</u>	<u>940,689</u>
Basic and diluted earnings per ordinary share (sen)	<u>13.48</u>	<u>10.18</u>	<u>72.74</u>	<u>47.55</u>

The condensed Group statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 March 2010 and the accompanying explanatory notes attached to the interim financial statements.

PETRONAS Gas Berhad
(Company No.: 101671-H)
Condensed Group Statement of Cash Flows
for the year ended 31 March 2011 - Audited



	Year ended	
	31-Mar-11 RM'000	31-Mar-10 RM'000 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	3,562,770	3,283,369
Cash paid to suppliers and employees	(990,444)	(1,485,916)
	2,572,326	1,797,453
Interest income from fund and other investments	63,010	36,215
Taxation paid	(402,601)	(295,882)
Net cash generated from operating activities	2,232,735	1,537,786
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fund and other investments	(195,165)	(50,033)
Proceeds from disposal of other investments	20,043	20,011
Dividends received	58,997	34,645
Purchase of property, plant and equipment	(575,044)	(330,281)
Proceeds from disposal of property, plant and equipment	1,421	424
Net cash used in investing activities	(689,748)	(325,234)
CASH FLOWS FROM FINANCING ACTIVITIES		
Financing cost paid	(19,961)	(20,397)
Dividends paid	(989,365)	(963,989)
Advance from minority shareholder	-	6,200
Issue of ordinary share capital to Minority Interest	40,916	2,000
Net cash used in financing activities	(968,410)	(976,186)
Net Increase in Cash and Cash Equivalents	574,577	236,366
Cash and Cash Equivalents at beginning of the year	2,181,502	1,945,136
Cash and Cash Equivalents at end of the year	2,756,079	2,181,502

The condensed Group statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 March 2010 and the accompanying explanatory notes attached to the interim financial statements.

PETRONAS Gas Berhad
 (Company No.: 101671-H)
 Condensed Group Statement of Changes in Equity
 for the year ended 31 March 2011 - Audited



	Share Capital Ordinary Shares RM'000	Non Distributable Share Premium RM'000	Distributable Retained Profits RM'000	Total RM'000	Minority Interest RM'000	Total Equity RM'000
Balance at 1 April 2009	1,978,732	1,186,472	4,873,759	8,038,963	(662)	8,038,301
Total comprehensive income for the period	-	-	940,896	940,896	(207)	940,689
Issue of ordinary share capital to Minority Interest	-	-	-	-	2,000	2,000
Dividends approved in respect of the previous year	-	-	(667,180)	(667,180)	-	(667,180)
Interim Dividend declared and paid in respect of the current year	-	-	(296,809)	(296,809)	-	(296,809)
Balance at 31 March 2010	1,978,732	1,186,472	4,850,666	8,015,870	1,131	8,017,001
Balance at 1 April 2010	1,978,732	1,186,472	4,850,666	8,015,870	1,131	8,017,001
Total comprehensive income for the period	-	-	1,439,251	1,439,251	(202)	1,439,049
Issue of ordinary share capital to Minority Interest	-	-	-	-	48,486	48,486
Dividends approved in respect of the previous year	-	-	(692,556)	(692,556)	-	(692,556)
Interim Dividend declared and paid in respect of the current year	-	-	(296,809)	(296,809)	-	(296,809)
Balance at 31 March 2011	1,978,732	1,186,472	5,300,552	8,465,756	49,415	8,515,171

The condensed Group statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 March 2010 and the accompanying explanatory notes attached to the interim financial statements.

PETRONAS GAS BERHAD

(Company No.: 101671-H)

Incorporated in Malaysia

Part A – Explanatory Notes Pursuant to FRS 134

1. Basis of Preparation

The interim financial statements have been prepared using historical cost basis except for certain financial assets and financial liabilities that are stated at fair value.

The interim financial statements have been prepared in accordance with the requirements of Financial Reporting Standard (FRS) 134, *Interim Financial Reporting* and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Within the context of these financial statements, the Group comprises the Company and its subsidiary, and the Group's interest in an associate and a jointly controlled entity as at and for the quarter ended 31 March 2011.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 March 2010. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 March 2010.

2. Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 March 2010.

As of 1 April 2010, the Group has adopted the following FRSs, Statement of Interpretations and Amendments to FRSs which are effective for annual periods beginning on or after 1 January 2010 (unless otherwise stated):

- (i) FRS 8, Operating Segments (effective for annual periods beginning on or after 1 July 2009)
- (ii) FRS 101, Presentation of Financial Statements (revised)
- (iii) Amendment to FRS 1, First-time Adoption of Financial Reporting Standards and FRS 127, Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- (iv) Amendment to FRS 8, Operating Segments
- (v) Amendment to FRS 107, Statement of Cash Flows
- (vi) Amendment to FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors
- (vii) Amendment to FRS 110, Events After the Reporting Period
- (viii) Amendment to FRS 116, Property, Plant and Equipment
- (ix) Amendment to FRS 117, Leases
- (x) Amendment to FRS 118, Revenue
- (xi) Amendment to FRS 119, Employee Benefits
- (xii) Amendment to FRS 127, Consolidated and Separate Financial Statements
- (xiii) Amendment to FRS 128, Investments in Associates
- (xiv) Amendment to FRS 131, Interests in Joint Ventures
- (xv) Amendment to FRS 132, Financial Instruments: Presentation (Puttable Financial Instruments and Obligations Arising on Liquidation/ Separation of Compound Instruments)
- (xvi) Amendment to FRS 134, Interim Financial Reporting
- (xvii) Amendment to FRS 136, Impairment of Assets
- (xviii) Amendment to FRS 139, FRS 7 and IC Interpretation 9, Financial Instruments: Recognition and Measurement; Financial Instruments: Disclosures; and Reassessment of Embedded Derivatives

2. Changes in Accounting Policies (Continued)

The adoption of the above FRSs and Amendments to FRS other than FRS 8, FRS 101, and FRS 117 do not have any impact on these financial statements. The principal changes in accounting policies, presentation and extended disclosures are set out below:

a) FRS 8, Operating Segments

FRS 8 addresses the presentation of financial information to management. Currently, the Group presents segment information in respect of its business operating segments. FRS 8 requires identification and reporting of operating segments based on internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and to assess its performance. Therefore, the Group presents its segment information in respect of its operating segments as Gas Processing business, Gas Transportation business and Utilities business.

b) FRS 101, Presentation of Financial Statements (revised)

The adoption of FRS 101 (revised) has resulted in a change in the presentation of financial statements. The financial statements have been re-presented as statement of comprehensive income.

FRS 101 (revised) also requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (comprehensive income) are required to be presented in one statement of comprehensive income. Components of comprehensive income are not permitted to be presented in the statement of changes in equity. Currently, the Group does not have any non-owner changes in equity.

c) Amendment to FRS 117, Leases

The adoption of Amendment to FRS 117 has resulted in a change in the accounting policy relating to the classification of leases of land and did not have material impact on current year statement of comprehensive income.

Prior to the adoption of Amendment to FRS 117, the Group had classified leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid lease payment that is amortised over the lease term in accordance with the pattern of benefits provided.

On adoption of Amendment to FRS 117, lease of a leasehold land which is in substance a finance lease has been reclassified to property, plant and equipment and measured as such retrospectively as follows:

	Group Statement of Financial Position as at 31.03.2010 RM'000	Effect on adoption of Amendment to FRS 117 RM'000	Group Statement of Financial Position as at 31.03.2010 (restated) RM'000
Property, plant and equipment	6,461,614	446,594	6,908,208
Prepaid lease payments	446,594	(446,594)	-

3. Auditor's Report on Preceding Annual Financial Statements

The auditor's report on the financial statements for the year ended 31 March 2010 was not qualified.

4. Comments about Seasonal or Cyclical Factors

The Group's operations are not significantly affected by seasonal or cyclical fluctuations.

5. Unusual Items Due to Their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income and cash flows during the current quarter and financial year ended 31 March 2011.

6. Changes in Estimates

There were no changes in estimates that have had any material effect in the current quarter and financial year ended 31 March 2011 results.

7. Debt and Equity Securities

There were no issuance, cancellations, repurchases, resale and repayments of debt and equity securities during the financial year ended 31 March 2011.

8. Dividends Paid

	Year ended	
	31.03.2011 RM'000	31.03.2010 RM'000
Ordinary		
Final paid:		
2010 – 30% per share under single tier system and 5% per share tax exempt <i>(2009 – 9.9% per share under single tier system, 20% per share tax exempt and 5.1% per share less 25% tax)</i>	692,556	667,180
Interim declared and paid:		
2011 - 15% per share under single tier tax system <i>(2010 - 15% per share under single tier tax system)</i>	296,809	296,809
Total dividend paid	989,365	963,989

9. Segmental Information

Segment information is presented in respect of the Group's business segments which are based on the internal reporting structure presented to the management of the Company.

The Group's principal business segments are services rendered for separating natural gas into its components and the storing, transporting and distributing such components, and sale of industrial utilities.

The Group operates only in Malaysia and accordingly, information by geographical location of the Group's operations is not presented.

The segmental information in respect of the associate and jointly controlled entity is not presented as the contribution of the associate and jointly controlled entity and the carrying amount of investment in the associate and jointly controlled entity are not material and have been reflected in the statement of comprehensive income and statement of financial position of the Group.

On 31 March 2010, the Company entered into an Addendum to the Gas Processing and Transmission Agreement (GPTA) with PETRONAS, for the period of 1 April 2010 to 31 March 2014. It provides clearer demarcation of terms and remuneration structure between gas processing and transportation of gas.

Prior to 1 April 2010, the Company's total remuneration under the GPTA was classified as Throughput Services revenue with no separation between gas processing and gas transportation revenue.

9. Segmental Information (Continued)

To ensure ease of comparability between year ended 31 March 2011 and year ended 31 March 2010, the Segmental Information results for gas processing and gas transportation revenue have also been disclosed in a combined manner as Throughput Services.

Business Segment	Year ended 31 March 2011					Year ended 31 March 2010		
	Gas Processing RM'000	Gas Transportation RM'000	Throughput Services RM'000	Utilities RM'000	Total RM'000	Throughput Services RM'000	Utilities RM'000	Total RM'000
Revenue	1,609,411	1,114,566	2,723,977	800,975	3,524,952	2,475,042	746,801	3,221,843
Segment results	870,486	748,071	1,618,557	168,616	1,787,173	1,025,537	152,823	1,178,360
Unallocated income					71,327			33,470
Operating profit					1,858,500			1,211,830
Financing costs					(20,096)			(20,235)
Share of profit after tax of equity accounted associate and jointly controlled entity					61,851			52,208
Profit before taxation					1,900,255			1,243,803

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated income mainly comprise interest from fund investment, administration expenses, unrealised gain / (loss) from retranslation of term loan and revaluation of Currency Exchange Agreement (CEA).

10. Property, Plant and Equipment

Freehold land is stated at cost and is not depreciated. Projects-in-progress are stated at cost and are not depreciated. Other property, plant and equipment are stated at cost or valuation less accumulated depreciation and accumulated impairment losses.

11. Subsequent Events

There were no material events subsequent to the end of the current quarter.

12. Changes in the Composition of the Group

There were no changes in the composition of the Group during the financial year ended 31 March 2011.

13. Contingent Liabilities and Contingent Assets

There were no material contingent liabilities or contingent assets since the last annual statement of financial position as at 31 March 2010.

14. Capital Commitments

The commitments for the purchase of property, plant and equipment not provided for in the interim financial statements as at 31 March 2011 were as follows:-

	31.03.2011
	RM'000
Property, plant and equipment:	
Approved and contracted for	3,261,395
Approved but not contracted for	628,579
	<u>3,889,974</u>

Part B – Explanatory Notes Pursuant to Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

15. Performance Review

Revenue for the quarter ended 31 March 2011 was RM891.2 million (quarter ended 31 March 2010: RM802.2 million) and revenue for the year ended 31 March 2011 was RM3,525.0 million (year ended 31 March 2010: RM3,221.8 million). The increase was due to higher gas transportation revenue and utilities sales.

Profit before tax for the quarter ended 31 March 2011 was RM350.8 million (quarter ended 31 March 2010: RM277.5 million) and profit before tax for the year ended 31 March 2011 was RM1,900.3 million (year ended 31 March 2010: RM1,243.8 million). The increase in profit before tax by 26% and 53% for the quarter ended and year ended 31 March 2011 respectively, was mainly due to higher revenue.

Accordingly, profit after tax for the quarter ended 31 March 2011 was RM266.6 million (quarter ended 31 March 2010: RM202.1 million) and profit after tax for the year ended 31 March 2011 was RM1,439.0 million (year ended 31 March 2010: RM940.7 million).

16. Material Change in Profit Before Taxation of Current Quarter Compared With Preceding Quarter

Profit before tax for the current quarter was RM350.8 million, a decrease of RM180.1 million from the preceding quarter mainly due to higher cost of revenue.

17. Commentary on Prospects

Revenue from the new fee structure under the GPTA is dependent on the volume of the gas processed at the Gas Processing Plants as well as volume of gas delivered directly into the pipeline network.

The performance based structure will continue to provide PGB with additional earnings potential which is dependent on the level of production of by-products and their prices. As internal gas consumption is provided by PETRONAS, PGB's exposure to fuel gas price fluctuation is eliminated.

The revised terms under the GPTA do not introduce new operating risks to PGB; it better defines the obligations of the parties to the GPTA.

Prospects for the utilities business will mainly depend on petrochemical customer demand. Any variation in gas price will be reflected in the pricing to customers.

18. Profit Forecast

Not applicable as no profit forecast was published.

19. Tax Expense

Taxation comprises the following:

	3 months ended		Year ended	
	31.03.2011 RM'000	31.03.2010 RM'000	31.03.2011 RM'000	31.03.2010 RM'000
In respect of current period:				
- income tax	126,635	73,327	508,645	317,013
- deferred tax	(16,042)	7,613	(21,042)	(8,369)
In respect of prior years:				
- income tax	(22,439)	101	(22,439)	101
- deferred tax	(3,958)	(5,631)	(3,958)	(5,631)
	84,196	75,410	461,206	303,114

The effective tax rate was 25.3% for the current quarter and 25.1% for the financial year.

20. Unquoted Investments and Properties

Investments in unquoted securities as at 31 March 2011 are as follows:

	31.03.2011	31.03.2010
	RM'000	RM'000
<u>Current</u>		
Fair value through profit or loss financial assets	275,082	100,252

21. Quoted Investments

There was no purchase or disposal of quoted securities during the current quarter and financial year ended 31 March 2011 and there were no investments in quoted shares as at the end of the current quarter.

22. Status of Corporate Proposal Announced

There was no corporate proposal announced as at the date of this report.

23. Realised and Unrealised Profits

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses. The guideline and the disclosure requirement for realised and unrealised profits was issued by Bursa Malaysia on 20 December 2010.

Pursuant to the directive, the breakdown of retained profits of the Group as at reporting date, into realised and unrealised profits, is as follows:

	As at
	31-Mar-11
	RM'000
Total retained profits/(accumulated losses) of PGB and its subsidiary:	
- realised	6,302,192
- unrealised	<u>(1,076,166)</u>
	5,226,026
Total share of retained profits/(accumulated losses) from associated company:	
- realised	272,676
- unrealised	(12,620)
Total share of retained profits/(accumulated losses) from jointly controlled entity:	
- realised	5,350
- unrealised	<u>30</u>
	5,491,462
Consolidation adjustments	(190,910)
Total Group Retained Profits as per Consolidated Financial Statements	<u><u>5,300,552</u></u>

24. Borrowings

Particulars of Company's borrowings are as follows:

	31.03.2011 RM'000	31.03.2010 RM'000
Non Current		
Term loan – unsecured	587,314	566,640
Derivative asset – Currency Exchange Agreement (CEA)	(163,734)	(128,958)
Total	423,580	437,682
	Total RM'000	2-5 years RM'000
Unsecured term loan (net of derivative asset)		
31.03.2011 - 3.4%	423,580	423,580
31.03.2010 - 3.4%	<u>437,682</u>	<u>437,682</u>

The unsecured term loan comprising the 6th series 3.4% Samurai Bond was on lent from PETRONAS to the Company on 21 April 1997. The term loan represents an amount equivalent to Yen 16 billion. Under the CEA with PETRONAS, the repayment of the principal amount is at a fixed exchange rate of 100 Yen – RM2.838. The loan is due for payment in year 2013 at contracted amount of RM454.1 million.

The CEA being an embedded derivative attached to the Yen 16 billion term loan is valued and accounted separately at each reporting date due to the risks and characteristics not being closely related to the host contract. The term loan is translated at the spot rate at the reporting date whereas the CEA is measured at fair value. The fair value of the CEA is based on the discounted cash flow of the difference between forward exchange rate and contracted rate. Any increase or decrease in the translation or valuation is recorded accordingly in the financial statements.

The market risk on the fair value or future cash flows of the term loan and CEA will fluctuate depending on the exchange rate and interest rate movement.

For the purpose of presentation of the financial statements, both the term loan and the CEA are netted off since the conditions of legally enforceable right and the intention to settle on net basis are met.

The net unrealised gain arising from retranslation of term loan and revaluation of CEA for the year ended 31 March 2011 was RM14.1 million (year ended 31 March 2010: net unrealised gain of RM11.9 million).

25. Off Balance Sheet Financial Instruments

There are no off balance sheet financial instruments as at the date of this report.

26. Material Litigation

There has been no material litigation as at the date of this report.

27. Dividend Proposed

The Directors propose a final dividend of 35% per share under single tier system amounting to RM692,556,000 in respect of the financial year ended 31 March 2011. The proposed final dividend will be presented for shareholders' approval at the next Annual General Meeting. Subject to shareholders' approval, the proposed final dividend will be payable on a date to be announced later.

28. Earnings per Share

Basic earnings per share (EPS) is derived based on the net profit attributable to ordinary shareholders and based on the number of ordinary shares issue as at 31 March 2011.

	3 months ended		12 months ended	
	31.03.2011	31.03.2010	31.03.2011	31.03.2010
Net profit for the period attributable to ordinary shareholders (RM'000)	266,658	201,392	1,439,251	940,896
Number of ordinary shares in issue ('000)	1,978,732	1,978,732	1,978,732	1,978,732
EPS (sen)	13.48	10.18	72.74	47.55

Diluted EPS is derived based on the profit attributable to ordinary shareholders after adjustment for the effect of all dilutive potential ordinary shares. The Group has not issued any dilutive potential ordinary shares, hence, the diluted EPS is the same as the basic EPS.

29. Authorised for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 11 May 2011.

BY ORDER OF THE BOARD

Noryati Mohd Noor (LS0008877)
Yeap Kok Leong (MAICSA0862549)
Company Secretaries
Kuala Lumpur
11 May 2011