

POWER ROOT BERHAD

(Formerly known as NATURAL BIO RESOURCES BERHAD)

Company No.733268-U

(Incorporated In Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 31 AUGUST 2010

(The figures below are unaudited)

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	Current Year Quarter 31 August 2010 RM'000	Preceding Year Quarter 31 August 2009 RM'000	Current Year To Date 31 August 2010 RM'000	Preceding Year To Date 31 August 2009 RM'000
Revenue	49,799	47,851	99,494	80,962
Other income	100	445	(69)	(53)
Change in inventories of finished goods	(869)	(8,623)	(1,194)	(9,950)
Raw material used	(24,661)	(12,010)	(44,586)	(24,126)
Staff cost	(5,212)	(3,374)	(10,183)	(7,150)
Depreciation and amortisation	(1,651)	(1,294)	(3,108)	(2,554)
Other operating expenses	(13,373)	(16,327)	(30,829)	(28,145)
Finance costs	(119)	(144)	(279)	(241)
Profit before taxation	4,014	6,524	9,246	8,743
Taxation	(28)	(870)	(694)	(979)
Profit after taxation	3,986	5,654	8,552	7,764
Other comprehensive income				
Translation differences on foreign operation	(57)	-	(49)	-
Other comprehensive income net of tax	(57)		(49)	
Total comprehensive income	3,929	5,654	8,503	7,764
Profit attributable to:				
Owners of the parent	3,986	5,654	8,552	7,764
Non-controlling interest	-	-	-	-
	3,986	5,654	8,552	7,764
Total comprehensive income attributable to:				
Owners of the parent	3,929	5,654	8,503	7,764
Non-controlling interest	-	-	-	-
	3,929	5,654	8,503	7,764
Earnings per share (sen)				
Basic (note B13)	1.3	1.9	2.9	2.6
Diluted (note B13)	N/A	N/A	N/A	N/A

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the financial year ended 28 February 2010)

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**AS AT 31 AUGUST 2010**

(The figures below are unaudited)

	(Unaudited) As at 31 August 2010 RM'000	(Audited) As at 28 February 2010 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	80,854	81,933
Intangible assets	151	158
Goodwill on combination	5,227	5,227
	86,232	87,318
Current assets		
Inventories	22,869	25,366
Trade and other receivables	68,188	53,162
Fixed deposits	37,178	39,998
Cash and bank balances	14,758	12,234
Short Term Investment	2,699	1,422
Tax recoverable	6,754	5,858
	152,446	138,040
TOTAL ASSETS	238,678	225,358
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	60,000	60,000
Share premium	100,055	100,055
Other reserves	(27)	22
Retained earnings	34,345	31,793
	194,373	191,870
Non-controlling interest	-	-
TOTAL EQUITY	194,373	191,870
Non-current liabilities		
Long term borrowings	2,520	2,520
Deferred taxation	1,031	734
	3,551	3,254
Current liabilities		
Trade payables, other payables and accruals	36,682	27,760
Taxation	105	49
Short term borrowings	3,967	2,425
Dividend Payable	-	-
	40,754	30,234
TOTAL LIABILITIES	44,305	33,488
TOTAL EQUITY AND LIABILITIES	238,678	225,358
Net assets per share attributable to ordinary equity holders of the parent (RM)	0.65	0.64

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the financial year ended 28 February 2010)

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND QUARTER ENDED
31 AUGUST 2010**

(The figures below are unaudited)

	Current Year To Date 31 August 2010 RM'000	Preceding Year To Date 31 August 2009 RM'000
Cash flows from operating activities		
Profit before tax	9,246	8,743
Adjustments for:-		
Non-cash items	3,115	2,562
Non-operating items	(436)	(192)
Operating profit before changes in working capital	<u>11,925</u>	<u>11,113</u>
Changes in working capital:-		
Net change in current assets	(12,530)	5,237
Net change in current liabilities	8,923	3,551
Net cash from operations	<u>8,318</u>	<u>19,901</u>
Interest paid	(139)	(167)
Tax paid	(1,238)	(1,891)
Net cash from operating activities	<u>6,941</u>	<u>17,843</u>
Cash flows from investing activities		
Interest received	575	359
Placement of fixed deposit	-	345
Purchase of fixed assets	(2,182)	(8,732)
Short Term Investment	(1,277)	(599)
Proceeds from disposal of fixed assets	154	-
Net cash used in investing activities	<u>(2,730)</u>	<u>(8,627)</u>
Cash flows from financing activities		
Dividends paid	(6,000)	(6,000)
Drawdown/(Repayment) of other short-term bank borrowings	1,853	(182)
(Repayment) of hire purchase liabilities	(128)	(282)
(Repayment) of term loans	(183)	(161)
Net cash used in financing activities	<u>(4,458)</u>	<u>(6,625)</u>
Net increase in cash and cash equivalents	(247)	2,591
Effects of changes in foreign exchange rates	(49)	-
Cash and cash equivalents at beginning of the year	<u>52,232</u>	<u>45,223</u>
Cash and cash equivalents at end of the period	<u>51,936</u>	<u>47,814</u>
Cash and cash equivalents comprise:		
Fixed deposits with licensed banks	37,178	36,619
Cash and bank balances	<u>14,758</u>	<u>11,195</u>
	<u>51,936</u>	<u>47,814</u>

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Report for the financial year ended 28 February 2010)

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SECOND QUARTER ENDED
31 AUGUST 2010**

(The figures below are unaudited)

	Attributable to Equity Holders of the Parent			Distributable Retained Profit RM'000	Non-controlling Interest RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Translation Reserve RM'000			
At 1 March 2010	60,000	100,055	22	31,793	-	191,870
Non-controlling Interest arising from acquisition						
Dividend Paid/Payable				(6,000)		(6,000)
Total comprehensive income for the period			(49)	8,552	-	8,503
At 31 August 2010	60,000	100,055	(27)	34,345	-	194,373

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the financial year ended 28 February 2010)

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A. EXPLANATORY NOTES IN ACCORDANCE WITH FRS 134

A1. Basis of Preparation

The unaudited condensed interim financial statements for the second quarter ended 31st August 2010 have been prepared in accordance with Financial Reporting Standards ("FRS") 134₂₀₀₄ Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and Chapter 9 Appendix 9B of the Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities"). The unaudited condensed interim financial statements should be read in conjunction with the preceding audited financial statements of the Power Root Berhad (formerly known as Natural Bio Resources Berhad) and its subsidiaries, namely Power Root (M) Sdn. Bhd., Power Root Marketing Sdn. Bhd., Power Root Manufacturing Sdn. Bhd., Power Root Nenergy Sdn. Bhd., Power Impian International Sdn. Bhd., PT. Natbio Marketing Indonesia, Power Root (Shanghai) Food Trading Co. Ltd., Synergy Distribution FZC and PR Global Assets Limited (collectively known as "Power Root Group" or "The Group") for the preceding financial year ended 28 February 2010.

The accounting policies and methods of computation adopted in these interim financial statements of the Group are consistent with those adopted for the audited financial statements for the financial year ended 28 February 2010, except for the following:

(i) *Adoption of New and Revised FRSs, IC Interpretations and Amendments*

In the current period, the Group adopted the following FRSs which are relevant to the it's operations and effective for the financial period beginning 1 January 2010

- FRS 7, *Financial Instruments: Disclosures*
- FRS 8, *Operating Segments*
- FRS 101(revised), *Presentation of Financial Statements*
- FRS 132(revised), *Financial Instruments: Presentation.*
- FRS 139, *Financial Instruments: Recognition and Measurement*
- Amendments to FRS 127, *Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- Amendments to FRS 8, *Operating Segments*
- Amendments to FRS 110, *Events after the Balance Sheet Date*
- Amendments to FRS 118, *Revenue*
- Amendments to FRS 132, *Financial Instruments: Presentation*
- Amendments to FRS 134, *Interim Financial Reporting*
- Amendments to FRS 136, *Impairment of Assets*

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- Amendments to FRS 138, *Intangible Assets*
- Amendments to FRS 139, *FRS 7 and IC Interpretation 9: Reassessment of Embedded Derivatives*
- IC Interpretation 9, *Reassessment of Embedded Derivatives*
- IC Interpretation 10, *Interim Financial Reporting and Impairment*
- IC Interpretation 13, *Customer Loyalty Programmes*

The initial applications of the above FRSs, amendments to FRSs, and IC interpretations do not have significant financial impacts on the financial reporting of the Group and the Company.

(ii) *New and Revised FRSs, IC Interpretations and Amendments issued but are not yet effective for the Group's Current Quarter Report*

The following FRSs, amendments to FRSs, and IC Interpretations were issued and effective for annual periods beginning on or after 1 July 2010. They will be adopted in the annual financial statements of the Group and the Company when they become effective:

- FRS 1, *First-time Adoption of Financial Reporting Standards (revised)*
- FRS 3, *Business Combinations (revised)*
- FRS 127, *Consolidated and Separate Financial Statements (revised)*
- Amendments to FRS 2, *Share-based Payment (Amendment relating to scope of FRS 2 and FRS 3)*
- Amendments to FRS 5, *Non-current Assets Held for Sale and Discontinued Operations*
- Amendments to FRS 138, *Intangible Assets*
- IC Interpretation 12, *Service Concession Agreements*
- Amendments to IC Interpretation 9, *Reassessment of Embedded Derivatives*

A2. Audit Report of Preceding Annual Financial Statements

The audited financial statements of the Group for the preceding financial year ended 28 February 2010 were not subjected to any qualification.

A3. Seasonality or Cyclicity Factors

Generally, the Group does not have any significant seasonal sales cycle, except during the Muslim fasting month, where sales would be lower.

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A4. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no other items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidence during the quarter under review.

A5. Material Change in Estimates

There were no material changes in estimates of amounts reported that have a material effect on the results for the quarter under review.

A6. Issuances, Cancellations, Repurchases, Resale and Repayments of Debt and Equity Securities

There were no issuance and repayment of debts and equity securities, share buy-backs, share cancellation, shares held as treasury shares and resale of treasury shares for the quarter under review.

A7. Dividend Paid

A tax free final dividend of 2.0 sen per share for the financial year ended 2010 was paid during the quarter.

A8. Segmental Reporting

Segmental information is presented on the basis of geographical segment, which is based on the geographical location of customers

	Current quarter ended 31 AUGUST 2010 RM'000	Current year to date 31 AUGUST 2010 RM'000
Revenue		
Malaysia	43,043	84,674
Oversea	6,756	14,820
	-----	-----
	49,799	99,494
	=====	=====

No other segmental information such as segment assets, liabilities and results are presented as the Group is principally engaged within one industry, which involves the manufacturing and distribution of beverages and operates from Malaysia only.

A9. Material Events Subsequent to the end of the Quarter under review

There was no material event subsequent to the end of the quarter under review up to the date of this report which has not been reflected in the financial statements for the quarter under review.

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A10. Changes in the composition of the Group

The Group changed the name of the holding company from Natural Bio Resources Berhad to Power Root Berhad effective from 27 July 2010.

In addition to the above, the Group incorporated a new wholly-owned subsidiary, Power Impian International Pte. Ltd. (PIIPL) in Singapore on 6 August, 2010. The principal activities of this newly formed subsidiary are network marketing and trading of products.

A11. Changes in Contingent Liabilities or Contingent Assets

There were no changes in contingent liabilities or contingent assets since the last annual balance sheet date up to the date of this report.

A12. Material Capital Commitments

There were no material capital commitments for the quarter under review.

A13. Material Related Party Transactions

There were no material transactions entered by the Group with any related party.

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B. ADDITIONAL INFORMATION REQUIRED BY APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA SECURITIES

B1. Review of Group's Results for the Quarter Ended 31 August 2010

The Group recorded revenue of RM49.8 million for the second quarter ended 31 August 2010, representing an increase of RM1.9 million or 4.1% when compared to the previous year's corresponding quarter. This increase is largely attributable to the increase in the sales from the Group's Fast Moving Consumer Goods ("FMCG") business in both domestic market and oversea market.

The Group recorded a profit after tax of RM4.0 million for the current quarter which is a decrease of approximately RM1.7 million compared to the previous year's corresponding quarter of PAT of RM5.7 million. The reasons for the decrease in profit as compared to the previous year's corresponding quarter is mainly due to the higher level of marketing and promotional activities undertaken in the current quarter in the local market as well as overseas to expand and extend our product reach and penetration.

B2. Variation of Results for the Current Quarter Ended 31 August 2010 against the Immediate Preceding Quarter

The Group showed a slight increase of RM0.1 mil or 0.2% in revenue for the current quarter compared to the revenue recorded for the immediate preceding quarter ended 31 May 2010 of RM49.7 million.

The Group's profit after tax of RM4.0 million for the current quarter represents a decrease of RM0.6 million when compared to the profit after tax of RM4.6 million for the immediate preceding quarter ended 31 May 2010 due to the higher advertisement and promotion expenses incurred.

B3. Group's Prospects for the financial year ending 28 February 2011 ("FYE 2011")

Going forward, the Group will continue with its marketing and branding efforts with the view of increasing its market presence and market share. For the second half of the financial year ending 28 February 2011, the Group will be carrying out a nationwide road show to promote our products and brand in Malaysia and Singapore. Further to that, the Group will also be completing its 3rd season of "You Can Be A Millionaire" Consumer Contest and will unveil the 3rd Power Root Millionaire at the end of the calendar year. The Group will also continue to focus on developing more products with the objective of expanding its product range to cater for the different needs of its consumers.

The Group is optimistic of improving its performance for the financial year ending 28 February 2011.

B4. Variance of Profit Forecast

There was no profit forecast made during the financial period under review.

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B5. Tax Expense

Taxation comprises the following:-

	Individual quarter ended		Cumulative quarter ended	
	31 August 2010 RM'000	31 August 2009 RM'000	31 August 2010 RM'000	31 August 2009 RM'000
In respect of the current period:-				
Taxation	(77)	620	475	716
Deferred taxation (income)/expenses	105	250	219	263
	<u>28</u>	<u>870</u>	<u>694</u>	<u>979</u>
In respect of the previous period:-				
Taxation	-	-	-	-
Deferred taxation (income)/expenses	-	-	-	-
	<u>28</u>	<u>870</u>	<u>694</u>	<u>979</u>

B6. Profit on Sale of Unquoted Investments and Properties

There were no disposal of unquoted investments and properties during the quarter under review and financial year-to-date.

B7. Purchase and Disposal of Quoted and Marketable Securities

During the quarter under review, the total purchase consideration, sale proceeds of quoted securities and profit/loss arising there from were as follows:-

	Current Quarter RM'000	Current YTD RM'000
Purchase	28	927
Sales Proceeds	-	-
Profit or (Loss) on disposal	-	-

At the end of the quarter, the total investments in quoted securities for the Group were as follows:-

	RM'000
At Cost	2,102
At Carrying Value/Book Value	2,102
At Market Value as at end of the quarter	2,114

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B8. Status of Corporate Proposals Announced

- (i) There were no incomplete corporate proposals which have been announced during the quarter under review.
- (ii) Utilisation Of Proceeds Received From Public Issue

As at 31 August 2010, the status of utilisation of the gross proceeds of RM120.82 million raised from the public issue of 75,000,000 new ordinary shares of RM0.20 each in Power Root pursuant to the listing of Power Root on the Bursa Securities are as follows:

Purpose	Proceeds Raised RM'000	Status of utilisation as at 31 August 2010 RM'000	Amount not utilised RM'000
Capital expenditure	25,800	25,800	-
Research & Development	1,100	1,100	-
Advertisement & Promotions	40,000	40,000	-
Repayment of bank borrowings	19,950	19,950	-
Working Capital	28,470	28,470	-
Estimated Listing Expenses	5,500	5,500	-
TOTAL	120,820	120,820	-

B9. Group Borrowings and Debt Securities

The Group's borrowings, all repayable in Ringgit Malaysia and secured, as at the end of the quarter under review are as follows:

	RM'000
<u>Short Term Borrowings</u>	
Term Loans	197
Hire Purchase Payables	82
Trade Finance	3,688
	<hr/>
	3,967
<u>Long Term Borrowings</u>	
Term Loans	2,390
Hire Purchase Payables	130
	<hr/>
	2,520
Total	<hr/> 6,487

The Group does not have any foreign borrowings and debt securities as at the date of this report.

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B10. Off Balance Sheet Financial Instruments

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

B11. Material Litigation

The Group is not engaged in any material litigation either as plaintiff or defendant and the Directors do not have any knowledge of any proceedings pending or threatened against the Group as at the date of this report.

B12. Dividend Proposed

The Board of Directors has deliberated and resolved to declare a tax free dividend of 6.0 sen per share comprising of an interim dividend of 2.0 sen each and a special interim dividend of 4.0 sen each which will be payable on 8 December 2010 to depositors registered in the Record of Depositors at the close of business on 22 November 2010.

B13. Earnings Per Share ("EPS")

Basic EPS

	Current quarter ended		Cumulative quarter ended	
	31 August 2010	31 August 2009	31 August 2010	31 August 2009
Profit for the period (RM'000)	3,986	5,654	8,552	7,764
Weighted average number of shares in issue ('000)	300,000	300,000	300,000	300,000
Basic EPS (sen)	<u>1.3</u>	<u>1.9</u>	<u>2.9</u>	<u>2.6</u>

Basic EPS is calculated by dividing the net profit after tax attributable to the ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the period.

Diluted EPS

The Group does not have any convertible securities and accordingly diluted EPS is not applicable.