INTEGRAX BERHAD

Company No. : 49317 - W

(Incorporated in Malaysia)

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

## FOR THE QUARTER ENDED 31 MARCH 2012

**Abbreviations**

In these interim financial statements, unless otherwise stated, the following abbreviations shall have the following meanings:-

|  |  |  |
| --- | --- | --- |
| “Act” | : | Companies Act, 1965 |
| “EPS” | : | Earnings per share |
| “Group” | : | Integrax and its subsidiaries |
| “Integrax” or the “Company” | : | Integrax Berhad *(Company No. 49317-W)* |
| “LBT” | : | Lekir Bulk Terminal, a common-user bulk port facility owned by Lekir Bulk Terminal Sdn Bhd |
| “LBTSB” | : | Lekir Bulk Terminal Sdn. Bhd. *(Company No. 414060-T)*, an 80% owned subsidiary of PLSB |
| “LBT Serial Bonds” | : | 12½ years zero coupon Serial Bonds of RM445 million issued by LBTSB |
| “LBT RCCPS” | : | Redeemable cumulative convertible preference share(s) of RM0.01 each in LBTSB |
| “LMT” | : | Lumut Maritime Terminal, a common-user multi-purpose port facility owned by Lumut Maritime Terminal Sdn Bhd |
| “LMTSB” | : | Lumut Maritime Terminal Sdn. Bhd. *(Company No. 180480-D)* |
| “LMT RPS” | : | Redeemable preference share(s) of RM0.01 each in LMTSB which is convertible to ordinary shares of RM1.00 each in LMTSB as per the Memorandum and Articles of Association |
| “LPIP” | : | Lumut Port Industrial Park, the industrial properties division of LMTSB |
| “Lumut Port” | : | Lekir Bulk Terminal and Lumut Maritime Terminal collectively |
| “MFRSs” | : | Malaysian Financial Reporting Standards |
| “PLSB” | : | Pelabuhan Lumut Sdn. Bhd. *(Company No. 168205-M),* a wholly owned subsidiaryof Integrax |
| “PATSC” | : | Profit attributable to Owners of the Company |
| “PBT” | : | Profit Before Tax |
| “RAM” | : | RAM Rating Services Berhad |
| “RM” and “sen” | : | Ringgit Malaysia and sen respectively |
| “TNB” | : | Tenaga Nasional Berhad |
| “TNBJ” | : | TNB Janamanjung Sdn Bhd |

|  |  |
| --- | --- |
| **A.** | **Compliance with Malaysian Financial Reporting Standards (MFRS) 134, Interim Financial Reporting and Bursa Listing Requirements** |
| **A1.** | **Basis of Preparation**  These interim financial statements are unaudited and have been prepared in accordance with MFRS 134, Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. |
| **A2.** | **Changes in Accounting Policies**  These are the Group's first interim financial statements for part of the period covered by the Group's first MFRS framework annual financial statements for the year ending 31 December 2012. MFRS 1: First-Time Adoption of Malaysian Financial Reporting Standards ("MFRS 1") has been adopted with effect from 1 January 2012. The transition to the MFRS framework has no material impact on the financial statements of the Group.  The Group has not adopted any new/revised MFRSs and IC Interpretations that has been issued as at the date of authorization of these Interim Financial Statements but is not yet effective for the Group. |
| **A3.** | **Audit report on the preceding year’s financial statements**  The audit report of the preceding year’s annual financial statements of the Group did not contain any qualifications. |
| **A4.** | Foreign currency translation rates The principal closing rates as at 31 March 2012 used in the translation of foreign currency amounts to RM are as follows :  1 US Dollar - RM 3.0685  100 Indonesian Rupiah - RM 0.0335  100 Philippine Peso - RM 7.1400 |
| **A5.** | **Seasonal or cyclical factors**  The business of the Group is generally not affected by any seasonal or cyclical factors. |
| **A6.** | **Unusual items due to nature, size or incidence**  There were no items affecting assets, liabilities, equity, net income or cash flow that were unusual because of their nature, size or incidence recorded in the current quarter under review. |
| **A7.** | **Issuances, repurchases and repayments of equity and debt securities**  There were no issuances, cancellations, repurchases or repayments of equity and debt securities during the current quarter. |
| **A8.** | **Loans and borrowings**   |  |  |  |  | | --- | --- | --- | --- | |  | **As at 31.03.12**  **RM’000**  **Non-Current** | **As at 31.03.12**  **RM’000**  **Current** | **As at 31.03.12**  **RM’000**  **Total** | | *Secured* |  |  |  | | LBT Serial Bonds | - | 39,231 | 39,231 | | Finance lease | 330 | 135 | 465 | | Sub- total | 330 | 39,366 | 39,696 | | *Unsecured* |  |  |  | | Redeemable preference shares : |  |  |  | | Preference share capital | 40 | - | 40 | | Preference share premium | 3,960 | - | 3,960 | | Sub – total | 4,000 | - | 4,000 | | **Total loans and borrowings** | **4,330** | **39,366** | **43,696** |   As at 31 March 2012, only one tranche of the LBT Serial Bonds remained outstanding. This final tranche has an aggregate value of RM 40 million which will be due on 6 July 2012.  In September 2011, RAM reaffirmed their enhanced rating of AAA(bg) for these Serial Bonds with a stable outlook. These Serial Bonds are secured by a guarantee issued by a Bank rated AAA by RAM. The serial bondholders and the guarantee provider share a charge over the Jetty Terminal Usage Agreement (“JTUA”) signed by LBTSB and TNB Janamanjung Sdn Bhd, and a designated bank account of LBTSB, with the serial bondholders ranking after the guarantee provider. LBTSB is obligated to ensure that there shall, on a progressive basis over a period of six months, be an amount accumulated in the designated bank account which is equivalent to the serial bond due at the end of each six-month period. |
| **A9.** | **Dividends paid**  No dividends were declared or paid in the current quarter. Please refer to B11. |
| **A10.** | **Segmental information**  Segment information is presented in respect of the Group’s business. No information on geographical segments is presented as all operations are located in Malaysia. The primary format and business segments are based on the Group’s management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms.  Segment results include items directly attributable to a segment as well as those which can be allocated on a reasonable basis.  The main business segments of the Group are as follows :   |  |  | | --- | --- | | Port operations | Ownership and operation of two port facilities, LBT (port facility for dry bulk) and LMT (port facility for dry bulk, liquid bulk, break bulk and containers) | | Investment holding | Investment in ordinary and preference shares of subsidiary companies and associated companies | | Industrial property | Sale of industrial property via LMTSB | |

**A10. Segmental Information (continued)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **3 Months Ended 31.03.12**  **RM’000** | **Port**  **Operations** | **Investment**  **Holding** | **Industrial**  **Properties** | **Eliminations** | **Consolidated** |
| Business segments |  |  |  |  |  |
| Revenue from external customers | 23,032 | - | - | - | 23,032 |
| Inter-segment revenue | - | 400 | - | (400) | - |
| Share of revenue of associates | 8,562 | - | - | - | 8,562 |
| Total gross revenue | 31,594 | 400 | - | (400) | 31,594 |
| Share of revenue of associate | (8,562) | - | - | - | (8,562) |
| **Total revenue** | 23,032 | 400 | - | (400) | 23,032 |
| **Segment result** | 11,053 | (264) | - | (400) | 10,389 |
| Operating profit | 11,053 | (264) | - | (400) | 10,389 |
| Financing costs | (1,269) | (7) | - | 400 | (876) |
| Interest income | 455 | 566 | - | - | 1,021 |
| Share of profit after tax of associate | 2,822 | - | (18) | - | 2,804 |
| Profit before taxation | 13,061 | 295 | (18) | - | 13,338 |
| Tax expense | (2,757) | (123) | - | - | (2,880) |
| **Profit for the period** | 10,304 | 172 | (18) | - | 10,458 |

**A10. Segmental Information (continued)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **3 Months Ended 31.03.12**  **RM’000** | **Port**  **Operations** | **Investment**  **Holding** | **Industrial**  **Properties** | **Eliminations** | **Consolidated** |
| **Business segments** |  |  |  |  |  |
| Segment assets | 414,388 | 212,343 | - | - | 626,731 |
| Investment in associate | 71,309 | - | 37,643 | - | 108,952 |
| **Total assets** | 485,697 | 212,343 | 37,643 | - | 735,683 |
| **Total liabilities** | 107,106 | 1,732 | - | - | 108,838 |
| **Depreciation of property, plant & equipment** | 3,201 | 51 | - | - | 3,252 |

**A10. Segmental Information (continued)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **3 Months Ended 31.03.11**  **RM’000** | **Port Operations** | **Investment Holding** | **Industrial Properties** | **Eliminations** | **Consolidated** |
| **Business segments** |  |  |  |  |  |
| Revenue from external customers | 22,197 | - | - | - | 22,197 |
| Inter-segment revenue | - | 400 | - | (400) | - |
| Share of revenue of associate | 9,225 | - | - | - | 9,225 |
| **Total gross revenue** | 31,422 | 400 | - | (400) | 31,422 |
| Share of revenue of associate | (9,225) | - | - | - | (9,225) |
| **Total revenue** | 22,197 | 400 | - | (400) | 22,197 |
| **Segment result** | 11,454 | 4,792 | - | (400) | 15,846 |
| Operating profit | 11,454 | 4,792 | - | (400) | 15,846 |
| Financing costs | (1,966) | (9) | - | 400 | (1,575) |
| Interest income | 669 | 100 | - | - | 769 |
| Share of profit after tax of associate | 3,423 | - | (33) | - | 3,390 |
| Profit before taxation | 13,580 | 4,883 | (33) | - | 18,430 |
| Tax expense | (2,740) | (41) | - | - | (2,781) |
| **Profit for the period** | 10,840 | 4,842 | (33) | - | 15,649 |

**A10. Segmental Information (continued)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **3 Months Ended 31.03.11**  **RM’000** | **Port**  **Operations** | **Investment**  **Holding** | **Industrial**  **Properties** | **Eliminations** | **Consolidated** |
| **Business segments** |  |  |  |  |  |
| Segment assets | 463,219 | 206,532 | - | - | 669,751 |
| Investment in associate | 69,704 | - | 32,172 | - | 101,876 |
| **Total assets** | 532,923 | 206,532 | 32,172 |  | 771,627 |
| **Total liabilities** | 143,530 | 1,782 | - | - | 145,312 |
| **Depreciation of property, plant & equipment** | 2,750 | 58 | - | - | 2,808 |

|  |  |
| --- | --- |
| **A11.** | **Valuation of property, plant and equipment**  The values of property, plant and equipment of the Group were brought forward without amendment from the audited annual financial statements for the year ended 31 December 2011. The property, plant and equipment of the Group are stated at cost less accumulated depreciation and impairment losses, if any. No revaluation of property, plant and equipment was undertaken during the current quarter under review.  There were no significant purchases or disposals of property, plant and equipment during the current quarter.  As at 31 March 2012, the Group’s commitment to purchase equipment amounted to approximately RM 15 million to replace equipment whose lifespan is expected to expire within the next 9 months. Please refer to Note B13. |
| **A12.** | **Changes in the composition of the Group**  There were no changes in the composition of the Group during the current quarter. |
| **A13.** | **Changes in contingent liabilities or contingent assets**  There were no changes in contingent liabilities or contingent assets since the previous audited annual financial statements. |
| **A14.** | **Significant related party transactions**  Related parties   |  |  | | --- | --- | | LMTSB | An associated company of the Group | | TNBJ | A subsidiary of Tenaga Nasional Berhad (TNB). TNB acquired 22.12% of the Company’s issued and paid up share capital on 23 March 2011. |   Related party transactions   |  |  |  | | --- | --- | --- | |  | 1Q2012  RM’000 | YTD 1Q2012  RM’000 | | Revenue receivable from TNBJ in respect of the Jetty Terminal Usage Agreement (JTUA) signed with LBTSB in the year 1999 | 23,032 | 23,032 | | Operations and maintenance fees charged by LMTSB | 8,192 | 8,192 | |

|  |  |
| --- | --- |
| **A15.** | **Significant litigation**  Writ of Summons No 22NCC6-762-2011 and Statement of Claim from Tenaga Nasional Berhad (“TNB”) against the Company and 7 others  The Company was only a nominal defendant to this suit with no allegations of wrongdoings in TNB’s Statement of Claim against the Company. The Company had been advised by its legal counsel to take a neutral stand and leave it to the other 7 defendants to reply to the substantive part of TNB’s Statement of Claim.  This suit was withdrawn by TNB on 1 March 2012 with no order as to costs for the Company. |
| **A16.** | **Subsequent events**  There were no significant events which occurred subsequent to this quarter**.** |
|  |  |

|  |  |
| --- | --- |
| **B.** | **Additional Information Required By The Listing Requirements of Bursa Malaysia Securities Berhad** |
| **B1.**  (a)  (b) | **Performance review**  Comparison between 1Q2012 and 1Q2011  Group   |  |  |  |  | | --- | --- | --- | --- | |  | **Group** | | | |  | 1Q2012  RM’000 | 1Q2011  RM’000 | % Change | | Revenue | 23,032 | 22,197 | 3.8 | | PBT | 13,338 | 18,430 | (27.6) |   Group revenues comprise contractual revenues from the provision of port facilities under term arrangements at LBT. The Group’s revenue of RM23 million increased by 3.8% compared with RM22 million recorded in the corresponding period last year. This was due to a 12.2% increase in cargo throughput at LBT.  PBT decreased by 27.6% due to the recognition of gains on disposal of a subsidiary and an associate company in 1Q2011. There were no such one off items recorded in 1Q2012.  Port Operations Segment   |  |  |  |  | | --- | --- | --- | --- | |  | **Port operations** | | | |  | 1Q2012  RM’000 | 1Q2011  RM’000 | % Change | | Revenue | 31,594 | 31,422 | 0.5 | | PBT | 13,061 | 13,580 | (3.8) | |  |  |  |  | | LBT Cargo Throughput | 1,947,822MT | 1,735,623MT | 12.2 | | LMT Cargo Throughput | 652,698MT | 810,031MT | (19.4) |   Port operations comprise operations at two ports, LBT and LMT.  1Q2012 coal throughput in LBT increased by 12.2% mainly as a result of higher coal demand from TNBJ. Cargo throughput at LMT experienced a 19.4% decrease compared to 1Q2011. This reduction is due to lower throughput in all the main cargo categories as a result of the general cooling down of business activities in the country. However LMT cargo throughput is expected to pick up in 2Q2012 with new customers who will be importing project and breakbulk cargo for TNBJ’s Manjung 4 project. One of LMT’s existing customers is planning to increase its production of clinker which is then expected to have a positive impact on LMT’s throughput in 2Q2012.  Industrial Properties Segment   |  |  |  |  | | --- | --- | --- | --- | |  | **Industrial properties** | | | |  | 1Q2012  RM’000 | 1Q2011  RM’000 | % Change | | Revenue | - | - | - | | PBT | (18) | (33) | 45.4 | |  |  |  |  | | Industrial land sold | - | - | - |   Revenues and profits from this segment are generated from sales of industrial land by LMTSB. However, there were no land sales recorded in 1Q2012.  Comparison between 1Q2012 and 4Q2011  Group   |  |  |  |  | | --- | --- | --- | --- | |  | **Group** | | | |  | 1Q2012  RM’000 | 4Q2011  RM’000 | % | | Revenue | 23,032 | 22,065 | 4.4 | | PBT | 13,338 | 14,003 | (4.7) |   The Group’s revenue for 1Q2012 was RM23 million, which represented an increase of 4.4% compared with RM 22 million registered in 4Q2011. This was due to a 32.2 % increase in LBT throughput. Higher depreciation charges and lower contribution from the associate company, LMTSB, resulted in a drop of 4.7% in PBT.  Port Operations Segment   |  |  |  |  | | --- | --- | --- | --- | |  | **Port operations** | | | |  | 1Q2012  RM’000 | 4Q2011  RM’000 | % | | Revenue | 31,594 | 30,342 | 4.1 | | PBT | 13,061 | 10,861 | 20.2 | |  |  |  |  | | LBT Cargo Throughput | 1,947,822MT | 1,473,639 MT | 32.2 | | LMT Cargo Throughput | 652,698MT | 712,885 MT | (8.5) |   Cargo throughput in LBT had increased by 32.2% compared to 4Q11 reflecting the continuous demand for coal imports for the TNBJ power generating plant. However, cargo throughput in LMT dropped by 8.5% due to a slight slowdown in business activities which are expected to pick up again in 2Q2012.  Industrial Properties Segment   |  |  |  |  | | --- | --- | --- | --- | |  | **Industrial properties** | | | |  | 1Q2012  RM’000 | 4Q2011  RM’000 | % | | Revenue | - | 14,035 | - | | PBT | (18) | 5,704 | (99.7) | |  |  |  |  | | Industrial land sold | - | 65.83 acres | - |     LMTSB sold 65.83 acres of industrial land in 4Q2011, whereas no land sales were recorded in 1Q2012. |
| **B2.** | **Prospects going forward**  In line with the expected continued growth of the Malaysian economy and the prospects of increasing business opportunities arising from various Government and private initiatives, we believe that our port operations will remain on an uptrend. We expect cargo throughput at LBT and LMT as well as industrial land sales to remain resilient.  The Lumut – Manjung corridor is expected to benefit from TNB’s 1,010-MW Manjung 4 Power Plant project and Vale’s iron and steel investment in Teluk Rubiah. Integrax is currently in discussions with these parties to determine Integrax’s level of participation in these projects. All relevant and necessary announcements will be made upon the finalization of these discussions. |
| **B3.** | **Profit forecast**  The Company has not issued any profit forecasts to the public. |
| **B4.** | **Tax expense**   |  |  |  | | --- | --- | --- | |  | **1Q2012**  **RM’000** | **YTD 1Q2012**  **RM’000** | | Current year - Malaysian tax | 3,317 | 3,317 | | - Foreign tax | 3 | 3 | | Deferred tax | (440) | (440) | | Total | 2,880 | 2,880 | |
| **B5.** | **Purchase or disposal of unquoted investments and properties**  There were no purchases or disposals of unquoted investments and properties during the current quarter. |
| **B6.** | **Purchase or disposal of quoted securities**  There were no purchases or disposals of quoted securities during the current quarter. |
| **B7.** | **Status of corporate proposals**  There are no corporate proposals currently in existence. |
| **B8.** | **Borrowing and debt securities**  Please refer to Note A8. |
| **B9.** | **Off balance sheet financial instruments**  The Group has not purchased any financial instruments during the quarter under review. |
| **B10.** | **Changes in material litigation**  Please refer to Note A15. |
| **B11.** | **Dividends**  No dividends were declared or paid during the current quarter under review. |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **B12.** | **Basic earnings per share**  The basic earnings per share is calculated by dividing the PATSC for the period by the weighted average number of ordinary shares in issue during the period :   |  |  |  | | --- | --- | --- | |  | **YTD 1Q2012**  **RM’000** | **YTD 1Q2011**  **RM’000** | |  |  |  | | PATSC for the period | 9,009 | 14,176 | | Weighted average number of ordinary shares in issue | 300,806 | 300,806 | | **Basic earnings/(Loss) per ordinary share :** |  |  | | **From continued operations (sen)** | **2.99** | **4.71** | |
| **B13.** | **Capital commitments**  The Group’s commitment in respect of its purchase of plant and equipment not provided for as at 31 March 2012 is as follows :   |  |  | | --- | --- | |  | **As at 31.03.2012**  **RM’000** | | Plant and equipment  Approved and contracted for | 15,000 | | **Total** | **15,000** | |
| **B14.** | **Disclosure of realised and unrealised profits**  An analysis of the retained profits of the Group as at 31 March 2012 is as follows :   |  |  |  | | --- | --- | --- | |  | **As at**  **31 March 2012**  **Unaudited**  **RM’000** | **As at**  **31 Dec 2011**  **Audited**  **RM’000** | | Total retained earnings of the Company and its subsidiaries : |  |  | | Realised | 272,056 | 267,741 | | Unrealised | (41,416) | (41,768) | |  | 230,640 | 225,973 | | Total share of retained earnings from associated company : |  |  | | Realised | 98,387 | 95,551 | | Unrealised | (2,776) | (2,744) | |  | 95,611 | 92,807 | |  |  |  | | Less : Consolidated adjustments | (106,185) | (107,723) | | **Total retained earnings as per consolidated statement of financial position** | **220,066** | **211,057** | |