

INTEGRAX BERHAD
Company No. : 49317 - W
(Incorporated in Malaysia)

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 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
“IDX”	:	P.T. Tanah Laut Tbk (previously known as Indoexchange Tbk), previously a 70.31% owned subsidiary of Integrax listed on the Indonesia Stock Exchange (IDX) which was disposed in 1Q2011.
“Integrax” or the “Company”	:	Integrax Berhad (<i>Company No. 49317-W</i>)
“LBT”	:	Lekir Bulk Terminal, a common-user bulk port facility owned by Lekir Bulk Terminal Sdn Bhd
“LBT SB”	:	Lekir Bulk Terminal Sdn. Bhd. (<i>Company No. 414060-T</i>), an 80%-owned subsidiary of PLSB
“LBT Serial Bonds”	:	12½-year zero coupon Serial Bonds of RM445 million issued by LBT SB
“LBT RCCPS”	:	Redeemable cumulative convertible preference share(s) of RM0.01 each in LBT SB
“LMT”	:	Lumut Maritime Terminal, a common-user multi-purpose port facility owned by Lumut Maritime Terminal Sdn Bhd
“LMT SB”	:	Lumut Maritime Terminal Sdn. Bhd. (<i>Company No. 180480-D</i>), a 50% less 1 share associate company of Integrax
“LMT RPS”	:	Redeemable preference share(s) of RM0.01 each in LMT SB which is convertible to ordinary shares of RM1.00 each in LMT SB as per the Memorandum and Articles of Association
“LPIP”	:	Lumut Port Industrial Park, the industrial properties division of LMT SB
“Lumut Port”	:	Lekir Bulk Terminal and Lumut Maritime Terminal collectively
“MFRSs”	:	Malaysian Financial Reporting Standards
“PLSB”	:	Pelabuhan Lumut Sdn. Bhd. (<i>Company No. 168205-M</i>), a wholly owned subsidiary of Integrax
“PATSC”	:	Profit attributable to Owners of the Company
“PBT”	:	Profit Before Tax
“PGMC”	:	Platinum Group Metals Corporation, previously a 20.01% owned associated company of the Group but was disposed in 1Q2011

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Abbreviations (continued)

“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 have been issued as at the date of authorization of these Interim Financial Statements but are 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 30 September 2012 used in the translation of foreign currency amounts to RM are as follows :

1 US Dollar	- RM3.0675
100 Indonesian Rupiah	- RM0.0321
100 Philippine Peso	- RM7.3350

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.

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A8. Loans and borrowings

	As at 30.09.12 RM'000 Non-Current	As at 30.09.12 RM'000 Current	As at 30.09.12 RM'000 Total
<i>Secured</i>			
Finance lease	410	176	586
Sub- total	410	176	586
<i>Unsecured</i>			
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	4,410	176	4,586

The final tranche of the LBT Serial Bonds with an aggregate value of RM 40 million was fully repaid on 6 July 2012.

A9. Dividends paid

On 23 July 2012, the Company paid an interim dividend of 4.1 sen per share less Malaysian tax of 25% (2011: 16 sen per share less Malaysian tax 25%) for the financial year ending 31 Dec 2012.

No other dividends were declared nor paid in the current quarter.

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)

9 Months Ended 30.09.12 RM'000	Port Operations	Investment Holding	Industrial Properties	Eliminations	Consolidated
Business segments					
Revenue from external customers	67,648	-	-	-	67,648
Inter-segment revenue	-	12,200	-	(12,200)	-
Share of revenue of associate	26,931	-	2,996	-	29,927
Total gross revenue	94,579	12,200	2,996	(12,200)	97,575
Share of revenue of associate	(26,931)	-	(2,996)	-	(29,927)
Total revenue	67,648	12,200	-	(12,200)	67,648
Segment result	32,825	9,416	-	(12,200)	30,041
Operating profit	32,825	9,416	-	(12,200)	30,041
Financing costs	(3,039)	(22)	-	1,200	(1,861)
Interest income	1,243	1,698	-	-	2,941
Share of profit after tax of associate	9,490	-	1,422	-	10,912
Profit before taxation	40,519	11,092	1,422	(11,000)	42,033
Tax expense	(8,100)	(424)	-	-	(8,524)
Profit for the period	32,419	10,668	1,422	(11,000)	33,509

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A10. Segmental Information (continued)

9 Months Ended 30.09.12 RM'000	Port Operations	Investment Holding	Industrial Properties	Eliminations	Consolidated
Business segments					
Segment assets	379,386	211,971	-	-	591,357
Investment in associate	73,265	-	38,795	-	112,060
Total assets	452,651	211,971	38,795	-	703,417
Total liabilities	63,478	847	-	-	64,325
Depreciation of property, plant & equipment	8,549	184	-	-	8,733

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A10. Segmental Information (continued)

9 Months Ended 30.09.11 RM'000	Port Operations	Investment Holding	Industrial Properties	Eliminations	Consolidated
Business segments					
Revenue from external customers	65,865	-	-	-	65,865
Inter-segment revenue	-	33,700	-	(33,700)	-
Share of revenue of associate	26,287	-	-	-	26,287
Total gross revenue	92,152	33,700	-	(33,700)	92,152
Share of revenue of associate	(26,287)	-	-	-	(26,287)
Total revenue	65,865	33,700	-	(33,700)	65,865
Segment result	34,729	37,311	-	(33,700)	38,340
Operating profit	34,729	37,311	-	(33,700)	38,340
Financing costs	(5,556)	(25)	-	1,200	(4,381)
Interest income	1,778	1,164	-	-	2,942
Share of profit after tax of associate	9,233	-	(88)	-	9,145
Profit before taxation	40,184	38,450	(88)	(32,500)	46,046
Tax expense	(8,369)	1	-	-	(8,368)
Profit for the period	31,815	38,451	(88)	(32,500)	37,678

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A10. Segmental Information (continued)

9 Months Ended 30.09.11 RM'000	Port Operations	Investment Holding	Industrial Properties	Eliminations	Consolidated
Business segments					
Segment assets	422,038	212,080	-	-	634,118
Investment in associate	66,340	-	31,291	-	97,631
Total assets	488,378	212,080	31,291	-	731,749
Total liabilities	126,842	920	-	-	127,762
Depreciation of property, plant & equipment	7,307	168	-	-	7,475

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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 30 Sept 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 3 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

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.
LMTSB	An associated company of the Group

Related party transactions

	3Q2012 RM'000	YTD 3Q2012 RM'000
Revenue receivable from TNBJ in respect of the Jetty Terminal Usage Agreement (JTUA) signed with LBTSB in the year 1999	22,338	67,648
Operations and maintenance fees charged by LMTSB	7,808	23,823

A15. Significant litigation

There was no significant litigation in the current quarter.

A16. Subsequent event

There were no significant subsequent events.

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B. Additional Information Required By The Listing Requirements of Bursa Malaysia Securities Berhad

B1. Performance review

(a) Comparison between 3Q2012 and 3Q2011

Group

	Group		
	3Q2012 RM'000	3Q2011 RM'000	% Change
Revenue	22,338	22,214	0.6
PBT	13,404	13,717	(2.3)

Group revenue comprises contractual revenue from the provision of port facilities under term arrangements at LBT. The Group's revenue increased to RM 22.3 million compared with the corresponding period last year on the back of higher throughput at LBT.

PBT decreased by 2.3% compared to 3Q2011 mainly due to higher depreciation and administrative expenses.

Port Operations Segment

	Port operations		
	3Q2012 RM'000	3Q2011 RM'000	% Change
Revenue	30,920	30,360	1.8
PBT	13,532	13,276	1.9
LBT Cargo Throughput	1,537,494 MT	1,533,789 MT	0.2
LMT Cargo Throughput	751,293 MT	711,686 MT	5.6

Port operations comprise operations at two ports, LBT and LMT.

Port revenue for 3Q12 was 1.8% higher at RM 30.9 million compared to 3Q2011. The increase is attributed to improvement in cargo throughput in both LBT and LMT.

Industrial Properties Segment

	Industrial properties		
	3Q2012 RM'000	3Q2011 RM'000	% Change
Revenue	-	-	-
PBT	(29)	(29)	-
Industrial land sold	-	-	-

Revenues and profits from this segment are generated from sales of industrial land by LMTSB. No land sales were recognized in 3Q12 and 3Q11.

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(b) Comparison between YTD 3Q2012 and YTD 3Q2011

Group

	Group		
	YTD 3Q2012 RM'000	YTD 3Q2011 RM'000	%
Revenue	67,648	65,865	2.7
PBT	42,033	46,046	(8.7)

Higher cargo throughput in LBT helped Group revenue to register a 2.7% increase for YTD 3Q2012 compared to YTD 3Q2011.

PBT decreased by 8.7% due to the recognition of gains on disposals of INDX and PGMC in 1Q2011. There were no such one off items in the current period under review.

Port Operations Segment

	Port operations		
	YTD 3Q2012 RM'000	YTD 3Q2011 RM'000	%
Revenue	94,579	92,152	2.6
PBT	40,519	40,184	0.8

LBT Cargo Throughput	5,189,797 MT	4,600,226 MT	12.8
LMT Cargo Throughput	2,351,213 MT	2,462,728 MT	(4.5)

Cargo throughput in LBT increased by 12.8% for YTD 3Q2012 on the back of higher demand for coal from TNBJ compared to YTD 3Q2011.

Cargo throughput in LMT for the first nine months of 2012 experienced a 4.5% decrease compared to the corresponding period in the previous year due to the lower throughput experienced in 1Q2012.

Industrial Properties Segment

	Industrial properties		
	YTD 3Q2012 RM'000	YTD 3Q2011 RM'000	% Change
Revenue	2,996	-	100.0
PBT	1,422	(88)	1,715.9

Industrial land sold	10.585	-	100.0
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Revenues and profits from this segment are generated from sales of industrial land by LMTSB.

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(c) Comparison between 3Q2012 and 2Q2012

Group

	Group		
	3Q2012 RM'000	2Q2012 RM'000	%
Revenue	22,338	22,278	0.3
PBT	13,404	15,291	(12.3)

The Group's revenue for 3Q2012 recorded a marginal increase of 0.3% compared 2Q2012. The PBT of 3Q12 is lower than 2Q12 due to lower contribution from LMTSB and higher administrative expenses.

Port Operations Segment

	Port operations		
	3Q2012 RM'000	2Q2012 RM'000	%
Revenue	30,920	32,065	(3.6)
PBT	13,532	13,926	(2.8)

LBT Cargo Throughput	1,537,494 MT	1,704,481 MT	(9.8)
LMT Cargo Throughput	751,293 MT	947,222 MT	(20.7)

Port revenue is lower by 3.6% compared to 2Q2012 due to lower cargo throughput in both LBT and LMT.

Industrial Properties Segment

	Industrial properties		
	3Q2012 RM'000	2Q2012 RM'000	%
Revenue	-	2,996	(100.0)
PBT	(29)	1,469	(102.0)

Industrial land sold	-	10.585 acres	(100.0)
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No sales of industrial land were recorded in 3Q2012, whereas land sales of 10.585 acres were recorded in 2Q2012.

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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 to remain resilient.

Integrax Group is currently debt-free with a cash position of RM 109.4 million following the final repayment of the LBT Serial Bonds on 6 July 2012. This will strengthen the Group's ability to implement its growth strategies.

On 27 July 2012, LBTSB entered into a new Jetty Terminal Usage Agreement ("JTUA-M4") with TNBJ for the provision of handling services for the import of coal for TNBJ's new 1,010-MW Manjung 4 Power Plant ("M4 Power Plant") located at Pulau Lekir 1, Telok Rubiah, District of Manjung in Perak for an initial period which will expire on 30 March 2040. Approval from the shareholders of Integrax Berhad for this agreement which was deemed a Related Party Transaction was obtained during an Extraordinary General Meeting held on 23 August 2012. This new contract is expected to contribute positively to the Group's earnings from the year 2014 onwards. Integrax is in the process of awarding the tender for the construction of a new ship unloader and is finalizing the financing required.

The Lumut – Manjung corridor is expected to benefit from the M4 Power Plant project and Vale's iron and steel investment in Teluk Rubiah. Integrax is currently in discussions with the latter to determine Integrax's level of participation in its 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

	3Q2012 RM'000	YTD 3Q2012 RM'000
Current year - Malaysian tax	3,340	9,812
- Foreign tax	2	8
Over provision for prior year	(232)	(232)
Deferred tax	(284)	(1,064)
Total	2,826	8,524

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.

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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

Please refer to Note A9. No other dividends were declared nor paid in the current quarter.

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 3Q2012 RM'000	YTD 3Q2011 RM'000
PATSC for the period	28,994	33,195
Weighted average number of ordinary shares in issue	300,806	300,806
Basic earnings/(Loss) per ordinary share :		
From continued operations (sen)	9.64	11.04

B13. Capital commitments

The Group's commitment in respect of its purchase of plant and equipment not provided for as at 30 Sept 2012 is as follows :

	As at 30 Sept 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 30 Sept 2012 is as follows :

	As at 30 Sept 2012 Unaudited RM'000	As at 31 Dec 2011 Audited RM'000
Total retained earnings of the Company and its subsidiaries :		
Realised	283,529	267,741
Unrealised	(40,917)	(41,768)
	242,612	225,973
Total share of retained earnings from associated company :		
Realised	106,557	95,551
Unrealised	(2,838)	(2,744)
	103,719	92,807
Less : Consolidated adjustments	(115,530)	(107,723)
Total retained earnings as per consolidated statement of financial position	230,801	211,057