

PRIVATE & CONFIDENTIAL

PBA HOLDINGS BHD

Company No: 515119-U
(Incorporated in Malaysia)

Interim Financial Report

30 JUNE 2013

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Condensed Consolidated Statement of Financial Position
As at 30 June 2013 - unaudited

	Note	30 June 2013 RM'000	31 December 2012 RM'000
Assets			
Property, plant and equipment	5	780,239	767,753
Investment in a jointly controlled entity		1,549	1,296
Other investments		23,338	20,528
Total non-current assets		805,126	789,577
Inventories		12,477	11,696
Trade and other receivables		41,415	36,854
Current tax assets		2,547	6,043
Cash and cash equivalents		71,921	75,269
Total current assets		128,360	129,862
Total assets		933,486	919,439
Equity			
Share capital		165,635	165,635
Reserves		554,289	533,378
Total equity	6	719,924	699,013
Deferred liabilities	20	67,135	67,933
Deferred tax liabilities		560	220
Deferred income	19	8,035	6,385
Loans and borrowings	18	8,805	6,615
Other non-current payables		14,313	14,560
Total non-current liabilities		98,848	95,713
Deferred liabilities	20	1,595	1,595
Trade and other payables		113,119	123,118
Total current liabilities		114,714	124,713
Total liabilities		213,562	220,426
Total equity and liabilities		933,486	919,439

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the six months ended 30 June 2013 - unaudited

	Note	Three months ended 30 June		Current year-to-date ended 30 June	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Continuing operations					
Revenue		64,569	61,245	126,333	122,264
Cost of sales		(44,948)	(41,096)	(88,493)	(83,387)
Gross profit		<u>19,621</u>	<u>20,149</u>	<u>37,840</u>	<u>38,877</u>
Other operating income		3,318	1,889	5,743	5,103
Administrative expenses		(11,443)	(11,149)	(23,968)	(23,458)
Operating profit		<u>11,496</u>	<u>10,889</u>	<u>19,615</u>	<u>20,522</u>
Interest income		524	464	1,024	1,016
Share of profit of jointly controlled entity, net of tax		61	128	119	128
Profit before tax		<u>12,081</u>	<u>11,481</u>	<u>20,758</u>	<u>21,666</u>
Income tax expense	16	(863)	(1,190)	(1,424)	(2,958)
Profit for the period		<u>11,218</u>	<u>10,291</u>	<u>19,334</u>	<u>18,708</u>
Other comprehensive income, net of tax					
Foreign currency translation differences for foreign operation		(42)	(175)	(131)	(175)
Fair value of available-for-sale financial assets		1,226	(122)	1,660	904
Total other comprehensive income for the period		<u>1,184</u>	<u>(297)</u>	<u>1,529</u>	<u>729</u>
Total comprehensive income for the period		<u>12,402</u>	<u>9,994</u>	<u>20,863</u>	<u>19,437</u>
Profit for the period attributable to owners of the company		<u>11,218</u>	<u>10,291</u>	<u>19,334</u>	<u>18,708</u>
Total comprehensive income attributable to owners of the company		<u>12,402</u>	<u>9,994</u>	<u>20,863</u>	<u>19,437</u>
Basic earnings per ordinary share (sen) :	23	<u>3.39</u>	<u>3.11</u>	<u>5.84</u>	<u>5.65</u>

Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 June 2012 - 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 2012	165,635	(6)	161,944	852	134	352,420	680,979
Fair value of available-for-sale financial assets	-	-	-	904	(175)	-	729
Total other comprehensive income for the period	-	-	-	904	(175)	-	729
Profit for the period	-	-	-	-	-	18,708	18,708
Total comprehensive income for the period	-	-	-	904	(175)	18,708	19,437
Purchase of treasury shares	-	(1)	-	-	-	-	(1)
At 30 June 2012	165,635	(7)	161,944	1,756	(41)	371,128	700,415

Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 June 2013 - 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 2013	165,635	(8)	161,944	1,735	(94)	369,801	699,013
Fair value of available-for-sale financial assets	-	-	-	1,660	-	-	1,660
Foreign currency translation differences for foreign operation	-	-	-	-	131	-	131
Total other comprehensive income for the period	-	-	-	1,660	131	-	1,791
Profit for the period	-	-	-	-	-	19,334	19,334
Total comprehensive income for the period	-	-	-	1,660	131	19,334	21,125
Purchase of treasury shares	-	(214)	-	-	-	-	(214)
At 30 June 2013	165,635	(222)	161,944	3,395	37	389,135	719,924

Condensed Consolidated Statement of Cash Flows
For the six months ended 30 June 2013 - unaudited

	Six months ended 30 June	
	2013	2012
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax from continuing operations	20,758	21,666
	<u>20,758</u>	<u>21,666</u>
Adjustments for :		
Depreciation of property, plant and equipment	22,698	21,108
Amortisation of deferred liabilities	(798)	(798)
Gain on disposal of other investments	(914)	(94)
Property, plant & equipment written off	12	3
Share of profit of jointly controlled entity	(122)	(131)
Dividend income	(248)	(295)
Interest income	(1,147)	(1,142)
Operating profit before changes in working capital changes	<u>40,239</u>	<u>40,317</u>
Inventories	(781)	(298)
Trade and other receivables	(4,605)	1,254
Trade and other payables	(4,218)	(14,810)
Cash generated from operations	<u>30,635</u>	<u>26,463</u>
Income tax (paid) / refunded	2,425	(1,331)
Net cash from operating activities	<u>33,060</u>	<u>25,132</u>
Cash flows from investing activities		
Dividends received	234	285
Interest received	1,147	1,142
Proceeds from disposal of other investments	14,989	13,188
Purchase of other investments	(15,225)	(13,539)
Purchase of property, plant and equipment	(35,381)	(36,243)
Net cash used in investing activities	<u>(34,236)</u>	<u>(35,167)</u>
Cash flow from financing activities		
Dividend paid	(5,797)	-
Drawdown of loans	3,838	-
Purchase of treasury shares	(214)	(1)
Net cash from financing activities	<u>(2,172)</u>	<u>(1)</u>
Net (decrease) / increase in cash and cash equivalents	(3,348)	(10,036)
Cash and cash equivalents at 1 January	75,269	78,081
Cash and cash equivalents at 30 June	<u>71,921</u>	<u>68,045</u>

Cash and cash equivalents

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

	Six months ended 30 June	
	2013	2012
	RM'000	RM'000
Cash and bank balances	3,274	479
Short-term deposits with licensed banks	68,647	67,566
	<u>71,921</u>	<u>68,045</u>

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 30 June 2013 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interests in jointly controlled entity.

The Consolidated Financial Statements of the Group as at and for the year ended 31 December 2012 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 Board of Directors on 16 August 2013.

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 2012.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but have not been adopted by the Group:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2012

- Amendments to MFRS 101, *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013

- MFRS 10, *Consolidated Financial Statements*
- MFRS 11, *Joint Arrangements*
- MFRS 12, *Disclosure of Interests in Other Entities*
- MFRS 13, *Fair Value Measurement*
- MFRS 119, *Employee Benefits (2011)*
- MFRS 127, *Separate Financial Statements (2011)*
- MFRS 128, *Investments in Associates and Joint Ventures (2011)*
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards – Government Loans*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 101, *Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)*

Notes to the Condensed Consolidated Interim Financial Statements

- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 132, *Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements: Transition Guidance*
- Amendments to MFRS 11, *Joint Arrangements: Transition Guidance*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Transition Guidance*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014

- Amendments to MFRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015

- MFRS 9, *Financial Instruments (2009)*
- MFRS 9, *Financial Instruments (2010)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Mandatory Effective Date of MFRS 9 and Transition Disclosures*

The initial application of the other standards, amendments and interpretations are not expected to have any material financial impacts to the current and prior periods financial statements of the Group.

2. Significant accounting policies

The Group's financial statements for annual period beginning on 1 January 2012 were prepared in accordance with the Malaysian Financial Reporting Standards (MFRSs) issued by the MASB and International Financial Reporting Standards (IFRSs).

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 2012.

4. Seasonality of operations

There is no seasonality or cyclicity on the Group's operations.

Notes to the Condensed Consolidated Interim Financial Statements

5. Property, plant and equipment**a) Acquisition and disposals**

During the period ended 30 June 2013 the Group acquired assets with a cost of RM35.38 million (30 June 2012 : RM36.24 million).

Other assets with carrying amount of RM12,000 were disposed off during the period ended 30 June 2013 (30 June 2012 : RM3,000).

b) Depreciation and amortization

	Three months ended 30 June		Current year to-date ended 30 June	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Charge for the period	11,305	10,662	22,698	21,108

c) Impairment

There is no asset being impaired during the period ended 30 June 2013 (30 June 2012 : Nil).

d) Capital Commitments

	At 30 June 2013 RM'000	At 31 December 2012 RM'000
Approved Capital Expenditures:-		
i) Contracted but not provided for in the Financial Statements	105,000	118,000
ii) Approved but not contracted for	23,000	44,000

6. Share capital

No additional issuance of share capital as at 30 June 2013 except for the following:

a) Treasury shares

During the period ended 30 June 2013, the Company repurchased 252,900 of its issued ordinary shares from the open market at an average price of RM0.84 per share (30 June 2012 : 1,000 shares at average price of RM0.89 per share). The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

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 30 June 2013.

8. Operating segments

There is only one business segment being to abstract raw water, treat, supply and distribute water in the state of Penang. Other operations of the Group mainly comprise investment holding, provision of water bottling services and training facilities none of which constitutes a separately reportable segment.

9. Subsequent event

There are no material events subsequent to the statement of financial position date up to the date of the issuance of this report.

Notes to the Condensed Consolidated Interim Financial Statements

10. Contingencies

Company

	At 30 June 2013 RM'000	At 31 December 2012 RM'000
Corporate guarantee given to a bank in respect of credit facilities granted to a jointly controlled entity	-	25

11. Related parties

There are no significant transactions and changes with a jointly controlled 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 30 June 2013 increased by RM3.3 million or 5.4% as compared to the preceding year corresponding quarter 2012. The increase was mainly due to the increase in consumptions of water and trunk main contributions. Group profit before tax of RM12.1 million increased by 5.2% as compared to the preceding year corresponding quarter of RM11.5 million.

13. Variation of results against preceding quarter

Group revenue increased from RM61.8 million to RM64.6 million as compared to the immediate preceding quarter. Group profit before tax of RM12.1 million was higher by RM3.4 million compared to the immediate preceding quarter of RM8.7 million largely due to higher revenue.

14. Current year prospects

Revenue from sales of water has shown improvement and the trend is expected to sustain for the year. Nevertheless, the Board continues to be mindful on measures implemented to mitigate escalating costs amidst prevailing economic conditions.

15. Profit forecast or profit guarantee

Not applicable.

16. Income tax expense

	Three months ended		Current year to-date ended	
	30 June		30 June	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Current income tax				
Malaysian - current year	523	690	1,084	1,808
Deferred Tax				
Origination and reversal of temporary differences	340	500	340	1,150
Income tax expense from continuing operations	<u>863</u>	<u>1,190</u>	<u>1,424</u>	<u>2,958</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.

The lower effective tax rate of the Group is due to reinvestment allowance claimed by a subsidiary company.

Notes to the Condensed Consolidated Interim Financial Statements

16. Income tax expense (continued)

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:

	30 June 2013 RM'000
Profit before taxation	20,758
Taxation at Malaysian statutory tax rate of 25%	5,190
Income not subject to tax	(624)
Expenses not deductible for tax purposes	163
Deferred tax assets recognised in respect of unutilised reinvestment allowances	(3193)
Others	(112)
Tax expense for the period	1,424

As at 30 June 2013, the unutilised reinvestment allowance of the Group available indefinitely for off setting against future taxable profits amounted to RM 417.77 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 State Government of Penang to finance Non Revenue Water (NRW) projects and repayable over 20 years period with effect from 14 September 2016.

As at 30 June 2013, the subsidiary company has drawdown RM16.84 million from a RM20.0 million 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 20 years period with effect from 14 September 2016.

	At 30 June 2013 RM'000	At 31 December 2012 RM'000
Non-current		
<i>Unsecured:</i>		
Loans and borrowings	8,805	6,615
Deferred Income (refer to Note 19)	8,035	6,385
Term Loan from State Government of Penang	16,840	13,000

Notes to the Condensed Consolidated Interim Financial Statements

	At 30 June 2013 RM'000	At 31 December 2012 RM'000
Balance brought forward	6,615	-
Add : Additions during the period	1,954	6,615
Add : Notional Interest :- Transfer from Deferred Income	236	-
Balance carried forward	8,805	6,615

19. Deferred Income

Deferred income represents the difference between the nominal value of the interest free term loan obtained from 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.

	At 30 June 2013 RM'000	At 31 December 2012 RM'000
Balance brought forward	6,385	-
Add : Additions during the period	1,886	6,385
Less : Notional Interest :- Transfer to Loans & Borrowings	(236)	-
Balance carried forward	8,035	6,385

20. Deferred liabilities

	At 30 June 2013 RM'000	At 31 December 2012 RM'000
Non-current	67,135	67,933
Current	1,595	1,595
Total Deferred liabilities	68,730	69,528

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 16 August 2013, there was no material litigation against the Group.

22. Dividends

A final single tier dividend of 4.0% amounting to RM6,625,000 for the financial year ended 31 December 2012 was approved by shareholders at the Annual General Meeting on 29 June 2013 and paid on 25 July 2013 (31 December 2011 – final tax exempt dividend of 3.5% amounting to RM5,797,000).

Notes to the Condensed Consolidated Interim Financial Statements

23. Earnings per ordinary share

Basic earnings per ordinary shareholders

	Three months ended 30 June 2013 Continuing operations RM'000	Three months ended 30 June 2012 Continuing operations RM'000	Current year to-date 30 June 2013 Continuing operations RM'000	Current year to-date 30 June 2012 Continuing operations RM'000
Profit for the year	11,218	10,291	19,334	18,708
	Three months ended 30 June 2013 '000 Shares	Three months ended 30 June 2012 '000 Shares	Current year to-date 30 June 2013 '000 Shares	Current year to-date 30 June 2012 '000 Shares
Issued ordinary shares at 1 January	331,271	331,265	331,271	331,265
Effect of share buyback	(174)	(1)	(174)	(1)
Weighted average number of ordinary shares	331,097	331,264	331,097	331,264
	Three months ended 30 June 2013 Continuing operations Sen	Three months ended 30 June 2012 Continuing operations Sen	Current year to-date 30 June 2013 Continuing operations Sen	Current year to-date 30 June 2012 Continuing operations Sen
Basic earnings per ordinary share	3.39	3.11	5.84	5.65

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 30 June 2013, 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 30 June 2013 RM'000	At 31 December 2012 RM'000
Total retained earnings :		
Realised gain	334,406	314,851
Unrealised	(560)	(220)
	<u>333,846</u>	<u>314,631</u>
Share of retained earnings of jointly controlled entity		
Realised	1,509	1,390
	<u>335,355</u>	<u>316,021</u>
Add : Consolidation adjustments	53,780	53,780
Total retained earnings	<u>389,135</u>	<u>369,801</u>

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 2012 was not qualified

26. Notes to the Condensed Statement of Comprehensive Income

	Three months ended 30 June 2013 RM'000	Year to-date 30 June 2013 RM'000
a) Interest Income	524	1,024
b) Other Operating Income	3,318	5,743
c) Interest expense	2	5
d) Depreciation and amortization	11,305	22,698
e) Provision for and write off of receivables	(1,884)	(1,846)
f) Gain on disposal of quoted investments	(773)	(914)
g) Water Intake Fees to State Government of Penang	2,005	4,009
h) Leasing charges to Pengurusan Aset Air Berhad (PAAB)	3,242	6,483
i) License Fees to Suruhanjaya Perkhidmatan Air Negara (SPAN)	603	1,181