BURSA MALAYSIA

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Company Information	
Main Market Company	
New Submission	
Submitting Investment Bank/Advisor (if applicable)	
Submitting Secretarial Firm (if applicable)	SECURITIES SERVICES (HOLDINGS) SDN BHD
* Company name	PBA HOLDINGS BHD
* Stock name	PBA
* Stock code	5041
* Contact person	THUM SOOK FUN
* Designation	COMPANY SECRETARY
* Contact number	04-2631966 Ext 184
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Part A : To be filled by Public Listed Company	
*Document Type	Annual Audited Accounts
*Financial Year End	31/12/2013
Remark (Information entered into this field will not be disseminated together with the attached pdf)	
*Attachment (PDF format only) (Only two attachments are allowed per submission and each attachment size should not exceed 1.5 MB)	PBAHB-AFS 31.12.2013.pdf

PBA HOLDINGS BHD.
Company No. 515119-U
(Incorporated In Malaysia)

REPORTS AND FINANCIAL STATEMENTS
31 DECEMBER 2013

PBA HOLDINGS BHD.
Company No. 515119-U
(Incorporated In Malaysia)

CORPORATE INFORMATION

Directors	Y.A.B. Tuan Lim Guan Eng (Non-Executive Chairman) Y.B. Dato' Mohd Rashid Hasnon (Non-Executive Deputy Chairman) Y.B. Prof. Dr. P. Ramasamy A/L Palanisamy (Non-Executive Director) Y.B. Dato' Abdul Malik Bin Abul Kassim (Non-Executive Director) Y.B. Tuan Lim Hock Seng (Non-Executive Director) Y.B. Tuan Chow Kon Yeow (Non-Executive Director) Tuan Haji Mohamad Bin Sabu (Non-Executive Director) Y.B. Dato' Farizan Bin Darus (Non-Executive Director) Y.B. Dato' Mokhtar Bin Mohd Jait (Non-Independent & Non-Executive Director) Y. Bhg. Dato' Syed Mohamad Bin Syed Murtaza (Independent Non-Executive Director) Y. Bhg. Dato' Chew Kong Seng (Independent Non-Executive Director) Puan Agatha Foo Tet Sin (Independent Non-Executive Director) Y. Bhg. Dato' Athi Isvar A/L Athi Nahappan (Independent Non-Executive Director) Y.B. Dato' Seri Nazir Ariff Bin Mushir Ariff (Independent Non-Executive Director)
Company Secretary	Thum Sook Fun
Audit Committee	Y. Bhg. Dato' Chew Kong Seng (Chairman, Independent Non-Executive Director) Y.B. Dato' Mokhtar Bin Mohd Jait (Member, Non-Independent & Non-Executive Director) Y. Bhg. Dato' Syed Mohamad Bin Syed Murtaza (Member, Independent Non-Executive Director) Puan Agatha Foo Tet Sin (Member, Independent Non-Executive Director) Y.B. Dato' Seri Nazir Ariff Bin Mushir Ariff (Member, Independent Non-Executive Director)

PBA HOLDINGS BHD.
Company No. 515119-U
(Incorporated In Malaysia)

CORPORATE INFORMATION

Registered Office and Business Address	32nd Floor, Komtar 10000 Penang
Share Registrar	Securities Services (Holdings) Sdn. Bhd. Suite 18.05 MWE Plaza No. 8 Lebuh Farquhar 10200 Penang
Auditors	Grant Thornton Chartered Accountants
Principal Banker	Malayan Banking Berhad
Stock Exchange Listing	Main Market of Bursa Malaysia Securities Berhad

PBA HOLDINGS BHD.
Company No. 515119-U
(Incorporated In Malaysia)

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

The directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended **31 December 2013**.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding activities, whilst the principal activities of the subsidiaries are as stated in Note 5 to the financial statements.

There has been no significant change in the nature of these activities during the financial year.

RESULTS

	GROUP RM'000	COMPANY RM'000
Profit after taxation for the year	**27,930**	**15,087**

In the opinion of the directors, the results of the operations of the Group and of the Company for the financial year ended **31 December 2013** have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year other than those disclosed in the financial statements.

DIVIDENDS

Since the end of the previous financial year, the Company paid:

(i) a final single tier dividend of 2.00 sen per share amounting to RM6,620,000 in respect of the financial year ended 31 December 2012 on 25 July 2013; and

(ii) a first interim single tier dividend of 1.75 sen per share amounting to RM5,793,000 in respect of the financial year ended 31 December 2013 on 10 January 2014.

A final single tier dividend of 2.00 sen per share amounting to RM6,620,000 for the financial year ended 31 December 2013 was recommended by the Directors subject to the approval of shareholders at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect this proposed final dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2014.

SHARE CAPITAL AND DEBENTURE

During the financial year, the Company did not issue any share or debenture and did not grant any option to anyone to take up unissued shares of the Company.

DIRECTORS

The directors who served since the date of the last report are as follows:

Y.A.B. Tuan Lim Guan Eng
Y.B. Dato' Mohd Rashid Hasnon (appointed on 1.7.13)
Y.B. Prof. Dr. P. Ramasamy A/L Palanisamy
Y.B. Dato' Abdul Malik Bin Abul Kassim
Y.B. Tuan Lim Hock Seng
Y.B. Tuan Chow Kon Yeow (appointed on 1.7.13)
Tuan Haji Mohamad Bin Sabu
Y.B. Dato' Farizan Bin Darus
Y.B. Dato' Mokhtar Bin Mohd Jait
Y.Bhg. Dato' Syed Mohamad Bin Syed Murtaza
Y.Bhg. Dato' Chew Kong Seng
Puan Agatha Foo Tet Sin
Y.Bhg. Dato' Athi Isvar A/L Athi Nahappan
Y.B. Dato' Seri Nazir Ariff Bin Mushir Ariff (appointed on 26.9.13)
Y.B. Dato' Faiza Binti Zulkifli (resigned on 29.6.13)
Tuan Ahmed Bin Chee (resigned on 29.6.13)
Y.B. Dato' Mansor Bin Othman (resigned on 1.7.13)

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholdings, the interests of directors in office at the end of the financial year in shares in the Company during the financial year are as follows:

	|---- Number of ordinary shares of RM0.50 each ----|			
	Balance at 1.1.13	**Bought**	**Sold**	**Balance at 31.12.13**
Deemed Interest:				
Y. Bhg. Dato' Syed Mohamad Bin Syed Murtaza	13,567,900	-	-	13,567,900

None of the other directors who held office at 31 December 2013 had any interest in the ordinary shares of the Company and of its related companies during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors shown in the financial statements) by reason of a contract made by the Company or a related corporation with a director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, other than those related party transactions disclosed in the notes to the financial statements.

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the objects of enabling directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts, and

(ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances:

(i) that would render the amount written off for bad debts, or the amount of the allowance for doubtful debts in the Group and in the Company inadequate to any substantial extent, and

(ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, and

(iii) that would render any amount stated in the financial statements of the Group and of the Company misleading, and

(iv) which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

At the date of this report, there does not exist:

(i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other persons, and

(ii) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of the Group and of the Company has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

AUDITORS

The auditors, **Grant Thornton**, have expressed their willingness to continue in office.

Signed in accordance with a resolution of the directors:

....	....
Lim Hock Seng	**Dato' Mokhtar Bin Mohd Jait**

Penang,

Date: 24 April 2014

PBA HOLDINGS BHD.
Company No. 515119-U
(Incorporated In Malaysia)

DIRECTORS' STATEMENT

In the opinion of the directors, the financial statements set out on pages 13 to 88 are properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at **31 December 2013** and of their financial performance and cash flows for the financial year then ended.

In the opinion of the directors, the supplementary information set out in Note 36 on page 89 has been compiled in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed in accordance with a resolution of the directors:

..	**.................................….....................**
Lim Hock Seng	**Dato' Mokhtar Bin Mohd Jait**

Date: 24 April 2014

STATUTORY DECLARATION

I, **Joyce Lee Suan Imm**, the officer primarily responsible for the financial management of **PBA Holdings Bhd.** do solemnly and sincerely declare that the financial statements set out on pages 13 to 89 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed at Penang, this **24th**)
day of **April 2014**.)

.......................................….............
Joyce Lee Suan Imm

Before me,

...
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
PBA HOLDINGS BHD.
Company No. 515119-U
(Incorporated In Malaysia)

Report on the Financial Statements

We have audited the financial statements of **PBA Holdings Bhd.**, which comprise the statements of financial position as at **31 December 2013** of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 13 to 88.

The financial statements for the preceding year were audited by another firm of auditors whose report dated 11 April 2013, expressed an unqualified opinion on those statements.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of these financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at **31 December 2013** and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act,

(b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes, and

(c) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

The supplementary information set out in Note 36, on page 89 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Grant Thornton
No. AF: 0042
Chartered Accountants

John Lau Tiang Hua, DJN
No. 1107/03/16 (J)
Chartered Accountant

Date: 24 April 2014

Penang

PBA HOLDINGS BHD.
Company No. 515119-U
(Incorporated In Malaysia)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

	NOTE	**31.12.13 RM'000**	(Restated) 31.12.12 RM'000	(Restated) 1.1.12 RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	**4**	**838,330**	785,747	747,227
Investment in joint venture	**6**	**2,226**	1,296	1,418
Other investments	**7**	**24,276**	20,528	25,157
		864,832	807,571	773,802
Current assets				
Inventories	**8**	**12,101**	11,696	12,440
Trade and other receivables	**9**	**41,257**	36,854	36,474
Tax recoverable		**2,302**	6,043	4,116
Cash and cash equivalents	**10**	**52,395**	75,269	78,081
		108,055	129,862	131,111
TOTAL ASSETS		**972,887**	937,433	904,913
EQUITY AND LIABILITIES				
Share capital	**11**	**165,635**	165,635	165,635
Reserves	**12**	**551,113**	533,438	515,344
Total equity		**716,748**	699,073	680,979
Non-current liabilities				
Loans and borrowings	**13**	**10,280**	6,615	-
Deferred income	**14**	**39,595**	24,319	6,978
Deferred liabilities	**15**	**66,338**	67,933	69,528
Deferred tax liabilities	**16**	**-**	220	6,500
Other non-current payables	**17**	**7,133**	14,560	22,365
		123,346	113,647	105,371
Current liabilities				
Deferred liabilities	**15**	**1,595**	1,595	1,595
Trade and other payables	**17**	**131,198**	123,118	116,968
		132,793	124,713	118,563
Total liabilities		**256,139**	238,360	223,934
TOTAL EQUITY AND LIABILITIES		**972,887**	937,433	904,913

The notes set out on pages 23 to 88 form an integral part of these financial statements.

PBA HOLDINGS BHD.
Company No. 515119-U
(Incorporated In Malaysia)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	NOTE	2013 RM'000	(Restated) 2012 RM'000
Revenue	**18**	**251,731**	244,560
Cost of sales		**(183,460)**	(177,204)
Gross profit		**68,271**	67,356
Other operating income		**13,680**	10,702
Administrative expenses		**(56,621)**	(56,531)
Operating profit	**19**	**25,330**	21,527
Interest income		**1,928**	2,099
Share of profit of equity-accounted joint venture, net of tax		**229**	106
Profit before taxation		**27,487**	23,732
Income tax expense	**20**	**443**	5,303
Profit for the year		**27,930**	29,035

The notes set out on pages 23 to 88 form an integral part of these financial statements.

PBA HOLDINGS BHD.
Company No. 515119-U
(Incorporated In Malaysia)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	2013 RM'000	(Restated) 2012 RM'000
Profit for the year		**27,930**	29,035
Other comprehensive income, net of tax:			
Items that will be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operation		**701**	(228)
Fair value of available-for-sale financial assets		**1,672**	883
Total other comprehensive income for the year		**2,373**	655
Total comprehensive income for the year		**30,303**	29,690
Profit for the year attributable to owners of the Company		**27,930**	29,035
Total comprehensive income for the year attributable to owners of the Company		**30,303**	29,690
Earnings per share (sen)	**21**		
- Basic		**8.44**	8.76
- Diluted		**-**	-

The notes set out on pages 23 to 88 form an integral part of these financial statements.

Company No. 515119-U

PBA HOLDINGS BHD.
Company No. 515119-U
(Incorporated In Malaysia)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

		|---------------- Non-distributable			-----------------|		Distributable	
	NOTE	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	Total Equity RM'000
2013								
At 1 January 2013		**165,635**	**(8)**	**161,944**	**1,735**	**(94)**	**369,861**	**699,073**
Fair value of available-for-sale financial assets		**-**	**-**	**-**	**1,672**	**-**	**-**	**1,672**
Foreign currency translation differences for foreign operation		**-**	**-**	**-**	**-**	**701**	**-**	**701**
Total comprehensive income for the year		**-**	**-**	**-**	**1,672**	**701**	**-**	**2,373**
Profit for the year		**-**	**-**	**-**	**-**	**-**	**27,930**	**27,930**
Total comprehensive income for the year		**-**	**-**	**-**	**1,672**	**701**	**27,930**	**30,303**
Transactions with owners of the Company:								
Dividends	**22**	**-**	**-**	**-**	**-**	**-**	**(12,413)**	**(12,413)**
Purchase of treasury shares	**12.2**	**-**	**(215)**	**-**	**-**	**-**	**-**	**(215)**
Total transactions with owners of the Company		**-**	**(215)**	**-**	**-**	**-**	**(12,413)**	**(12,628)**
At 31 December 2013		**165,635**	**(223)**	**161,944**	**3,407**	**607**	**385,378**	**716,748**
2012 (Restated)								
At 1 January 2012		165,635	(6)	161,944	852	134	352,420	680,979
Fair value of available-for-sale financial assets		-	-	-	883	-	-	883
Foreign currency translation differences for foreign operation		-	-	-	-	(228)	-	(228)
Total comprehensive income for the year		-	-	-	883	(228)	-	655
Profit for the year		-	-	-	-	-	29,035	29,035
Total comprehensive income for the year		-	-	-	883	(228)	29,035	29,690
Transactions with owners of the Company:								
Dividends	22	-	-	-	-	-	(11,594)	(11,594)
Purchase of treasury shares	12.2	-	(2)	-	-	-	-	(2)
Total transactions with owners of the Company		-	(2)	-	-	-	(11,594)	(11,596)
At 31 December 2012		165,635	(8)	161,944	1,735	(94)	369,861	699,073

The share capital includes 1 Special Rights Redeemable Preference Share ("SRRPS") of RM0.50 each. Refer to Note 11 to the financial statements for details of the terms and rights attached to the SRRPS.

The notes set out on pages 23 to 88 form an integral part of these financial statements.

PBA HOLDINGS BHD.
Company No. 515119-U
(Incorporated In Malaysia)

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	NOTE	2013 RM'000	(Restated) 2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**27,487**	23,732
Adjustments for:			
Depreciation of property, plant and equipment		**45,605**	48,347
Impairment of property, plant and equipment		**1,869**	2,266
Impairment of other investments		**(315)**	2,388
Amortisation of deferred liabilities		**(1,595)**	(1,595)
Amortisation of deferred income		**(2,186)**	(218)
Gain on disposal of other investments		**(1,090)**	(1,084)
Gain on disposal of property, plant and equipment		**(5)**	(25)
Property, plant and equipment written off		**33**	128
Reversal of impairment on trade receivables		**(1,647)**	-
Share of profit of joint venture		**(228)**	(106)
Dividend income		**(645)**	(722)
Interest income		**(2,177)**	(2,350)
Operating profit before working capital changes		**65,106**	70,761
Inventories		**(405)**	744
Trade and other receivables		**(2,756)**	(380)
Trade and other payables		**653**	(6,669)
Cash generated from operations		**62,598**	64,456
Income tax paid		**(2,449)**	(3,326)
Income tax refund		**6,455**	461
Net cash from operating activities		**66,604**	61,591
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend received		**602**	683
Interest received		**2,177**	2,350
Proceeds from disposal of other investments		**26,394**	27,382
Proceeds from disposal of property, plant and equipment	**A**	**10**	44
Purchase of other investments		**(27,065)**	(23,174)
Purchase of property, plant and equipment	**B**	**(85,117)**	(78,889)
Net cash used in investing activities		**(82,999)**	(71,604)
Balance carried forward		**(16,395)**	(10,013)

The notes set out on pages 23 to 88 form an integral part of these financial statements.

PBA HOLDINGS BHD.
Company No. 515119-U
(Incorporated In Malaysia)

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	NOTE	**2013 RM'000**	(Restated) 2012 RM'000
Balance brought forward		**(16,395)**	(10,013)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		**(12,413)**	(5,797)
Government loans received		**6,149**	13,000
Purchase of treasury shares		**(215)**	(2)
Net cash (used in)/from financing activities		**(6,479)**	7,201
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(22,874)**	(2,812)
CASH AND CASH EQUIVALENTS AT BEGINNING		**75,269**	78,081
CASH AND CASH EQUIVALENTS AT END	C	**52,395**	75,269

NOTE

A. *Disposal of property, plant and equipment*

During the year, the Group disposed of property, plant and equipment for **RM10,000** (2012: RM827,000), of which **RM10,000** (2012: RM44,000) was received in cash and the balance of **RM Nil** (2012: RM783,000) was either set-off against the advance by BKSA or written off (see Note 4).

B. *Purchase of property, plant and equipment*

	RM'000	RM'000
Total acquisition cost	**100,095**	90,063
Less: Assets transferred from customers	**(14,978)**	(11,174)
Total cash acquisition	**85,117**	78,889

C. *Cash and cash equivalents*

Cash and cash equivalents included in the consolidated statement of cash flows comprise cash and cash equivalents as shown in Note 10 to the financial statements.

The notes set out on pages 23 to 88 form an integral part of these financial statements.

PBA HOLDINGS BHD.
Company No. 515119-U
(Incorporated In Malaysia)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

	NOTE	2013 RM'000	2012 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	19	26
Investment in subsidiaries	5	266,893	266,893
		266,912	266,919
Current assets			
Other receivables	9	117,717	115,120
Cash and cash equivalents	10	7,109	7,184
		124,826	122,304
TOTAL ASSETS		391,738	389,223
EQUITY AND LIABILITIES			
Share capital	11	165,635	165,635
Reserves	12	220,008	217,549
Total equity		385,643	383,184
Non-current liabilities			
Other non-current payables	17	30	75
Current liabilities			
Trade and other payables	17	6,065	5,964
Total liabilities		6,095	6,039
TOTAL EQUITY AND LIABILITIES		391,738	389,223

The notes set out on pages 23 to 88 form an integral part of these financial statements.

PBA HOLDINGS BHD.
Company No. 515119-U
(Incorporated In Malaysia)

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	NOTE	2013 RM'000	2012 RM'000
Revenue	**18**	**16,760**	16,762
Other operating income		**26**	16
Administrative expenses		**(1,641)**	(1,621)
Profit before taxation	**19**	**15,145**	15,157
Income tax expense	**20**	**(58)**	(81)
Profit for the year, representing total comprehensive income for the year		**15,087**	15,076

The notes set out on pages 23 to 88 form an integral part of these financial statements.

PBA HOLDINGS BHD.
Company No. 515119-U
(Incorporated In Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

		|----------- Non-distributable ------------|			Distributable	
	NOTE	**Share Capital RM'000**	**Treasury Shares RM'000**	**Share Premium RM'000**	**Share Option Reserve RM'000**	**Retained Earnings RM'000**	**Total Equity RM'000**
2013							
At 1 January 2013		**165,635**	**(8)**	**161,944**	**-**	**55,613**	**383,184**
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**15,087**	**15,087**
Transactions with owners of the Company:							
Dividends	**22**	**-**	**-**	**-**	**-**	**(12,413)**	**(12,413)**
Purchase of treasury shares	**12.2**	**-**	**(215)**	**-**	**-**	**-**	**(215)**
Total transactions with owners of the Company		**-**	**(215)**	**-**	**-**	**(12,413)**	**(12,628)**
At 31 December 2013		**165,635**	**(223)**	**161,944**	**-**	**58,287**	**385,643**
2012							
At 1 January 2012		165,635	(6)	161,944	868	51,263	379,704
Total comprehensive income for the year		-	-	-	-	15,076	15,076
Transactions with owners of the Company:							
Reclassification		-	-	-	(868)	868	-
Dividends	22	-	-	-	-	(11,594)	(11,594)
Purchase of treasury shares	12.2	-	(2)	-	-	-	(2)
Total transactions with owners of the Company		-	(2)	-	(868)	(10,726)	(11,596)
At 31 December 2012		165,635	(8)	161,944	-	55,613	383,184

The share capital includes 1 Special Rights Redeemable Preference Share ("SRRPS") of RM0.50 each. Refer to Note 11 to the financial statements for details of the terms and rights attached to the SRRPS.

The notes set out on pages 23 to 88 form an integral part of these financial statements.

PBA HOLDINGS BHD.
Company No. 515119-U
(Incorporated In Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	NOTE	**2013** **RM'000**	2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**15,145**	15,157
Adjustments for:			
Depreciation of property, plant and equipment		**9**	11
Dividend income		**(16,511)**	(16,511)
Interest income		**(249)**	(251)
Property, plant and equipment written off		**1**	3
Operating loss before working capital changes		**(1,605)**	(1,591)
Inventories		**-**	-
Other receivables		**13,914**	4,989
Other payables		**62**	(93)
Cash generated from operations		**12,371**	3,305
Income tax paid		**(64)**	-
Income tax refund		**-**	365
Net cash from operating activities		**12,307**	3,670
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**249**	251
Purchase of property, plant and equipment		**(3)**	(9)
Net cash from investing activities		**246**	242
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		**(12,413)**	(5,797)
Purchase of treasury shares		**(215)**	(2)
Net cash used in financing activities		**(12,628)**	(5,799)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(75)**	(1,887)
CASH AND CASH EQUIVALENTS AT BEGINNING		**7,184**	9,071
CASH AND CASH EQUIVALENTS AT END	**A**	**7,109**	7,184

NOTE

A. *Cash and cash equivalents*

Cash and cash equivalents included in the statement of cash flows comprise cash and cash equivalents as shown in Note 10 to the financial statements.

The notes set out on pages 23 to 88 form an integral part of these financial statements.

PBA HOLDINGS BHD.
Company No. 515119-U
(Incorporated In Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013

1. CORPORATE INFORMATION

General

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office and principal place of business is located at Level 32, Komtar, 10000 Penang.

The consolidated financial statements of the Company for the financial year ended 31 December 2013 comprise the Company and its subsidiaries (collectively referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in joint venture. The financial statements of the Company for the financial year ended 31 December 2013 do not include other entities.

The controlling shareholder of the Company is the State Secretary, Penang.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 24 April 2014.

Principal Activities

The Company is principally engaged in investment holding activities, whilst the principal activities of the subsidiaries are stated in Note 5 to the financial statements.

There has been no significant change in the nature of these activities during the financial year.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with applicable Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 1965 in Malaysia.

2.2 Basis of Measurement

The financial statements of the Group and of the Company are prepared under the historical cost convention, except for certain property, plant and equipment and financial instruments that are measured at fair values at the end of each reporting period as indicated in the summary of significant accounting policies.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group and the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial market takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to their fair value measurement as a whole:

Level 1	Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2	Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.

Level 3	Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

2.3 Functional and Presentation Currency

The financial statements are presented in Ringgit Malaysia ("RM") which is also the Company's functional currency. Unless otherwise indicated, the amounts in these financial statements have been rounded to the nearest thousand.

2.4 Adoption of Revised MFRSs, Amendments/Improvements to MFRSs, IC Interpretations ("IC Int") and Amendments to IC Int

The accounting policies adopted by the Group and by the Company are consistent with those of the previous financial year except for the adoption of the following new MFRSs, amendments/improvements to MFRSs, IC Int and amendments to IC Int that are mandatory for the current financial year:

Amendments to MFRSs effective 1 July 2012:

MFRS 101	Presentation of Financial Statements -Presentation of Items of Other Comprehensive Income

MFRSs and IC Int effective 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 (International Accounting Standard ("IAS") 19 as amended by International Accounting Standards Board ("IASB") in June 2011)
MFRS 127	Separate Financial Statements (IAS 27 as amended by IASB in May 2011)
MFRS 128	Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)
IC Int 20	Stripping Costs in the Production of A Surface Mine

Amendments to MFRSs effective 1 January 2013:

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards - Government Loans
MFRS 7	Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities

Amendments to MFRSs effective 1 January 2013 (cont'd):

MFRS 10, 11 and 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance

Annual Improvements 2009 – 2011 Cycle issued in July 2012

Initial application of the above standards did not have any material impact to the financial statements of the Group and of the Company except for the following:

MFRS 13 Fair Value Measurement

The Group and the Company have applied MFRS 13 for the first time in the current period. MFRS 13 established a single source of guidance and disclosure for fair value measurements. The scope of MFRS 13 is broad. The fair value measurement requirements of MFRS 13 apply to both financial instrument items and non-financial instrument items for which other MFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of MFRS 2 Share-based Payment, leasing transaction that are within the scope of MFRS 117 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

MFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under MFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, MFRS 13 includes extensive disclosure requirements.

MFRS 13 requires prospective application from 1 January 2013. In addition, specific transition provisions were given to entities such that they need not apply the disclosure requirements set out in the MFRS 13 in comparative information provided for periods before the initial application. In accordance with these transitional provisions, the Group and the Company have not made any new disclosures required by MFRS 13 for the comparative period. Other than the additional disclosures, the application of MFRS 13 has not had any material impact on the amounts recognised in the financial statements.

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

The Group and the Company adopted amendments to MFRS 101 on 1 July 2012. The amendments to MFRS 101 introduces a grouping of items presented in other comprehensive income. Items that will be reclassified or recycled to profit or loss at a future point in time have to be presented separately from items that will not be reclassified or recycled to profit or loss at a future point in time. The amendments affect presentation only and have no impact on the Group's and the Company's financial position or performance.

Amendments to MFRS 101 Presentation of Financial Statements (as part of the Annual Improvements to MFRSs 2009 - 2011 Cycle issued in July 2012)

The Annual Improvements to MFRSs 2009 – 2011 have made a number of amendments to MFRSs. The amendments that are relevant to the Group and the Company are the amendments to MFRS 101 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments to specify that a third statement of financial position is required when an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position.

In the current financial year, the Group has applied IC Interpretation 18 Transfers of Assets From Customers ("IC Int 18"), which has resulted in material effects on the information in the consolidated statement of financial position as at 1 January 2012. In accordance with the amendments to MFRS 101, the Group has presented a third statement of financial position as at 1 January 2012 without the related notes.

The explanation and financial impacts on the adoption of IC Int 18 are disclosed in Note 35 to the financial statements.

2.5 Standards Issued But Not Yet Effective

The Group and the Company have not applied the following new MFRSs, amendments to MFRSs and IC Int that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Group and the Company:

Amendments to MFRSs and IC Int effective for financial periods on or after 1 January 2014:

MFRS 10, 12 and 127	Consolidated Financial Statements, Disclosure of Interests in Other Entities and Separate Financial Statements: Investment Entities
MFRS 132	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities
MFRS 136	Recoverable Amount Disclosures for Non-Financial Assets
MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting
IC Int 21	Levies

Effective for financial periods on or after 1 July 2014:

Amendments to MRFS 119	Defined Benefit Plans: Employee Contributions

Annual Improvements to MFRSs 2010 – 2012 Cycle
Annual Improvements to MFRSs 2011 – 2013 Cycle

Effective date yet to be confirmed:

Amendments to MFRS 7	Financial Instruments: Disclosures – Mandatory Date of MFRS 9 and Transition Disclosures
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)

The initial application of the above standards is not expected to have any financial impact to the Group's and the Company's financial statements upon adoption.

2.6 Significant Accounting Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

2.6.1 Judgements made in applying accounting policies

There are no significant areas of critical judgement in applying accounting policies that have any significant effect on the amount recognised in the financial statements.

2.6.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) **Useful lives of depreciable assets**

Plant and equipment are depreciated on a straight line basis over their estimated useful lives. Management estimates the useful lives of the plant and equipment to be 3 to 50 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and residual values of the plant and equipment. Therefore, future depreciation charges could be revised.

(ii) **Impairment of plant and equipment**

The Group performs an impairment review as and when there are impairment indicators to ensure that the carrying value of the plant and equipment does not exceed its recoverable amount. The recoverable amount represents the present value of the estimated future cash flows expected to arise from operations. Therefore, in arriving at the recoverable amount, management exercises judgement in estimating the future cash flows, growth rate and discount rate.

(iii) **Inventories**

The management reviews for slow-moving and obsolete inventories. This review requires judgements and estimates. Possible changes in these estimates could result in revision to the valuation of inventories.

(iv) **Impairment of investment securities**

The Group reviews its investment securities and assesses at each financial year end whether there is any objective evidence that the investment is impaired. If there are indicators or objective evidence, the investment securities are subject to impairment review.

The impairment review comprises the following judgement made by management.

(i) Determination whether its investment security is impaired following certain indicators such as, amongst others prolonged decline in fair value, significant financial difficulties of the issuers or obligors, the disappearance of an active trading market and deterioration of the credit quality of the issuers or obligors.

(ii) Determination of “significant” and “prolonged” requires judgement and management evaluation on various factors, such as historical fair value movement and the significant reduction in fair value.

(v) **Impairment of loans and receivables**

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience of assets with similar credit risk characteristics.

(vi) **Deferred tax assets**

Deferred tax assets are recognised for unused tax losses and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the tax losses and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with tax planning strategies.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Group and by the Company are consistent with those adopted in the previous financial years unless otherwise indicated below.

3.1 Basis of Consolidation

(i) **Subsidiaries**

Subsidiaries are entities, including unincorporated entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group adopted MFRS 10, *Consolidated Financial Statements* in the current financial year. This resulted in changes to the following policies:

- Control exists when the Group is exposed, or has rights, to variable returns through its power over the entity. In the previous financial years, control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

- Potential voting rights are considered when assessing control only when such rights are substantive. In the previous financial years, potential voting rights are considered when assessing control when such rights are presently exercisable.

- The Group considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return. In the previous financial years, the Group did not consider *de facto* power in its assessment of control.

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of MFRS 10. However, the adoption of MFRS 10 has no significant impact to the financial statements of the Group for the current financial year.

Investment in subsidiaries is measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

(ii) **Business combination**

Business combinations are accounted for using the acquisition method from the acquisition date which is the date on which control is transferred to the Group.

The Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred, plus
- the recognised amount of any non-controlling interest in the acquiree, plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree, less
- the net recognised amount at fair value of the identifiable assets acquired and liabilities assumed

When the excess is negative, a bargain purchase gain is recognised in profit or loss.

For each business combination, the Group elects whether to recognise non-controlling interest in the acquiree at fair value, or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) **Acquisitions of non-controlling interests**

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserve.

(iv) **Loss of control**

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) **Joint arrangements**

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

The Group adopted MFRS 11, *Joint Arrangements* in the current financial year. As a result, joint arrangements are classified and accounted for as follows:

- A joint arrangement is classified as "joint operation" when the Group has rights to the assets and obligations for the liabilities relating to an arrangement. The Group account for its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with other investors, in relation to the joint operation.
- A joint arrangement is classified as "joint venture" when the Group has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method.

In the previous financial years, investment in Pinang Water Limited ("PWL") was classified as a jointly controlled entity in the consolidated financial statements, using the equity method.

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of MFRS 11. Upon adoption of MFRS 11, the Group has re-evaluated its involvement in PWL and has determined its interest in PWL to be classified as a joint venture and continues to be accounted for using the equity method in the consolidated financial statements. Therefore, the adoption of MFRS 11 has no significant impact to the financial statements of the Group for the current financial year.

Investment in joint venture is stated at cost less impairment losses in the Company's statement of financial position, unless the investment is classified as held for sale or distribution.

(vi) **Non-controlling interests**

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(vii) **Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted joint venture are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Property, Plant and Equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost except for assets transferred from customers (see Note 3.3) which are stated at fair value, less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within “other operating income” and “administrative expenses” respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group and the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The depreciation rates for the current and comparative periods are as follows:

	%
Leasehold land	1 - 2
Buildings and building improvements	2
Reservoirs	2
Plant and machinery	2 - 10
Motor vehicles	20
Equipment and furniture	10 - 33.33

Property, plant and equipment of a subsidiary which were acquired from Badan Kawal Selia Air (BKSA) upon its corporatisation on 1 March 1999 are depreciated over their remaining useful lives.

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

3.3 Customers' Contributions

The Group receives contributions from its customers, items of property, plant and equipment ("transferred assets") that are used to connect those customers to a network and provide them with ongoing access to water supply. On initial recognition, IC Int 18 requires that such transferred assets are recognised as property, plant and equipment in accordance with MFRS 116 *Property, Plant and Equipment* and are measured at their fair values, whilst the corresponding amount as deferred income and amortised over a period not longer than the useful lives of the transferred assets.

The transferred assets consist of mains, freehold and leasehold land. The depreciation of mains and leasehold land and the amortisation of deferred income are recognised over the estimated useful lives of the transferred assets, ranging from 50 years to 99 years. Freehold land is not depreciated as it has an infinite life and income is recognised immediately in profit or loss in the year of the transfer.

3.4 Leased Assets

(i) Finance leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership, are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

(ii) Operating leases

Leases, where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases and, the leased assets are not recognised in the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

3.5 Financial Instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statements of financial position when, and only when, the Group or the Company become a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition or issuance of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

(a) **Loans and receivables**

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the end of the reporting period which are classified as non-current.

(b) **Available-for-sale financial assets**

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets are subject to review for impairment.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost.

Financial liabilities are classified as current liabilities, except for those having maturity dates later than 12 months after the end of the reporting period which are classified as non-current.

(iii) **Derecognition**

A financial asset or part of it is derecognised, when and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

A financial liability or a part of it is derecognised when, the obligation specified in the contract is discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3.6 Impairment

(i) Financial assets

All financial assets (except for investments in subsidiaries and joint venture) are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the financial asset's recoverable amount is estimated.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) **Other assets**

The carrying amounts of other assets except for inventories are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset of cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the cash-generating unit (group of cash-generating units) on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

3.7 Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is measured based on the weighted average cost formula, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

3.8 Cash and Cash Equivalents

Cash comprises cash in hand, cash at bank and demand deposits. Cash equivalents are short term and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value, against which bank overdraft balances, if any, are deducted.

3.9 Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

3.10 Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is not recognised in the statements of financial position and is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

3.11 Equity Instruments

Instruments classified as equity are measured at cost on initial recognition and are not re-measured subsequently.

(i) Issue expenses

Costs directly attributable to issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Special rights redeemable preference share

The special rights redeemable preference share ("SRRPS") would enable the State Government of Penang through State Secretary, Penang to ensure that certain major decisions affecting the operations of the Company are consistent with the State Government of Penang's policies. The SRRPS can only be held by the State Secretary, Penang or its successor, or the Chief Minister or any person acting on behalf of the State Government of Penang ("Special Shareholder").

The Special Shareholder is not entitled to any dividend or participate in the capital distribution upon the dissolution of the Company but shall rank for repayment in priority to the ordinary shares. The Special Shareholder, may subject to the provisions of the Companies Act, 1965, requires the Company to redeem the SRRPS at par at any time. Other rights and restrictions attached to the SRRPS are set out in Article 17 of the Company's Articles of Association.

(iv) **Repurchase, disposal and reissue of share capital (treasury shares)**

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statements of changes in equity.

Where treasury shares are distributed as share dividends, the cost of the treasury shares is applied in the reduction of the share premium account or distributable reserves, or both.

Where treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

3.12 Foreign Currency

(i) **Foreign currency transactions**

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

(ii) **Operations denominated in functional currencies other than Ringgit Malaysia**

The assets and liabilities of operations denominated in functional currencies other than RM, are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, the significant influence or joint control is lost, the cumulative amount in the FCTR related to the foreign operation is reclassified to profit or loss as part of the profit or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the FCTR in equity.

3.13 Revenue and Other Income

(i) Sale of water

Revenue from water supplied to consumers are recognised when invoiced and upon services being rendered.

(ii) Contribution for trunk mains

Contribution for trunk mains is recognised as income when invoiced and upon services being rendered.

(iii) Sales from training facilities and education business

Revenue is recognised when invoiced and upon services being rendered.

(iv) Sales from bottling business

Revenue from the sales of water bottling business in the ordinary course of activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(v) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(vi) Rental income

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as other income.

(vii) **Interest income**

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

3.14 Income Tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

3.15 **Employee Benefits**

(i) **Short-term employee benefits**

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group and the Company have a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) **State plans**

The Group's and the Company's contributions to the statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group and the Company have no further payment obligations.

3.16 **Operating Segments**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make the decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

3.17 Earnings per ordinary share

The Group presents basic earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

4. PROPERTY, PLANT AND EQUIPMENT

GROUP

	At fair value: Land RM'000	At fair value: Plant and machinery RM'000	At cost: Land RM'000	At cost: Buildings and building improvements RM'000	At cost: Reservoirs RM'000	At cost: Plant and machinery RM'000	At cost: Motor vehicles RM'000	At cost: Equipment and furniture RM'000	At cost: Capital work-in-progress RM'000	Total RM'000
Cost										
At 1 January 2012, as previously stated	-	-	25,490	77,753	75,179	701,582	13,745	45,956	109,277	1,048,982
Effect of adopting IC Int 18	-	6,990	-	-	-	-	-	-	-	6,990
At 1 January 2012, as restated	-	6,990	25,490	77,753	75,179	701,582	13,745	45,956	109,277	1,055,972
Additions	60	11,114	-	-	-	3,681	263	1,023	73,922	90,063
Disposals/Written off	-	-	-	-	-	(790)	-	(356)	(783)	(1,929)
Reclassification	-	-	383	281	608	94,063	-	5,250	(100,585)	-
At 31 December 2012/ 1 January 2013	**60**	**18,104**	**25,873**	**78,034**	**75,787**	**798,536**	**14,008**	**51,873**	**81,831**	**1,144,106**
Additions	**2,140**	**12,838**	**-**	**-**	**-**	**4,636**	**1,518**	**595**	**78,368**	**100,095**
Disposals/Written off	**-**	**-**	**-**	**-**	**-**	**(44)**	**(182)**	**(986)**	**-**	**(1,212)**
Reclassification	**-**	**-**	**209**	**2,033**	**373**	**59,720**	**464**	**2,578**	**(65,377)**	**-**
At 31 December 2013	**2,200**	**30,942**	**26,082**	**80,067**	**76,160**	**862,848**	**15,808**	**54,060**	**94,822**	**1,242,989**

	At fair value		At cost								
	Land RM'000	**Plant and machinery RM'000**	**Land RM'000**	**Buildings and building improvements RM'000**	**Reservoirs RM'000**	**Plant and machinery RM'000**	**Motor vehicles RM'000**	**Equipment and furniture RM'000**	**Capital work-in-progress RM'000**	**Total RM'000**
Accumulated depreciation										
At 1 January 2012, as previously stated	-	-	2,494	13,559	12,928	232,178	10,576	35,855	-	307,590
Effect of adopting IC Int 18	-	12	-	-	-	-	-	-	-	12
At 1 January 2012, as restated	-	12	2,494	13,559	12,928	232,178	10,576	35,855	-	307,602
Current charge	-	158	202	1,599	1,720	35,545	1,331	7,792	-	48,347
Disposals/Written off	-	-	-	-	-	(695)	-	(304)	-	(999)
At 31 December 2012/ 1 January 2013	**-**	**170**	**2,696**	**15,158**	**14,648**	**267,028**	**11,907**	**43,343**	**-**	**354,950**
Current charge	**4**	**424**	**192**	**1,713**	**1,729**	**36,278**	**1,333**	**3,932**	**-**	**45,605**
Disposals/Written off	**-**	**-**	**-**	**-**	**-**	**(22)**	**(182)**	**(970)**	**-**	**(1,174)**
Reclassification	**-**	**-**	**-**	**461**	**-**	**(611)**	**(261)**	**411**	**-**	**-**
At 31 December 2013	**4**	**594**	**2,888**	**17,332**	**16,377**	**302,673**	**12,797**	**46,716**	**-**	**399,381**

	At fair value: Land RM'000	At fair value: Plant and machinery RM'000	At cost: Land RM'000	At cost: Buildings and building improvements RM'000	At cost: Reservoirs RM'000	At cost: Plant and machinery RM'000	At cost: Motor vehicles RM'000	At cost: Equipment and furniture RM'000	At cost: Capital work-in-progress RM'000	Total RM'000
Accumulated impairment losses										
At 1 January 2012	-	-	1,143	-	-	-	-	-	-	1,143
Current charge	-	-	276	-	-	1,990	-	-	-	2,266
At 31 December 2012/ 1 January 2013	**-**	**-**	**1,419**	**-**	**-**	**1,990**	**-**	**-**	**-**	**3,409**
Current charge	**-**	**-**	**-**	**-**	**-**	**1,869**	**-**	**-**	**-**	**1,869**
At 31 December 2013	**-**	**-**	**1,419**	**-**	**-**	**3,859**	**-**	**-**	**-**	**5,278**
Carrying amount										
At 1 January 2012	-	6,978	21,853	64,194	62,251	469,404	3,169	10,101	109,277	747,227
At 31 December 2012	60	17,934	21,758	62,876	61,139	529,518	2,101	8,530	81,831	785,747
At 31 December 2013	**2,196**	**30,348**	**21,775**	**62,735**	**59,783**	**556,316**	**3,011**	**7,344**	**94,822**	**838,330**

In the previous financial year ended 31 December 2012, Perbadanan Bekalan Air Pulau Pinang Sdn. Bhd., a subsidiary of the Company, transferred certain capital work-in-progress relating mainly to replacement of mains and water resources projects carried out on behalf of Badan Kawal Selia Air, Pulau Pinang ("BKSA") amounting to RM55,000 to BKSA's account and the remaining amount was written off.

(i) Included in the carrying amounts of land are:

	GROUP	
	2013	2012
	RM'000	RM'000
Freehold land	**7,354**	5,404
Leasehold land with unexpired lease period of more than 50 years	**16,617**	16,414
	23,971	21,818

(ii) Certain freehold land and leasehold land of the Group with carrying amounts of **RM186,000** (2012: RM186,000) and **RM352,000** (2012: RM356,000) respectively are in the process of being registered under the name of a subsidiary.

(iii) Fair value measurement of property, plant and equipment are categorised as follows:

	Level 1	**Level 2**	**Level 3**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
2013				
Land	**-**	**2,196**	**-**	**2,196**
Plant and machinery	**-**	**30,348**	**-**	**30,348**
	-	**32,544**	**-**	**32,544**

The fair value of an asset to be transferred between levels is determined as at the date of the event or change in circumstances that caused the transfer. There were no transfer between Level 1 and 2 during the financial year.

Level 1 Fair value is derived from quoted price (unadjusted) in active markets for identical property, plant and equipment.

Level 2 Fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the property, plant and equipment, either directly or indirectly.

Level 2 fair values of the land are derived from market price obtained from the relevant authorities, whilst fair values of the mains are generally derived from suppliers' quotations for similar items.

Level 3 Fair value is estimated using unobservable inputs for the property, plant and equipment.

COMPANY

	Equipment and furniture	
	2013	2012
	RM'000	RM'000
At cost		
Balance at beginning	**117**	116
Additions	**3**	9
Written off	**(3)**	(8)
Balance at end	**117**	117
Accumulated depreciation		
Balance at beginning	**91**	85
Current charge	**9**	11
Written off	**(2)**	(5)
Balance at end	**98**	91
Carrying amount	**19**	26

5. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2013	2012
	RM'000	RM'000
Unquoted shares, at cost	**266,025**	266,025
Share-based payments allocated to subsidiaries	**868**	868
	266,893	266,893

The details of the subsidiaries, all of which are incorporated in Malaysia, are as follows:

Name of entity	Effective equity interest 2013 %	2012 %	Principal activities
Perbadanan Bekalan Air Pulau Pinang Sdn. Bhd.	**100**	100	Water supplier involved in the abstraction of raw water, treatment of water, supply and sale of treated water to consumers.
PBA Resources Sdn. Bhd.	**100**	100	Providing training facilities, education and other non-water related businesses.
Island Springwater Sdn. Bhd.	**100**	100	Dormant.

6. **INVESTMENT IN JOINT VENTURE**

	GROUP		**COMPANY**	
	2013 RM'000	2012 RM'000	**2013 RM'000**	2012 RM'000
Unquoted shares, at cost	*****	*	*****	*
Share of post-acquisition reserve	**2,226**	1,296	**-**	-
	2,226	1,296	*****	*

* RM99

Details of the joint venture which is incorporated in Federal Territory of Labuan, Malaysia are as follows:

Name of entity	Effective equity interest 2013 %	2012 %	Principal activities
Pinang Water Limited ("PWL")	**26**	26	Constructing water-infrastructure projects, water treatment, management and supply of treated water for government, industries, commercial and domestic consumers.

The following shows the summarised financial information of PWL and a reconciliation of the summarised financial information to the carrying amount of the Group's interest in PWL, which is accounted for using the equity method.

	GROUP	
	2013 RM'000	2012 RM'000
Summarised financial information		
As at 31 December		
Assets and liabilities		
Non-current assets	**25,418**	23,440
Current assets	**6,880**	5,489
Total assets	**32,298**	28,929
Non-current liabilities	**-**	(95)
Current liabilities	**(23,738)**	(23,849)
Total liabilities	**(23,738)**	(23,944)
Year ended 31 December		
Results		
Revenue	**5,548**	4,435
Other income	**305**	29
Expenses, including finance costs and taxation	**(4,976)**	(4,056)

	GROUP	
	2013	2012
	RM’000	RM’000
Reconciliation of net assets to carrying amount as at 31 December		
Carrying amount - Group’s share of net assets	**2,226**	1,296

Group’s share of results for the year ended 31 December		
Group’s share of profit	**229**	106
Group’s share of other comprehensive income/(loss)	**701**	(228)
Group’s share of total comprehensive income/(loss)	**930**	(122)

Contingent liabilities and capital commitments

The joint venture has no contingent liabilities or capital commitments as at the end of the reporting period.

7. OTHER INVESTMENTS

These investments are managed by external fund management companies in accordance with the terms of the Investment Management Mandate. As at the end of the reporting period, the funds were invested as follows:

	GROUP	
	2013	2012
	RM’000	RM’000
Non-current		
Available-for-sale financial assets		
Quoted investments in Malaysia	**20,315**	19,942
Less: Impairment loss	**(353)**	(2,388)
	19,962	17,554
Loans and receivables		
Fixed deposits with licensed banks	**98**	40
Money market placement	**4,216**	2,934
	4,314	2,974
Total other investments	**24,276**	20,528

	GROUP	
	2013	2012
	RM'000	RM'000
Representing items:		
At cost/amortised cost	**4,314**	2,974
At fair value	**19,962**	17,554
	24,276	20,528
Market value of quoted investments	**19,962**	17,554

The movements in the allowance for impairment loss during the financial year is as follows:

	GROUP	
	2013	2012
	RM'000	RM'000
Balance at beginning	**2,388**	-
Current year	**-**	2,388
Reversal upon disposal	**(2,035)**	-
Balance at end	**353**	2,388

8. INVENTORIES

	GROUP	
	2013	2012
	RM'000	RM'000
Spare parts and consumables	**11,490**	11,121
Chemicals	**611**	575
	12,101	11,696

The cost of inventories recognised as an expense during the financial year amounted to approximately **RM11,069,000** (2012: RM8,895,000).

9. TRADE AND OTHER RECEIVABLES

	Note	GROUP 2013 RM'000	GROUP 2012 RM'000	COMPANY 2013 RM'000	COMPANY 2012 RM'000
Trade receivables					
Third parties		**28,992**	29,753	-	-
Less: Allowance for impairment		**(8,315)**	(10,984)	-	-
Trade receivables, net	9.1	**20,677**	18,769	-	-
Other receivables					
Third parties		**7,067**	8,317	**840**	114
Less: Allowance for impairment		**(2,193)**	(2,055)	-	-
Sundry receivables, net	9.2	**4,874**	6,262	**840**	114
Refundable deposits		**9,358**	5,008	**-**	-
Prepayments		**168**	635	**-**	-
Amount due from subsidiaries	9.3	**-**	-	**110,697**	108,826
Amount due from joint venture	9.4	**6,180**	6,180	**6,180**	6,180
		20,580	18,085	**117,717**	115,120
Total trade and other receivables		**41,257**	36,854	**117,717**	115,120

9.1 Trade receivables

The Group's credit policy provides trade receivables with a **30 days** (2012: 30 days) credit period.

The movement of allowance for impairment is as follows:

	GROUP 2013 RM'000	GROUP 2012 RM'000
Balance at beginning	**10,984**	9,576
Current year	**167**	1,552
Reversal of impairment loss	**(2,129)**	(125)
Written off	**(707)**	(19)
Balance at end	**8,315**	10,984

9.2 **Sundry receivables**

The movement of allowance for impairment is as follows:

	GROUP	
	2013	2012
	RM'000	RM'000
Balance at beginning	**2,055**	2,077
Current year	**198**	-
Reversal of impairment loss	**(60)**	(22)
Balance at end	**2,193**	2,055

9.3 **Amount due from subsidiaries**

The non-trade amount due from subsidiaries is unsecured, non-interest bearing and is repayable on demand.

9.4 **Amount due from joint venture**

The non-trade amount due from joint venture comprises shareholder's advances and payments made on behalf. The amount is non-interest bearing and is repayable on demand.

10. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	RM'000
Cash and bank balances	**9,202**	2,671	**109**	184
Short-term deposits with licensed banks	**43,193**	72,598	**7,000**	7,000
	52,395	75,269	**7,109**	7,184

11. SHARE CAPITAL

	2013 Number of shares ('000)	**2013** Amount RM'000	2012 Number of shares ('000)	2012 Amount RM'000
Authorised:				
Special rights redeemable preference share ("SRRPS") of RM0.50 each	*	**	*	**
Ordinary shares of RM0.50 each	**1,000,000**	**500,000**	1,000,000	500,000
	1,000,000	**500,000**	1,000,000	500,000
Issued and fully paid:				
Special rights redeemable preference share ("SRRPS") of RM0.50 each	*	**	*	**
Ordinary shares of RM0.50 each	**331,271**	**165,635**	331,271	165,635
	331,271	**165,635**	331,271	165,635

* 1 SRRPS
** RM0.50

The SRRPS would enable the State Government of Penang through the State Secretary, Penang to ensure that certain major decisions affecting the operations of the Company are consistent with the State Government of Penang's policies. The SRRPS can only be held by the State Secretary, Penang or its successor, or the Chief Minister or any person acting on behalf of the State Government of Penang ("Special Shareholder").

The Special Shareholder is not entitled to any dividend or participate in the capital distribution upon the dissolution of the Company but shall rank for repayment in priority to the ordinary shares. The Special Shareholder may, subject to the provisions of the Companies Act, 1965, require the Company to redeem the SRRPS at par at any time. Other rights and restrictions attached to the SRRPS are set out in Article 17 of the Company's Articles of Association.

12. RESERVES

	Note	GROUP 2013 RM'000	GROUP (Restated) 2012 RM'000	COMPANY 2013 RM'000	COMPANY 2012 RM'000
Distributable					
Retained earnings	12.1	**385,378**	369,861	**58,287**	55,613
Non-distributable					
Share premium		**161,944**	161,944	**161,944**	161,944
Treasury shares	12.2	**(223)**	(8)	**(223)**	(8)
Foreign currency translation reserve	12.3	**607**	(94)	**-**	-
Fair value reserve	12.4	**3,407**	1,735	**-**	-
		165,735	163,577	**161,721**	161,936
		551,113	533,438	**220,008**	217,549

12.1 Retained earnings

The Company is able to pay out all the retained earnings as dividends to its shareholders under the single tier system.

12.2 Treasury shares

The shareholders of the Company in the Annual General Meeting held on 29 June 2013, approved the Company's plan to purchase up to 10% of its issued and paid-up share capital of ordinary shares with par value of RM0.50 each.

During the financial year ended 31 December 2013, the Company repurchased 253,900 of its issued and paid-up ordinary shares from the open market.

Number of shares	Purchase price RM	Consideration RM'000	Transaction cost RM'000	Total consideration RM'000
51,000	0.85	44	-	44
200,900	0.84	169	-	169
1,000	0.88	1	-	1
1,000	0.97	1	-	1

For the financial year ended 31 December 2012, the Company repurchased 2,000 of its issued and paid-up ordinary shares from the open market. The average price paid for the shares repurchased was RM0.91 per share.

The shares repurchased were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

Of the total 331,270,401 issued and paid-up ordinary shares of RM0.50 each as at 31 December 2013, 261,900 (2012: 8,000) ordinary shares are held as treasury shares by the Company. The number of outstanding ordinary shares in issue is therefore 331,008,501 (2012: 331,262,401) ordinary shares of RM0.50 each.

12.3 Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of financial statements of the joint venture whose functional currency is other than RM.

12.4 Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

13. LOANS AND BORROWINGS, UNSECURED

	GROUP	
	2013	2012
	RM'000	RM'000
Nominal value of loan	**19,149**	13,000
Less: Deemed interest recognised as deferred income (Note 14.1)	**(9,405)**	(6,385)
Add: Amortised interest	**536**	-
	10,280	6,615

On 16 January 2012, a subsidiary of the Company obtained a term loan from the State Government of Penang to finance Non Revenue Water projects. The term loan is unsecured, interest free and is repayable over 20 years with effect from 14 September 2016.

The loan drawdown during the financial year amounted to **RM6,149,000** (2012: RM13,000,000).

14. DEFERRED INCOME

	Note	GROUP 2013 RM'000	2012 RM'000
Interest free term loan obtained from the State Government of Penang	14.1		
Balance at beginning		**6,385**	-
Transfer from loans and borrowings	13	**3,020**	6,385
Less: Amortisation		**(536)**	-
Balance at end		**8,869**	6,385
Transfer of assets from customers	14.2		
Balance at beginning, previously stated		**17,934**	-
Effect of adopting IC Int 18		**-**	6,978
Balance at beginning, as restated		**17,934**	6,978
Additions during the year		**14,978**	11,174
Less: Amortisation		**(2,186)**	(218)
Balance at end		**30,726**	17,934
Total deferred income		**39,595**	24,319

14.1 This is in respect of 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 period from the initial loan drawdown date up to the maturity date of the loan.

14.2 This is in respect of the fair values of assets transferred from customers which consist of mains and land upon initial recognition. Subsequent to initial recognition, the deferred income is amortised over the useful lives of these assets, ranging from 50 years to 99 years.

15. DEFERRED LIABILITIES

	GROUP 2013 RM'000	2012 RM'000
Non-current	**66,338**	67,933
Current	**1,595**	1,595
	67,933	69,528

Pursuant to migration of the Penang State Water Assets and the loans to Pengurusan Aset Air Berhad ("PAAB") during the financial year 2011, a subsidiary entered into Facility and Lease Agreements ("FLA") with PAAB to enable water supply services to be carried out on the lands leased from PAAB. The FLA is effective for a period of 45 years from 1 August 2011. Further details of the operating lease are disclosed in Note 23 to the financial statements.

Following the above events, the outstanding balance of the term loans obtained from the State Government of Penang was converted into lease incentives, classified under deferred liabilities and are amortised over the lease period of 45 years with effect from 1 August 2011. During the financial year, **RM1,595,000** (2012: RM1,595,000) was amortised and applied against the lease expense attributable to the FLA.

16. DEFERRED TAX LIABILITIES

	GROUP	
	2013	2012
	RM'000	RM'000
Balance at beginning	**220**	6,500
Recognised in profit or loss (Note 20)	**(220)**	(6,280)
Balance at end (presented after appropriate offsetting)	**-**	220

The movements in deferred tax liabilities and assets (prior to offsetting) during the financial year are as follows:

	At 31.12.2012 RM'000	**Recognised in profit or loss (Note 20) RM'000**	**At 31.12.2013 RM'000**
Deferred tax liabilities			
Temporary differences on property, plant and equipment	**103,791**	**(103,791)**	**-**
Contributions for trunk mains	**6,065**	**(6,065)**	**-**
	109,856	**(109,856)**	**-**

	At 31.12.2012 RM'000	Recognised in profit or loss (Note 20) RM'000	At 31.12.2013 RM'000
Deferred tax assets			
Unutilised reinvestment allowance	**(102,570)**	**102,570**	**-**
Unutilised capital allowances	**(1,354)**	**1,354**	**-**
Other items	**(5,712)**	**5,712**	**-**
	(109,636)	**109,636**	**-**
Deferred tax liabilities, net	**220**	**(220)**	**-**

17. **TRADE AND OTHER PAYABLES**

	Note	GROUP		COMPANY	
		2013 RM'000	2012 RM'000	**2013 RM'000**	2012 RM'000
Current					
Trade					
Trade payables		**3,906**	2,791	-	-
Non-trade					
Other payables and accruals	17.1	**46,461**	42,647	**272**	167
Dividend payable		**5,793**	5,797	**5,793**	5,797
Refundable deposits	17.2	**75,038**	71,883	**-**	-
		127,292	120,327	**6,065**	5,964
		131,198	123,118	**6,065**	5,964
Non-current					
Other non-current payables	17.3	**7,133**	14,560	**30**	75
Total trade and other payables		**138,331**	137,678	**6,095**	6,039

17.1 **Other payables and accruals**

Included in other payables and accruals of the Group is an amount of **RM451,000** (2012: RM451,000) in respect of advances received from BKSA less payments made on their behalf in relation to certain water resource projects undertaken previously.

17.2 **Refundable deposits**

Refundable deposits comprise mainly water supply deposits, reticulation mains deposits, security deposits and pipe maintenance deposits received from customers.

17.3 **Other non-current payables**

Other non-current payables comprise of amount payable to employees of the Group and the Company pursuant to the establishment of the Employees Provident Top-Up Plan ("the Plan") on 1 January 2011 to replace the terminated unfunded defined benefits scheme. The Plan is payable to the Group's and the Company's employees over five years with effect from 1 January 2011. The related current amount payable to employees of the Group and the Company amounted to **RM7,220,000** (2012: RM7,441,000) and **RM30,000** (2012: RM37,000) respectively and is included under current other payables and accruals.

18. REVENUE

	GROUP		**COMPANY**	
	2013	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	RM'000
Gross dividend from a subsidiary	**-**	-	**16,511**	16,511
Interest income	**249**	251	**249**	251
Sale of water	**236,431**	232,570	**-**	-
Contribution for trunk mains	**14,588**	11,240	**-**	-
Sales from water bottling business	**-**	43	**-**	-
Sales from training facilities business	**48**	103	**-**	-
Sales from education business	**415**	353	**-**	-
	251,731	244,560	**16,760**	16,762

19. OPERATING PROFIT

	GROUP		COMPANY	
		(Restated)		
	2013	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	RM'000
After charging:				
Auditors' remuneration				
- Company's auditors				
- audit fees	**110**	122	**16**	16
- non-audit fees	**5**	46	**5**	14
- Other auditors				
- non-audit fees	**246**	-	**12**	-
Dams and mains lease charges	**12,966**	12,966	**-**	-
Directors' allowance				
- present Directors	**369**	420	**226**	246
- past Directors	**49**	-	**20**	-
Impairment loss on:				
- trade and other receivables	**-**	1,489	**-**	-
- property, plant and equipment	**1,869**	2,266	**-**	-
- other investments	**-**	2,388	**-**	-
Inventories written off	**130**	301	**-**	-
Property, plant and equipment:				
- depreciation (Note 4)	**45,605**	48,347	**9**	11
- written off	**33**	128	**1**	3
Raw water intake charges	**7,417**	8,095	**-**	-
Rental of equipment	**111**	97	**-**	-
Rental of premises	**1,241**	1,021	**-**	-
Water supply licence fee	**2,364**	2,326	**-**	-
And after crediting:				
Bad debts recovered	**4**	3	**-**	-
Gain on disposal of other investments	**1,090**	1,084	**-**	-
Gain on disposal of property, plant and equipment	**5**	25	**-**	-
Gross dividends received from investments quoted in Malaysia	**645**	722	**-**	-
Income from miscellaneous jobs	**2,346**	2,714	**-**	-
Income from reconnection fees and final connection charges	**2,996**	2,921	**-**	-

	GROUP		COMPANY	
		(Restated)		
	2013	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	RM'000
Recognition of customers' contribution	**2,186**	218	**-**	-
Rental income				
- buildings	**1,287**	683	**-**	-
- meters and plant and machinery	**763**	764	**-**	-
Reversal of impairment loss on:				
- receivables	**1,823**	-	**-**	-
- other investments upon disposal	**2,035**	-	**-**	-

20. INCOME TAX EXPENSE

Recognised in profit or loss:

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	RM'000
Income tax expense				
Current year	**(185)**	(854)	**(65)**	(74)
Over/(Under) provision in prior year	**408**	(123)	**7**	(7)
	223	(977)	**(58)**	(81)
Deferred tax expense				
Current year	**-**	6,932	**-**	-
Over/(Under) provision in prior year	**220**	(652)	**-**	-
	220	6,280	**-**	-
Total tax expense	**443**	5,303	**(58)**	(81)

Reconciliation of effective tax expense

	GROUP		COMPANY	
		(Restated)		
	2013	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	RM'000
Profit for the year	**27,930**	29,035	**15,087**	15,076
Total tax expense	**(443)**	(5,303)	**58**	81
Profit excluding tax	**27,487**	23,732	**15,145**	15,157
Income tax calculated using Malaysian tax rate of **25%** (2012: 25%)	**(6,872)**	(5,933)	**(3,786)**	(3,789)
Income not subject to tax	**990**	471	**4,128**	4,128
Non-deductible expenses	**(1,989)**	(2,375)	**(407)**	(413)
Deferred tax assets not recognised	**(2,355)**	(71)	**-**	-
Current year reinvestment allowance	**10,041**	14,123	**-**	-
Other items	**-**	(137)	**-**	-
Over/(Under) provision in prior year	**628**	(775)	**7**	(7)
Total tax expense	**443**	5,303	**(58)**	(81)

The following (deductible)/taxable temporary differences have not been recognised in the financial statements:

	GROUP	
	2013	2012
	RM'000	RM'000
Property, plant and equipment	**440,835**	415,110
Contributions for trunk mains	**28,299**	24,261
Unabsorbed capital allowances	**(17,296)**	(9,571)
Unabsorbed tax losses	**(1,044)**	(1,237)
Unabsorbed reinvestment allowance	**(449,993)**	(409,829)
Other items	**(14,460)**	(22,972)
	(13,659)	(4,238)

The corporate tax rate will be reduced to 24% from the year of assessment 2016 as announced in the Malaysian Budget 2014. Consequently, deferred tax assets and liabilities are measured using this tax rate.

21. EARNINGS PER SHARE

Basic earnings per ordinary share

The basic earnings per ordinary share is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year as follows:

	2013	(Restated) 2012
	RM'000	RM'000
Profit for the year attributable to owners of the Company	**27,930**	29,035
Weighted average number of ordinary shares in issue	**331,087**	331,264
Basic earnings per ordinary share (sen)	**8.44**	8.76

	2013	2012
	('000)	('000)
Issued ordinary shares at beginning	**331,271**	331,271
Effect of treasury shares held	**(184)**	(7)
Weighted average number of ordinary shares in issue	**331,087**	331,264

There is no diluted earnings per share as the Company does not have any convertible financial instruments as at 31 December 2013.

22. DIVIDENDS

	Sen per share (net of tax)	Total amount RM'000	Date of payment
2013			
Final 2012 single tier dividend	**2.00**	**6,620**	**25 July 2013**
Interim 2013 single tier dividend	**1.75**	**5,793**	**10 January 2014**
	3.75	**12,413**	
2012			
Final 2011 tax exempt dividend	1.75	5,797	13 July 2012
Interim 2012 single tier dividend	1.75	5,797	4 January 2013
	3.50	11,594	

	2013 RM	2012 RM
Gross dividends per ordinary share (sen)	**3.75**	3.75

The gross dividends per ordinary share as disclosed above takes into account the total interim and final dividend for the financial year.

The Directors recommended a final single tier dividend of 2.00 sen per share amounting to RM6,620,000 for the financial year ended 31 December 2013 subject to the approval of shareholders at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect this proposed final dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2014.

23. OPERATING LEASE ARRANGEMENTS

Leases as lessee

Pursuant to the Water Services Industry Act 2006 (Act 655) with the objective amongst others to establish a regulatory environment that facilitates self-sustainability amongst the water operators in the water service industry, a subsidiary has henceforth entered into Facility and Lease Agreements with Pengurusan Aset Air Berhad (PAAB) to enable water supply services to be carried out on the lands leased from PAAB. The lease amounted to RM14.56 million per annum for a period of 45 years effective 1 August 2011. These Facility and Lease Agreements supersede the operating lease agreements previously entered into with BKSA.

Non-cancellable operating lease rentals are payable as follows:

	GROUP	
	2013	2012
	RM'000	RM'000
Within one year	**14,561**	14,561
Between one year to five years	**58,244**	58,244
More than five years	**547,254**	561,815
	620,059	634,620

The lease payments, net of lease incentive (Note 15) recognised in profit or loss during the financial year is disclosed in Note 19 to the financial statements.

Leases as lessor

A subsidiary leased part of its freehold land to third parties for a period ranging from 30 to 60 years with rent increment of 20% every five years. The future minimum lease payments under the non-cancellable lease are as follows:

	GROUP	
	2013	2012
	RM'000	RM'000
Within one year	**320**	320
Between one year to five years	**1,394**	1,330
More than five years	**43,252**	43,638
	44,966	45,288

24. EMPLOYEE BENEFITS EXPENSE

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	RM'000
Wages and salaries	**51,071**	51,232	**251**	346
Social security costs	**599**	546	**2**	3
Defined contribution plan	**8,185**	8,193	**43**	62
Other staff related expenses	**6,013**	5,574	**25**	36
	65,868	65,545	**321**	447

25. RELATED PARTY

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company have the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. Key management personnel include the Directors of the Group, and certain members of senior management of the Group.

The Group has related party relationship with its controlling shareholder, subsidiaries, a joint venture and key management personnel.

Significant related party transactions

The significant related party transactions of the Group and of the Company are shown below. The balances related to the transactions below are shown in Note 9.

Transactions with joint venture

	GROUP AND COMPANY	
	2013	2012
	RM'000	RM'000
Reimbursement of expenses	**1**	4

Key management personnel

The key management personnel compensation is as follows:

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	RM'000
Directors:				
- allowances	**418**	420	**246**	246
Other key management personnel:				
- short-term employee benefits	**2,663**	2,717	**19**	65
- defined contribution plan	**443**	460	**-**	9
- estimated monetary value of benefits-in-kind	**53**	77	**-**	2
	3,159	3,254	**19**	76
	3,577	3,674	**265**	322

Government related entities

A subsidiary, Perbadanan Bekalan Air Pulau Pinang Sdn. Bhd. ("PBAPP"), transacts with entities directly or indirectly controlled by the State Government of Penang through its state government authorities, agencies, affiliations and other organisations, collectively referred to as government-related entities. The transactions with these government-related entities include but are not limited to the sale of water, rendering and receiving of services, leasing of assets, and use of public utilities.

These transactions are conducted in the ordinary course of PBAPP's business. PBAPP has established policies, pricing strategy and approval process for purchases and sales of products and services, which are independent of whether the counterparties are government-related entities or not.

For the financial year ended 31 December 2013, management estimates that the aggregate amount of PBAPP's significant transactions with other government-related entities approximate **2%** (2012: 2%) of the Group's revenue and **3%** (2012: 3%) of the Group's total expenses.

26. CAPITAL COMMITMENTS

	GROUP	
	2013	2012
	RM'000	RM'000
Contracted but not provided for	**123,000**	118,000
Authorised but not contracted for	**441,000**	44,000

27. OPERATING LICENCE FOR WATER SUPPLY SERVICE OPERATIONS

Amendments to the Federal Constitution were made to transfer the jurisdiction of water supply services from the State List to the Concurrent List. These amendments were gazetted on 10 February 2005 and they enable the Federal Government to regulate water supply services while the State Government regulates the raw water resources.

New acts were subsequently enacted, namely the Water Services Industry Act 2006 (Act 655)(WSIA 2006) and the Suruhanjaya Perkhidmatan Air Negara Act 2006 (Act 654)(SPAN 2006). The WSIA 2006, which came into force on 1 January 2011, provides for the regulation of water supply services and sewerage services and the establishment of licensing and regulatory framework to promote the national policy objectives for the water supply services and sewerage services industries. The SPAN 2006, which was approved by Parliament in June 2006 and came into force on 1 February 2007, provides for the establishment of the regulatory body called Suruhanjaya Perkhidmatan Air Negara (SPAN) to carry out the provisions of WSIA 2006.

On 2 June 2011, a subsidiary was granted Individual Service Licence and Facility Licence by SPAN pursuant to Section 9 to the WSIA 2006. The licence shall be effective from 1 June 2011 until 31 May 2014 and the licence fee payable is calculated at 1% of the revenue from the sale of water by the subsidiary.

28. CONTINGENT LIABILITIES (UNSECURED)

	COMPANY	
	2013	2012
	RM'000	RM'000
Corporate guarantee given to a bank in respect of credit facilities granted to a joint venture	**-**	25

The Company has also undertaken to provide continuing financial support to certain subsidiaries to enable them to meet their financial obligations as and when they fall due.

29. SEGMENTAL INFORMATION

The Group has only one reportable segment, which is principally engaged in the abstraction of raw water, treatment of water, supply and sale of treated water to consumers in the State of Penang and to engage in water related business. The Group's Chief Executive Officer (the Chief operating decision maker) reviews internal management reports on the reportable segment on a monthly basis.

Accordingly, information by operating segment on the Group's operations as required by MFRS 8 is not presented.

Geographical segment

Geographical segment information has not been prepared as the Group's operations are confined to Penang, Malaysia.

30. CATEGORIES OF FINANCIAL INSTRUMENTS

The table below provides an analysis of financial instruments categorised as available-for-sale financial assets ("AFS"), loans and receivables ("L&R") and financial liabilities measured at amortised cost ("FL").

	Carrying amount RM’000	AFS RM’000	L&R RM’000	FL RM’000
GROUP				
2013				
Financial assets				
Other investments	**24,276**	**19,962**	**4,314**	**-**
Trade and other receivables (excluding prepayments)	**41,089**	**-**	**41,089**	**-**
Cash and cash equivalents	**52,395**	**-**	**52,395**	**-**
	117,760	**19,962**	**97,798**	**-**
Financial liabilities				
Loans and borrowings	**19,149**	**-**	**-**	**19,149**
Trade and other payables	**138,331**	**-**	**-**	**138,331**
	157,480	**-**	**-**	**157,480**
2012				
Financial assets				
Other investments	20,528	17,554	2,974	-
Trade and other receivables (excluding prepayments)	36,219	-	36,219	-
Cash and cash equivalents	75,269	-	75,269	-
	132,016	17,554	114,462	-
Financial liabilities				
Loans and borrowings	13,000	-	-	13,000
Trade and other payables	137,678	-	-	137,678
	150,678	-	-	150,678

COMPANY	Carrying amount RM'000	AFS RM'000	L&R RM'000	FL RM'000
2013				
Financial assets				
Other receivables	**117,717**	**-**	**117,717**	**-**
Cash and cash equivalents	**7,109**	**-**	**7,109**	**-**
	124,826	**-**	**124,826**	**-**
Financial liabilities				
Other payables	**6,095**	**-**	**-**	**6,095**
2012				
Financial assets				
Other receivables	115,120	-	115,120	-
Cash and cash equivalents	7,184	-	7,184	-
	122,304	-	122,304	-
Financial liabilities				
Other payables	6,039	-	-	6,039

31. NET GAINS AND LOSSES ARISING FROM FINANCIAL INSTRUMENTS

	GROUP	
	2013 RM'000	2012 RM'000
Net gains/(losses) on:		
Available-for-sale financial assets		
- recognised in other comprehensive income	**1,672**	209
- reclassified from equity to profit or loss	**-**	674
	1,672	883
- impairment loss on other investments	**2,035**	(2,388)
Loans and receivables	**1,823**	(1,489)
	5,530	(2,994)

32. FINANCIAL RISK MANAGEMENT

The Group and the Company are exposed to a variety of financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk.

32.1 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and investment securities. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and a joint venture and financial guarantees given to a bank for credit facilities granted to a joint venture.

32.1.1 Receivables

The risk of counterparties defaulting is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via deposits received from customers and notices sent out to customers 7 days after due date for settlement of debt. Trade receivables are monitored on an ongoing basis via the Group's management reporting procedures. The risk associated with the short term and fixed deposits placed with licensed banks is managed by placing such deposits with licensed banks with good credit rating.

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amount in the consolidated statement of financial position.

Management has taken reasonable steps to ensure that trade receivables that are neither past due nor impaired are stated at their realisable values. The Group uses ageing analysis to monitor the credit quality of the trade receivables and the risk is also mitigated by the deposits collected from customers.

Receivables amounting to **RM28,805,000** (2012: RM29,753,000) are secured by deposits collected from customers.

The disclosure of the exposure of credit risk for trade receivables as at the end of the reporting period by geographic region is not disclosed as the Group's operations are confined to the Penang State.

The Group maintains an ageing analysis in respect of trade receivables only.

The ageing of the Group's trade receivables as at the end of the reporting period is as follows:

	Gross RM'000	Individual impairment RM'000	Net RM'000
2013			
Not past due	**8,907**	**-**	**8,907**
Past due 15 - 60 days	**2,114**	**-**	**2,114**
Past due 61 - 365 days	**6,279**	**-**	**6,279**
Past due more than 365 days	**11,692**	**(8,315)**	**3,377**
	28,992	**(8,315)**	**20,677**
2012			
Not past due	9,927	-	9,927
Past due 15 - 60 days	1,968	-	1,968
Past due 61 - 365 days	6,072	(22)	6,050
Past due more than 365 days	11,786	(10,962)	824
	29,753	(10,984)	18,769

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

32.1.2 **Investments and other financial assets**

Investments are allowed only in liquid securities and only with counterparties that have good credit rating. These investments are managed by external fund management companies in accordance with the terms of the Investment Management Mandate.

As at the end of the reporting period, the Group has only invested in domestic securities. The maximum exposure to credit risk is represented by the carrying amount in the statement of financial position.

The investments and other financial assets are unsecured.

32.1.3 Inter company balances

The Company provides unsecured advances to subsidiaries and a joint venture. The Company monitors the results of the subsidiaries and joint venture.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

As at the end of the reporting period, there was no indication that the loans and advances to the subsidiaries and joint venture are not recoverable. The Company does not specifically monitor the ageing of these advances. Nevertheless, these advances are not regarded as overdue and are repayable on demand.

32.1.4 Financial guarantees

The Company provides unsecured financial guarantees to a bank in respect of credit facilities granted to a joint venture. The Company monitors on an ongoing basis the results of the joint venture and repayment made by the joint venture.

The maximum exposure to credit risk amounted to **RM Nil** (2012: RM25,000) representing the outstanding banking facilities of the joint venture as at the end of the reporting period.

The joint venture has fully settled the outstanding banking facilities during the current financial year. The financial guarantees have not been recognised in the previous financial year since the fair value on initial recognition was not material.

32.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations when they fall due. The Group’s exposure to liquidity risk arises principally from its various payables and loans and borrowings.

The Group maintains a level of cash and cash equivalents deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM'000	**Contractual cash flows RM'000**	**Within 1 year RM'000**	**More than 1 year and less than 2 years RM'000**	**More than 2 years and less than 5 years RM'000**	**More than 5 years RM'000**
Non-derivative financial liabilities						
GROUP						
2013						
Loans and borrowings	**19,149**	**19,149**	**-**	**957**	**2,872**	**15,320**
Trade and other payables	**138,331**	**138,331**	**131,198**	**7,133**	**-**	**-**
	157,480	**157,480**	**131,198**	**8,090**	**2,872**	**15,320**
2012						
Loans and borrowings	13,000	13,000	-	-	1,300	11,700
Trade and other payables	137,678	137,678	123,118	7,280	7,280	-
	150,678	150,678	123,118	7,280	8,580	11,700
COMPANY						
2013						
Trade and other payables	**6,095**	**6,095**	**6,065**	**30**	**-**	**-**
2012						
Trade and other payables	6,039	6,039	5,964	37	38	-

32.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group’s financial position or cash flows.

32.3.1 Currency risk

The Group is not significantly exposed to foreign currency risk as transactions denominated in a currency other than the functional currency of the Group entities is not material.

32.3.2 Interest rate risk

Cash flows interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group’s and the Company’s income and interest-earning financial assets are mainly short term in nature and have been mostly placed in short-term and fixed deposits with licensed banks.

The Group’s and the Company’s exposure to interest rate risk is not material as the Group and the Company do not have any significant interest bearing financial liabilities and interest-earning financial assets other than short-term and fixed deposits placed with licensed banks.

32.3.3 Other price risk

Equity price risk arises from the Group’s investments in equity securities.

Management of the Group monitors the equity investments on a portfolio basis. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Risk Management Committee of the Group.

The management is of the view that the results of the Group is not sensitive towards the changes in equity price risk as there are no equity investments being designated as fair value through profit or loss. Changes in equity price risk for equity investments designated as available-for-sale is not significant to the total equity of the Group.

33. FAIR VALUES OF FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents, short term receivables and payables approximate their fair values due to the relatively short term nature of these financial instruments.

The fair values of the other financial assets and financial liabilities, together with their carrying amounts shown in the statement of financial position are as follows:

	2013		2012	
	Carrying amount RM'000	**Fair value RM'000**	Carrying amount RM'000	Fair value RM'000
GROUP				
Financial assets				
Quoted shares	**19,962**	**19,962**	17,554	17,554
Fixed deposits with licensed banks	**98**	**98**	40	40
Money market placement	**4,216**	**4,216**	2,934	2,934
Financial liabilities				
Other payables	**14,353**	**11,096**	22,001	17,789
Loans and borrowings	**19,149**	**10,280**	13,000	6,615
COMPANY				
Financial liabilities				
Other payables	**60**	**47**	112	92

The following summarises the methods used in determining the fair value of financial instruments reflected in the above table.

Investment in quoted shares and debt securities

The fair values of financial assets that are quoted in an active market are determined by reference to their quoted closing bid price at the end of the reporting period.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposed, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

33.1 Fair value hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 RM'000	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
GROUP				
2013				
Investment in quoted shares	**19,962**	**-**	**-**	**19,962**
2012				
Investment in quoted shares	17,554	-	-	17,554

34. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business.

There were no changes in the Group's approach to capital management during the financial year.

35. CHANGE IN ACCOUNTING POLICY

The Group has applied IC Int 18 during the financial year under review. In compliance with IC Int 18, contributions received from customers (assets in the form of property, plant and equipment) which comprise mains, freehold and leasehold land are recognised as an item of property, plant and equipment. Such assets are measured at their fair values upon initial recognition and are depreciated over their estimated useful lives, with the corresponding amount recognised as deferred income and is amortised over a period not longer than the useful lives of these assets (See Note 3.3).

The impact arising from initial application of IC Int 18 is summarised as follows:

	Previously stated RM'000	Effect of adoption of IC Int 18 RM'000	As restated RM'000
Consolidated Statement of Financial Position			
At 1 January 2012			
Non-current assets			
Property, plant and equipment	740,249	6,978	747,227
Non-current liabilities			
Deferred income	-	6,978	6,978
At 31 December 2012			
Non-current assets			
Property, plant and equipment	767,753	17,994	785,747
Equity			
Retained earnings	369,801	60	369,861
Non-current liabilities			
Deferred income	6,385	17,934	24,319

	Previously stated RM'000	Effect of adoption of IC Int 18 RM'000	As restated RM'000
Consolidated Statement of Comprehensive Income for the financial year ended 31 December 2012			
Other operating income	10,484	218	10,702
Adminstrative expenses	(56,373)	(158)	(56,531)
Profit before taxation	23,672	60	23,732
Profit for the year	28,975	60	29,035
Total comprehensive income for the year	29,630	60	29,690
Consolidated Statement of Cash Flows for the financial year ended 31 December 2012			
Depreciation of property, plant and equipment	48,189	158	48,347
Amortisation of deferred income	-	(218)	(218)

There is no impact to the retained earnings as at 1 January 2012 as the net effect of the depreciation of property, plant and equipment and the amortisation of the deferred income is nil, whereas the impact to the retained earnings as at 31 December 2012 arose from the recognition of freehold land to profit or loss.

36. DISCLOSURE OF REALISED AND UNREALISED PROFITS/(LOSSES)

The breakdown of retained earnings of the Group and of the Company as at the end of the reporting period has been prepared by the Directors in accordance with the directives from Bursa Malaysia Securities Berhad stated above and the Guidance on Special Matter No. 1 - Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants are as follows:

	GROUP		**COMPANY**	
		(Restated)		
	2013	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	RM'000
Total retained earnings of the Company and its subsidiaries				
- Realised	**329,980**	314,911	**58,287**	55,613
- Unrealised	**-**	(220)	**-**	-
	329,980	314,691	**58,287**	55,613
Share of retained earnings of joint venture				
- Realised	**1,618**	1,390	**-**	-
	331,598	316,081	**58,287**	55,613
Add: Consolidation adjustments	**53,780**	53,780	**-**	-
	385,378	369,861	**58,287**	55,613