

YTL POWER INTERNATIONAL BERHAD
Company No. 406684-H
Incorporated in Malaysia

Interim Financial Report
31 March 2014

YTL POWER INTERNATIONAL BERHAD

Company No. 406684-H
Incorporated in Malaysia

**Interim Financial Report
31 March 2014**

	Page No.
Condensed Consolidated Income Statement	1
Condensed Consolidated Statement of Comprehensive Income	2
Condensed Consolidated Statement of Financial Position	3 - 4
Condensed Consolidated Statement of Changes in Equity	5 - 6
Condensed Consolidated Statement of Cash Flows	7 - 8
Notes to the Interim Financial Report	9 - 25

YTL POWER INTERNATIONAL BERHAD (Company No. 406684-H)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT

Interim financial report on consolidated results for the financial period ended 31 March 2014.

The figures have not been audited.

CONDENSED CONSOLIDATED INCOME STATEMENT

	INDIVIDUAL QUARTER PRECEDING		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31.3.2014 RM'000	YEAR CORRESPONDING QUARTER 31.3.2013 RM'000	9 MONTHS ENDED 31.3.2014 RM'000	
REVENUE	3,300,188	3,652,547	11,051,372	11,930,254
COST OF SALES	(2,677,216)	(3,060,146)	(9,183,743)	(10,314,866)
GROSS PROFIT	622,972	592,401	1,867,629	1,615,388
OTHER OPERATING INCOME	1,771	186	27,063	105,426
OTHER OPERATING EXPENSES	(213,080)	(150,884)	(643,910)	(393,358)
PROFIT FROM OPERATIONS	411,663	441,703	1,250,782	1,327,456
FINANCE COSTS	(188,876)	(186,157)	(581,785)	(583,639)
SHARE OF PROFITS OF ASSOCIATES	83,167	81,023	214,337	252,766
PROFIT BEFORE TAXATION	305,954	336,569	883,334	996,583
TAXATION	(44,446)	(78,747)	(130,995)	(234,964)
PROFIT FOR THE PERIOD	<u>261,508</u>	<u>257,822</u>	<u>752,339</u>	<u>761,619</u>
ATTRIBUTABLE TO:				
Owners of the Parent	255,573	256,161	737,420	765,051
Non-Controlling Interests	5,935	1,661	14,919	(3,432)
	<u>261,508</u>	<u>257,822</u>	<u>752,339</u>	<u>761,619</u>
EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT				
Basic (Sen)	<u>4.07</u>	<u>3.52</u>	<u>11.21</u>	<u>10.51</u>
Diluted (Sen)	<u>3.82</u>	<u>3.41</u>	<u>10.53</u>	<u>10.07</u>

The Condensed Consolidated Income Statement should be read in conjunction with the audited annual financial statements for the year ended 30 June 2013 and the accompanying explanatory notes attached to the interim financial statements.

YTL POWER INTERNATIONAL BERHAD (Company No. 406684-H)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER PRECEDING		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31.3.2014 RM'000	YEAR CORRESPONDING QUARTER 31.3.2013 RM'000	9 MONTHS ENDED	
			31.3.2014 RM'000	31.3.2013 RM'000
PROFIT FOR THE PERIOD	261,508	257,822	752,339	761,619
OTHER COMPREHENSIVE INCOME/(LOSS):				
<i>ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS</i>				
AVAILABLE-FOR-SALE RESERVE	13,940	(1,280)	39,378	(8,755)
HEDGING RESERVE	(38,185)	56,953	12,805	232,089
CURRENCY TRANSLATION DIFFERENCES	24,144	(167,348)	592,172	(225,491)
	-----	-----	-----	-----
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	(101)	(111,675)	644,355	(2,157)
	-----	-----	-----	-----
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>261,407</u>	<u>146,147</u>	<u>1,396,694</u>	<u>759,462</u>
ATTRIBUTABLE TO:				
Owners of the Parent	257,457	140,948	1,367,997	776,859
Non-Controlling Interests	3,950	5,199	28,697	(17,397)
	-----	-----	-----	-----
	<u>261,407</u>	<u>146,147</u>	<u>1,396,694</u>	<u>759,462</u>

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited annual financial statements for the year ended 30 June 2013 and the accompanying explanatory notes attached to the interim financial statements.

YTL POWER INTERNATIONAL BERHAD (Company No. 406684-H)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED	AUDITED
	As at	As at
	31.3.2014	30.6.2013
		(Restated)
	RM'000	RM'000
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	19,095,817	17,315,430
Intangible Assets	6,917,434	6,699,791
Investment in Associates	1,624,963	1,731,905
Investments	234,280	195,590
Derivative Financial Instruments	7,305	7,850
Receivables, Deposits and Prepayments	563,667	693,974
	-----	-----
	28,443,466	26,644,540
	-----	-----
Current Assets		
Inventories	458,705	484,745
Receivables, Deposits and Prepayments	1,974,608	2,139,039
Derivative Financial Instruments	16,182	37,654
Cash and Bank Balances	8,682,859	9,623,527
	-----	-----
	11,132,354	12,284,965
	-----	-----
TOTAL ASSETS	39,575,820	38,929,505
	=====	=====
EQUITY AND LIABILITIES		
Share Capital	3,588,616	3,669,034
Reserves	7,101,382	6,549,525
Treasury Shares, at cost	(711,301)	(390,148)
	-----	-----
Equity attributable to Owners of the Parent	9,978,697	9,828,411
Non-Controlling Interests	274,391	284,912
	-----	-----
TOTAL EQUITY	10,253,088	10,113,323
	-----	-----

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited annual financial statements for the year ended 30 June 2013 and the accompanying explanatory notes attached to the financial statements.

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – Continued

	UNAUDITED	AUDITED
	As at	As at
	31.3.2014	30.6.2013
		(Restated)
	RM'000	RM'000
LIABILITIES		
Non-Current Liabilities		
Deferred Taxation	2,218,894	2,131,234
Borrowings	22,056,145	20,918,408
Grants and Contributions	342,785	295,774
Post-employment Benefit Obligations	586,764	566,311
Derivative Financial Instruments	9,928	16,262
Payables	344,146	270,803
	-----	-----
	25,558,662	24,198,792
	-----	-----
Current Liabilities		
Payables and Accrued Expenses	2,126,245	2,425,850
Derivative Financial Instruments	28,352	61,282
Post-employment Benefit Obligations	1,039	1,625
Taxation	164,517	249,961
Borrowings	1,443,917	1,878,672
	-----	-----
	3,764,070	4,617,390
	-----	-----
TOTAL LIABILITIES	29,322,732	28,816,182
	-----	-----
TOTAL EQUITY AND LIABILITIES	39,575,820	38,929,505
	=====	=====
 Net Assets Per 50 Sen Share (RM) attributable to Ordinary Equity Holders of the Parent	 1.47	 1.38
	====	====

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited annual financial statements for the year ended 30 June 2013 and the accompanying explanatory notes attached to the financial statements

YTL POWER INTERNATIONAL BERHAD (Company No. 406684-H)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2014**

	----- Attributable to Owners of the Parent -----							Non-Controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Merger & Other Reserves RM'000	Treasury Shares RM'000	Retained Earnings RM'000	Total RM'000			
At 1 July 2013	3,669,034	3,045,330	(3,155,068)	(390,148)	6,834,896	10,004,044	284,937	10,288,981	
Effect of changes in accounting policy	-	-	5,522	-	(181,155)	(175,633)	(25)	(175,658)	
At 1 July 2013, as restated	3,669,034	3,045,330	(3,149,546)	(390,148)	6,653,741	9,828,411	284,912	10,113,323	
Profit for the period	-	-	-	-	737,420	737,420	14,919	752,339	
Other comprehensive income	-	-	630,577	-	-	630,577	13,778	644,355	
Total comprehensive income for the period	-	-	630,577	-	737,420	1,367,997	28,697	1,396,694	
Dividends paid to non-controlling interests	-	-	-	-	-	-	(39,218)	(39,218)	
Issue of share capital	44,582	63,307	-	-	-	107,889	-	107,889	
Shares repurchased	-	-	-	(1,332,166)	-	(1,332,166)	-	(1,332,166)	
Share dividend	-	(598,763)	-	598,763	-	-	-	-	
Cancellation of shares	(125,000)	(412,250)	125,000	412,250	-	-	-	-	
Provision for share options	-	-	6,566	-	-	6,566	-	6,566	
Warrants reserves	-	8,915	(8,915)	-	-	-	-	-	
At 31 March 2014	3,588,616	2,106,539	(2,396,318)	(711,301)	7,391,161	9,978,697	274,391	10,253,088	

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited annual financial statements for the year ended 30 June 2013 and the accompanying explanatory notes attached to the interim financial statements.

YTL POWER INTERNATIONAL BERHAD (Company No. 406684-H)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2013**

	----- Attributable to Owners of the Parent -----						Non-Controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Merger & Other Reserves RM'000	Treasury Shares RM'000	Retained Earnings RM'000	Total RM'000		
At 1 July 2012	3,664,128	3,037,384	(3,223,816)	(119,972)	5,901,984	9,259,708	373,583	9,633,291
Effect of changes in accounting policy	-	-	-	-	(254,499)	(254,499)	-	(254,499)
At 1 July 2012, as restated	3,664,128	3,037,384	(3,223,816)	(119,972)	5,647,485	9,005,209	373,583	9,378,792
Profit for the period	-	-	-	-	765,051	765,051	(3,432)	761,619
Other comprehensive loss	-	-	11,808	-	-	11,808	(13,965)	(2,157)
Total comprehensive income for the period	-	-	11,808	-	765,051	776,859	(17,397)	759,462
Non-controlling interests arising from business combination	-	-	-	-	-	-	1,709	1,709
Issue of share capital	4,840	6,872	-	-	-	11,712	-	11,712
Dividends paid to non-controlling interests	-	-	-	-	-	-	(61,888)	(61,888)
Dividends paid for the year ended 30 June 2012	-	-	-	-	(68,235)	(68,235)	-	(68,235)
Dividends paid for the year ended 30 June 2013	-	-	-	-	(68,261)	(68,261)	-	(68,261)
Shares repurchased	-	-	-	(30,060)	-	(30,060)	-	(30,060)
Provision for share options	-	-	7,177	-	-	7,177	-	7,177
Warrants reserves	-	967	(967)	-	-	-	-	-
At 31 March 2013, as restated	3,668,968	3,045,223	(3,205,798)	(150,032)	6,276,040	9,634,401	296,007	9,930,408

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited annual financial statements for the year ended 30 June 2013 and the accompanying explanatory notes attached to the interim financial statements.

YTL POWER INTERNATIONAL BERHAD (Company No. 406684-H)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2014**

	CURRENT YEAR-TO-DATE 31.3.2014 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31.3.2013 RM'000
Cash flows from operating activities		
Profit for the period	752,339	761,619
Adjustment for:		
Allowance for impairment of receivables (net of reversals)	100,195	41,076
Allowance for impairment of investment in associates	23,969	-
Allowance for impairment of inventories	21,865	4,869
Amortisation of deferred income	(2,414)	-
Amortisation of grants and contributions	(6,535)	(8,470)
Amortisation of intangible assets	33,707	192
Depreciation of property, plant and equipment	928,035	934,604
Gain on disposal of investments	-	(11,397)
Interest expense	581,785	583,639
Interest income	(17,655)	(16,314)
Provision for post-employment benefit	39,858	39,913
Provision for liabilities and charges	945	912
Share of profits of associates	(214,337)	(252,766)
Taxation	130,995	234,964
Unrealised loss/(gain) on foreign exchange	90,076	(56,108)
Other non-cash items	17,929	26,009
	-----	-----
	2,480,757	2,282,742
Changes in working capital:		
Inventories	18,136	(36,067)
Receivables, deposits and prepayments	357,035	342,766
Payables and accrued expenses	(414,616)	(29,935)
	-----	-----
Cash generated from operations	2,441,312	2,559,506
Interest paid	(546,547)	(552,936)
Payment to retirement benefit scheme	(86,879)	(79,785)
Tax paid	(330,458)	(325,563)
	-----	-----
Net cash flows from operating activities	1,477,428	1,601,222
	-----	-----
Cash flows from investing activities		
Dividends received	242,053	163,732
Grants received	26,554	19,283
Interest received	18,739	18,701
Investment of associated company	-	(2,969)
Purchase of property, plant and equipment	(1,149,990)	(1,125,007)
Proceeds from disposal of investments	-	16,957
Proceeds from redemption of investment in loan stock	54,939	-
Other investing activities	8,259	(21,304)
	-----	-----
Net cash flows used in investing activities	(799,446)	(930,607)
	-----	-----

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited annual financial statements for the year ended 30 June 2013 and the accompanying explanatory notes attached to the financial statements

INTERIM FINANCIAL REPORT

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2014 - Continued**

	CURRENT YEAR-TO-DATE 31.3.2014 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31.3.2013 RM'000
Cash flows from financing activities		
Debt financing fee	-	(95,729)
Dividends paid	-	(136,496)
Dividends paid to non-controlling interests	(39,218)	(61,888)
Proceeds from borrowings	90,181	8,953,813
Proceeds from issue of shares	107,889	11,712
Repayment of borrowings	(854,824)	(7,888,953)
Repurchase of own shares	(1,332,166)	(30,060)
	-----	-----
Net cash flows (used in)/from financing activities	(2,028,138)	752,399
	-----	-----
Net changes in cash and cash equivalents	(1,350,156)	1,423,014
Effects of exchange rate changes	387,205	(161,252)
Cash and cash equivalents at beginning of the period	9,552,134	9,552,771
	-----	-----
Cash and cash equivalents at end of the period <i>[Note a]</i>	8,589,183	10,814,533
	=====	=====

[Note a]

Cash and cash equivalents at the end of the period comprise:

	RM'000	RM'000
Fixed deposits	8,189,792	10,496,917
Cash and bank balances	493,067	428,508
Bank overdrafts (included within short term borrowings in [Note B9])	(93,676)	(110,892)
	-----	-----
	8,589,183	10,814,533
	=====	=====

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited annual financial statements for the year ended 30 June 2013 and the accompanying explanatory notes attached to the interim financial statements.

INTERIM FINANCIAL REPORT

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

The interim financial report should be read in conjunction with the audited annual financial statements of the Group for the year ended 30 June 2013.

A1. Accounting Policies and Methods of Computation

The interim financial report is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 134: “Interim Financial Reporting” and Chapter 9, part K paragraph 9.22 of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad (“Bursa Securities”).

The accounting policies and methods of computations adopted by the Group in this interim financial report are consistent with those adopted in the annual audited financial statements for the financial year ended 30 June 2013.

The adoption of MFRSs and amendments to MFRSs which were effective for financial year beginning on or after 1 July 2013 do not have significant financial impact on the Group except for the effects of the adoption of the following MFRSs:

Amendment to MFRS 116: “Property, Plant and Equipment”

Amendment to MFRS 116 clarify that items such as spare parts, stand-by equipment and servicing equipment shall be recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventories. Previously, MFRS 116 states that spare parts, stand-by equipment and servicing equipment are usually carried as inventory and recognised in profit or loss as consumed.

Upon adoption of Amendment to MFRS 116, the Group reclassified retrospectively spare parts, stand-by equipment and servicing equipment previously accounted for under inventories to property, plant and equipment.

Amendment to MFRS 119: “Employee Benefits”

Amendment to MFRS 119 makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. Actuarial gains and losses will no longer be deferred using the corridor approach but immediate recognition in other comprehensive income in the financial period in which they occur.

The adoption of Amendment to MFRS 116 and Amendment to MFRS 119 resulted in a change in accounting policy and has been accounted for in accordance with MFRS 108: “Accounting Policies, Changes in Accounting Estimates and Errors”.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

YTL POWER INTERNATIONAL BERHAD (Company No. 406684-H)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT

Notes – continued

The financial statements for the previous financial periods have been restated as follows:

Group	As previously reported RM'000	MFRS 116 Adjustment RM'000	MFRS 119 Adjustment RM'000	As restated RM'000
As at 1 July 2012				
Statement of financial position				
<u>Non-current assets</u>				
Property, plant and equipment	17,258,872	40,487	-	17,299,359
<u>Current assets</u>				
Inventories	547,670	(40,487)	-	507,183
<u>Non-current liabilities</u>				
Post-employment benefit obligations	361,850	-	330,584	692,434
Deferred taxation	2,374,003	-	(76,085)	2,297,918
<u>Equity</u>				
Retained earnings	5,901,984	-	(254,499)	5,647,485
As at 30 June 2013				
Income statement				
Cost of sales	(13,372,401)	(10,124)	(11,891)	(13,394,416)
Other operating expenses	(272,680)	304	-	(272,376)
Taxation	(284,664)	-	2,732	(281,932)
Statement of comprehensive income				
Other comprehensive income				
- actuarial gain, net of tax	-	-	92,299	92,299
- currency translation differences	(105,974)	-	5,521	(100,453)
Statement of financial position				
<u>Non-current assets</u>				
Property, plant and equipment	17,283,670	31,760	-	17,315,430
Investment in associates	1,718,840	-	13,065	1,731,905
<u>Current assets</u>				
Inventories	526,325	(41,580)	-	484,745
<u>Non-current liabilities</u>				
Post-employment benefit obligations	333,965	-	232,346	566,311
Deferred taxation	2,184,677	-	(53,443)	2,131,234
<u>Equity</u>				
Currency translation reserve	(1,195,219)	-	5,522	(1,189,697)
Retained earnings	6,834,896	(9,820)	(171,335)	6,653,741
Non-controlling interests	284,937	-	(25)	284,912

INTERIM FINANCIAL REPORT

Notes – continued

The explanatory notes contained herein provide an explanation of the events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2013.

A2. Seasonality or Cyclicity of Operations

The business operations of the Group are not materially affected by any seasonal or cyclical factor.

A3. Unusual Items

During the current financial quarter, there was no item of an unusual nature that affects the assets, liabilities, equity, net income or cash flows of the Group.

A4. Changes in Estimates of Amounts Reported

There was no significant change to estimate of amount reported in prior interim periods or prior financial years.

A5. Changes in Debt and Equity Securities

The numbers of ordinary shares of RM0.50 each issued during the current financial quarter and financial year to date pursuant to the exercise of Warrants 2008/2018 were 1,152,927 and 89,164,785 respectively at a weighted average exercise price of RM1.21 per share.

There was no share issued pursuant to the exercise of employees' share options granted under the Company's Employees Share Option Scheme during the current financial quarter and financial year to date.

A total of 83,385,000 ordinary shares of RM0.50 each and 721,904,100 ordinary shares of RM0.50 each were repurchased from the open market for a total consideration of RM154,938,480 and RM1,332,166,245 respectively for the current financial quarter and financial year to date. The share buyback transactions were financed by internally generated funds. The shares purchased are being held as treasury shares.

A total of 250,000,000 treasury shares amounting to RM412,250,000 were cancelled during the current financial year to date. During the current financial quarter and financial year to date, a total of 323,463,166 treasury shares were distributed as share dividend on 21 March 2014 to the shareholders on the basis of one (1) treasury share for every twenty (20) ordinary shares held as at 13 March 2014. As at 31 March 2014, the number of treasury shares held were 384,262,579 ordinary shares of RM0.50 each.

Medium Term Notes of the Company and its subsidiary company amounting to RM850 million in total was fully settled during the current financial year to date.

The outstanding debts are as disclosed in Note B9.

INTERIM FINANCIAL REPORT

Notes – continued

A6. Dividends Paid

There was no dividend paid during the current financial quarter.

A7. Segment Information

The Group has five reportable segments as described below:

- a) Power generation (Contracted)
- b) Multi utilities business (Merchant)
- c) Water and sewerage
- d) Mobile broadband network
- e) Investment holding activities

Management monitors the operating results of business segments separately for the purpose of making decisions about resources to be allocated and of assessing performance.

Segment information for the financial period ended 31 March 2014:

	Power generation (Contracted) RM'000	Multi utilities business (Merchant) RM'000	Water & sewerage RM'000	Mobile broadband network RM'000	Investment holding activities RM'000	Group RM'000
External Revenue	854,948	7,365,291	2,140,762	639,723	50,648	11,051,372
Inter- segment Revenue	-	-	-	435	85,314	85,749
Segment profit / (loss) before tax	157,571	424,324	591,209	(118,244)	(171,526)	883,334

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

INTERIM FINANCIAL REPORT

Notes – continued

Segment information for the financial period ended 31 March 2013:

	Power generation (Contracted) RM'000	Multi utilities business (Merchant) RM'000	Water & sewerage RM'000	Mobile broadband network RM'000	Investment holding activities RM'000	Group RM'000
External Revenue	838,075	8,817,782	1,868,238	338,131	68,028	11,930,254
Inter- segment Revenue	-	-	-	337	82,420	82,757
Segment profit/ (loss) before tax	151,153	507,517	506,606	(192,853)	24,160	996,583

A8. Events After the Interim Period

There was no item, transaction or event of a material or unusual nature during the period from the end of the quarter under review to the date of this report.

A9. Changes in the Composition of the Group

There were no changes in the composition of the Group for the current financial period, including business combinations, obtaining or losing control of subsidiaries and long-term investments, restructurings and discontinuing operations except for the followings:

- (i) On 29 July 2013, the Company subscribed for 68 ordinary shares, representing 68% of the issued and paid-up share capital of SIPP Power Sdn Bhd (“SIPP Power”) at par value of RM1.00 per share. As a result, SIPP Power became a subsidiary of the Company. On 30 July 2013, the Company acquired another 2 ordinary shares in SIPP Power resulting in SIPP Power becoming a 70%-owned subsidiary of the Company.

SIPP Power was incorporated on 9 July 2013 and presently has an authorized share capital of RM400,000 comprising 400,000 ordinary shares of RM1.00 each, and an issued and paid-up share capital of RM100.00 comprising 100 ordinary shares of RM1.00 each. SIPP Power is to be principally involved in developing, constructing, completing, maintaining and operating power plants.

INTERIM FINANCIAL REPORT

Notes – continued

- (ii) On 24 October 2013, the Company acquired 2 ordinary shares, representing the entire issued and paid-up share capital of Tunas Madani Sdn Bhd at par value of RM1.00 per share. As a result, Tunas Madani Sdn Bhd became a subsidiary of the Company.

Tunas Madani Sdn Bhd was incorporated on 10 October 2013 and presently has an authorized share capital of RM400,000 comprising 400,000 ordinary shares of RM1.00 each. It is principally involved in investment holding.

Tunas Madani changed its name to YTL Power Energy Holdings Sdn Bhd on 7 November 2013 and then to YTL Energy Holdings Sdn Bhd (“YTL Energy Holdings”) on 14 February 2014.

- (iii) On 22 October 2013, YTL Energy Holdings acquired 1 ordinary share of RM1.00, representing 50% of the issued and paid-up share capital of Budaya Kencana Sdn Bhd.

On 25 October 2013, YTL Energy Holdings subscribed for 69 ordinary shares of RM1.00 each in Budaya Kencana Sdn Bhd at RM1.00 per share resulting in Budaya Kencana Sdn Bhd becoming a 70%-owned subsidiary of YTL Energy Holdings and an indirect subsidiary of the Company.

Budaya Kencana Sdn Bhd was incorporated on 25 September 2013 with authorized share capital of RM400,000 comprising 400,000 ordinary shares of RM1.00 each. It is principally involved in investment holding.

Budaya Kencana Sdn Bhd changed its name to YTL SIPP Power Holdings Sdn Bhd (“YTL SIPP Power Holdings”) on 1 November 2013.

- (iv) On 25 October 2013, the Company transferred its entire holding of 70 ordinary shares of RM1.00 each in SIPP Power, representing 70% of the issued and paid-up share capital of SIPP Power, to YTL SIPP Power Holdings at cost of RM70.00 in cash. Concurrently with the transfer of shares, the remaining 30% equity stake in SIPP Power not held by the Company was also transferred to YTL SIPP Power Holdings thereby resulting in SIPP Power becoming a wholly-owned subsidiary of YTL SIPP Power Holdings.

As a result, YTL SIPP Power Holdings became an indirect subsidiary of the Company. SIPP Power remains a 70%-owned subsidiary of the Company via the holding of YTL Energy Holdings/YTL SIPP Power Holdings.

A10. Changes in Contingent Liabilities

There were no material changes in the contingent liabilities of the Group since the last financial year ended 30 June 2013 except for an additional corporate guarantee which was given by the Company to a financial institution for additional banking facilities of RM65 million granted to a subsidiary.

INTERIM FINANCIAL REPORT

Notes – continued

A11. Fair value measurement

The Group measures fair value using the following fair value hierarchy that reflects the significance of the input used in making the measurements:

- a) Level 1 – quoted price (unadjusted) in active market for identical assets or liabilities;
- b) Level 2 – inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- c) Level 3 – inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The following table presents the Group’s assets and liabilities that are measured at fair value as at:

	Level 1 RM’000	Level 2 RM’000	Level 3 RM’000	Total RM’000
31.3.2014				
Assets				
Financial assets at fair value through profit and loss:				
- Trading derivatives	-	3,541	-	3,541
Available-for-sale	46,642	182,891	4,747	234,280
Derivatives used for hedging	-	19,946	-	19,946
Total assets	46,642	206,378	4,747	257,767
Liabilities				
Financial liabilities at fair value through profit or loss:				
- Trading derivatives	-	4,588	-	4,588
Derivatives used for hedging	-	33,692	-	33,692
Total liabilities	-	38,280	-	38,280

INTERIM FINANCIAL REPORT

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of the Results

The comparison of the results is tabulated below:

	Individual Quarter		Cumulative Quarter	
	31.3.2014	31.3.2013	31.3.2014	31.3.2013
	RM'000	RM'000	RM'000	RM'000
Revenue				
Power generation (Contracted)	279,864	281,761	854,948	838,075
Multi utilities business (Merchant)	2,077,823	2,617,203	7,365,291	8,817,782
Water & sewerage	732,912	600,573	2,140,762	1,868,238
Mobile broadband network	194,082	118,840	639,723	338,131
Investment holding activities	15,507	34,170	50,648	68,028
	<u>3,300,188</u>	<u>3,652,547</u>	<u>11,051,372</u>	<u>11,930,254</u>
Profit/(Loss) before taxation				
Power generation (Contracted)	48,428	43,757	157,571	151,153
Multi utilities business (Merchant)	107,228	152,404	424,324	507,517
Water & sewerage	199,330	178,508	591,209	506,606
Mobile broadband network	(40,368)	(55,129)	(118,244)	(192,853)
Investment holding activities	(8,664)	17,029	(171,526)	24,160
	<u>305,954</u>	<u>336,569</u>	<u>883,334</u>	<u>996,583</u>

a) Current Quarter vs Preceding Year Corresponding Quarter

The Group recorded a revenue of RM3,300.2 million for the current financial quarter ended 31 March 2014 as compared to RM3,652.5 million recorded in the preceding year corresponding quarter ended 31 March 2013. The Group profit before taxation for the current financial quarter was RM306.0 million, a decrease of RM30.6 million as compared to RM336.6 million recorded in the preceding year corresponding quarter.

Performance of the respective operating business segments for the quarter ended 31 March 2014 as compared to the preceding year corresponding quarter is analysed as follows:

Power generation (Contracted)

The increase in profit before taxation was principally due to higher depreciation provision in the preceding year corresponding quarter as compared to that recorded in the current quarter.

INTERIM FINANCIAL REPORT

Notes – continued

Multi utilities business (Merchant)

The decrease in revenue and profit before taxation are mainly due to lower units of electricity sold, lower revenue recorded for fuel oil trading and lower vesting contract volume coupled with lower margin for vesting contract.

Water & sewerage

The increase in revenue and profit before taxation is due to the increase in price as allowed by the regulator.

Mobile broadband network

The continuous growth in its subscriber base has resulted in an increase in the revenue and lower losses accorded in this segment.

Investment holding activities

The decrease in revenue is principally due to decrease in dividend received. The loss recorded in this segment is mainly due to higher unrealised foreign exchange losses.

b) Current Year to date vs Preceding Year to date

Group revenue was RM11,051.4 million for the current financial period ended 31 March 2014 as compared to RM11,930.3 million recorded in the preceding year corresponding period ended 31 March 2013. The Group profit before taxation for the current financial period was RM883.3 million, a decrease of RM113.3 million or 11.37% as compared to RM996.6 million recorded in the preceding year corresponding period.

Performance of the respective operating business segments for the period ended 31 March 2014 as compared to the preceding financial year was consistent with the notes mentioned in (a) above with the exception of the business segments mentioned below:

Power generation (Contracted)

The increase in revenue was principally due to higher generation of electricity sales as compared to that recorded in the preceding year corresponding period. However, there is only a marginal increase in profit before taxation due to provision for impairment of inventories.

Multi utilities business (Merchant)

The lower revenue is principally due to lower units of electricity sold coupled with lower electricity price as a result of lower fuel oil price. The lower profit before taxation is mainly due to lower vesting non-fuel margin and volume.

Investment holding activities

The decrease in profit before taxation is principally due to unrealised foreign exchange losses and decrease in share of profit of associate.

INTERIM FINANCIAL REPORT

Notes – continued

B2. Comparison with Preceding Quarter

	Current Quarter 31.3.2014 RM'000	Preceding Quarter 31.12.2013 RM'000
Revenue	3,300,188	3,770,052
Consolidated profit before taxation	305,954	328,101
Consolidated profit after taxation	261,508	255,155

The decrease in revenue and profit before taxation as compared to the preceding quarter was primarily attributable to lower sales accorded in the segment of multi utilities business. However, the increase in profit after taxation was principally attributable to tax credit recorded following a change in rate of tax recognized by Wessex Water Group.

B3. Prospects

Power generation (Contracted)

YTL Power Generation is expected to perform satisfactorily as it operates under a regulatory regime.

Multi utilities business (Merchant)

The increase in generation capacity into the electricity market of Singapore would add pressure to both margin and sales volume for the current financial year. Nevertheless, this segment would continue to strive to diversify beyond their core business into integrated multi-utilities energy platform with focus on customer service.

Water & sewerage

The Company operates under strict regulatory regime and has met all of its regulatory targets and is top of the regulator's league table for customer service. Hence, the management is confident of delivering its 2010-15 regulatory outperformance target. The Company has a long term planning horizon to ensure that water resources are going to be available in the future.

Mobile broadband network

Despite the challenging market in the telecommunications industry, this business segment is expected to continuously grow its subscriber base to generate higher revenue by introducing improved and innovative services to the market.

B4. Profit Forecast

The Group did not issue any profit forecast during the financial period.

B5. Audit Report of the preceding financial year ended 30 June 2013

The Auditors' Report on the financial statements of the financial year ended 30 June 2013 did not contain any qualification.

INTERIM FINANCIAL REPORT

Notes – continued

B6. Profit for the period

	Current Year Quarter 31.3.2014 RM'000	Current Year To Date 31.3.2014 RM'000
Profit before taxation is stated after charging/(crediting):		
Allowance for impairment of receivables (net of reversal)	20,473	100,195
Allowance for impairment of inventories	964	21,865
Allowance for impairment of investment in associates	154	23,969
Amortisation of deferred income	(322)	(2,414)
Amortisation of grant and contributions	(3,000)	(6,535)
Amortisation of intangible assets	15,157	33,707
Bad debt written off	14	14
Depreciation of property, plant and equipment	305,309	928,035
Net loss/(gain) on disposal of property, plant and equipment	1,824	(774)
Interest income	(1,246)	(17,655)
Interest expense	188,876	581,785
Loss on foreign exchange	15,894	104,366
	<u>=====</u>	<u>=====</u>

There was no exceptional items charged/(credited) for the period.

B7. Taxation

	Current Year Quarter 31.3.2014 RM'000	Current Year To Date 31.3.2014 RM'000
In respect of current period		
- Income Tax	30,582	262,116
- Deferred Tax	13,864	(131,121)
	<u>-----</u>	<u>-----</u>
	<u>44,446</u>	<u>130,995</u>
	<u>=====</u>	<u>=====</u>

The lower effective tax rate of the Group as compared to the Malaysian statutory income tax rate for the current financial quarter and financial year to date is mainly attributable to lower corporate tax rate regime prevailing in foreign tax jurisdiction and tax credit recorded following a change in rate of tax recognized by Wessex Water Group.

INTERIM FINANCIAL REPORT

Notes – continued

B8. Corporate Proposals

There were no corporate proposals announced by the Company which are not completed as at the date of this report.

B9. Group Borrowings and Debt Securities

The Group's borrowings from financial institutions as at 31 March 2014 are as follows:

	Short term		Long term		Total RM'000
	Bonds RM'000	Borrowings RM'000	Bonds RM'000	Borrowings RM'000	
Secured	-	1,298	-	172	1,470
Unsecured	299,980	1,142,639	12,131,367	9,924,606	23,498,592
	-----	-----	-----	-----	-----
Total	299,980	1,143,937	12,131,367	9,924,778	23,500,062
	=====	=====	=====	=====	=====

The borrowings which are denominated in foreign currency are as follows:

In US Dollar ('000)	398,352
	=====
In Sterling Pound ('000)	1,929,216
	=====
In Singapore Dollar ('000)	2,574,371
	=====

All borrowings of subsidiaries are on a non-recourse basis to the Company save and except for the following which is guaranteed by the Company:

- USD200 million term loan due on 17 December 2015.
- USD200 million term loan due on 30 June 2015.
- RM300 million revolving credit due on 21 May 2014.
- RM200 million revolving credit due on 21 May 2014.
- RM200 million revolving credit due on 28 May 2014.
- RM200 million revolving credit due on 5 June 2014.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

INTERIM FINANCIAL REPORT

Notes – continued

B10. Derivative Financial Instruments, Fair Value Changes of Financial Liabilities and Realised and Unrealised Profits or Losses

(a) Derivative Financial Instruments

As at 31 March 2014, the Group's outstanding derivatives are as follows:

Type of Derivatives	Contract/Notional Value RM'000	Fair Value RM'000
<u>Fuel oil swaps</u>		
- Less than 1 year	1,464,739	1,453,227
- 1 year to 3 years	651,737	649,114
- More than 3 years	144,456	143,997
<u>Currency forwards</u>		
- Less than 1 year	1,530,260	1,533,255
- 1 year to 3 years	726,547	728,776
- More than 3 years	199,004	197,233
<u>Interest rate swaps</u>		
- Less than 1 year	283,577	279,923

The Group entered into fuel oil swaps to hedge highly probable forecast physical fuel oil and natural gas purchases that are expected to occur at various dates in the future. The fuel oil swaps have maturity dates that match the expected occurrence of these transactions.

The Group entered into currency forwards to hedge highly probable forecast transactions denominated in foreign currency expected to occur in the future. The currency forwards have maturity dates that match the expected occurrence of these transactions.

Interest rate swaps are entered to hedge floating rate interest payments on bank borrowings which were obtained to finance the construction of property, plant and equipment.

All derivative financial instruments are executed with creditworthy counter parties with a view to limit the credit risk exposure of the Group.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

INTERIM FINANCIAL REPORT

Notes – continued

(b) Fair Value Changes of Financial Liabilities

The gains arising from fair value changes of financial liabilities for the current financial period ended 31 March 2014 are as follows:

Type of financial liabilities	Basis of fair value measurement	Reason for the gain/(loss)	Fair value gain/(loss)	
			Current year quarter 3 months to 31.3.2014	Current year to date 9 months to 31.3.2014
			RM'000	RM'000
Forward foreign currency exchange contracts	Foreign exchange differential between the contracted rate and the market forward rate	Foreign exchange rates differential between the contracted rate and the market forward rate which have moved in favour of the Group	5,556	9,711
Fuel oil swap	Fuel oil price differential between the contracted price and the market forward price	Fuel oil price differential between the contracted price and the market forward price which have moved (unfavourably against)/ in favour of the Group	(622)	12,927
Total			4,934	22,638

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

INTERIM FINANCIAL REPORT

Notes – continued

(c) Realised and Unrealised Profits or Losses

	As at 31.3.2014 RM'000	Audited As at 30.6.2013 (Restated) RM'000
Retained earnings/(Accumulated losses) of the Company and its subsidiaries		
- Realised	7,540,240	7,282,893
- Unrealised	(1,099,584)	(1,555,459)
	----- 6,440,656	----- 5,727,434
Retained earnings/(Accumulated losses) from associated companies		
- Realised	639,881	678,796
- Unrealised	(114,679)	(121,383)
	----- 525,202	----- 557,413
Consolidation adjustments	425,303	368,894
	-----	-----
Total Group retained earnings as per consolidated accounts	7,391,161	6,653,741
	=====	=====

B11. Pending Material Litigation

There was no material litigation pending since the last financial year ended 30 June 2013.

B12. Dividend

No dividend has been declared for the current financial quarter.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

INTERIM FINANCIAL REPORT

Notes – continued

B13. Earnings Per Share

i) Basic Earnings Per 50 sen Share

The basic earnings per share of the Group has been computed by dividing the profit attributable to Owners of the Parent for the current financial quarter by the weighted average number of ordinary shares in issue during the financial quarter as set out below:

	Current Year Quarter 31.3.2014	Preceding Year Corresponding Quarter 31.3.2013
Profit attributable to Owners of the Parent (RM'000)	255,573 =====	256,161 =====
Weighted average number of ordinary shares ('000)	6,285,359 =====	7,279,498 =====
Basic earnings per share (Sen)	4.07 =====	3.52 =====

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

INTERIM FINANCIAL REPORT

Notes – continued

ii) Diluted Earnings Per 50 sen Share

The diluted earnings per share of the Group has been computed by dividing the profit attributable to Owners of the Parent for the current financial quarter by the weighted average number of ordinary shares in issue during the financial quarter as set out below:

	Current Year Quarter 31.3.2014	Preceding Year Corresponding Quarter 31.3.2013
Profit attributable to Owners of the Parent (RM'000)	255,573 <u>=====</u>	256,161 <u>=====</u>
<i>Weighted average number of ordinary shares ('000) – diluted</i>		
Weighted average number of ordinary shares ('000) – basic	6,285,359	7,279,498
Effect of unexercised Warrants 2008/2018	379,262	237,785
Effect of unexercised ESOS	21,345	-
	<u>-----</u> 6,685,966 <u>=====</u>	<u>-----</u> 7,517,283 <u>=====</u>
Diluted earnings per share (Sen)	3.82 <u>=====</u>	3.41 <u>=====</u>

* *Total cash expected to be received in the event of an exercise of all outstanding warrants and ESOS is RM1,428.3 million. Accordingly, the Net Asset (NA) on a pro forma basis will increase by RM1,428.3 million resulting in a decrease in NA per share of RM0.04. In arriving at the Diluted earnings per share, NA and NA per share, no income has been accrued for the cash proceeds.*

By Order of the Board
HO SAY KENG
Secretary

Kuala Lumpur
Dated: 20 May 2014