



YTL
POWER
INTERNATIONAL
BERHAD 406684-H

the journey continues...



annual report 2006



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Corporate

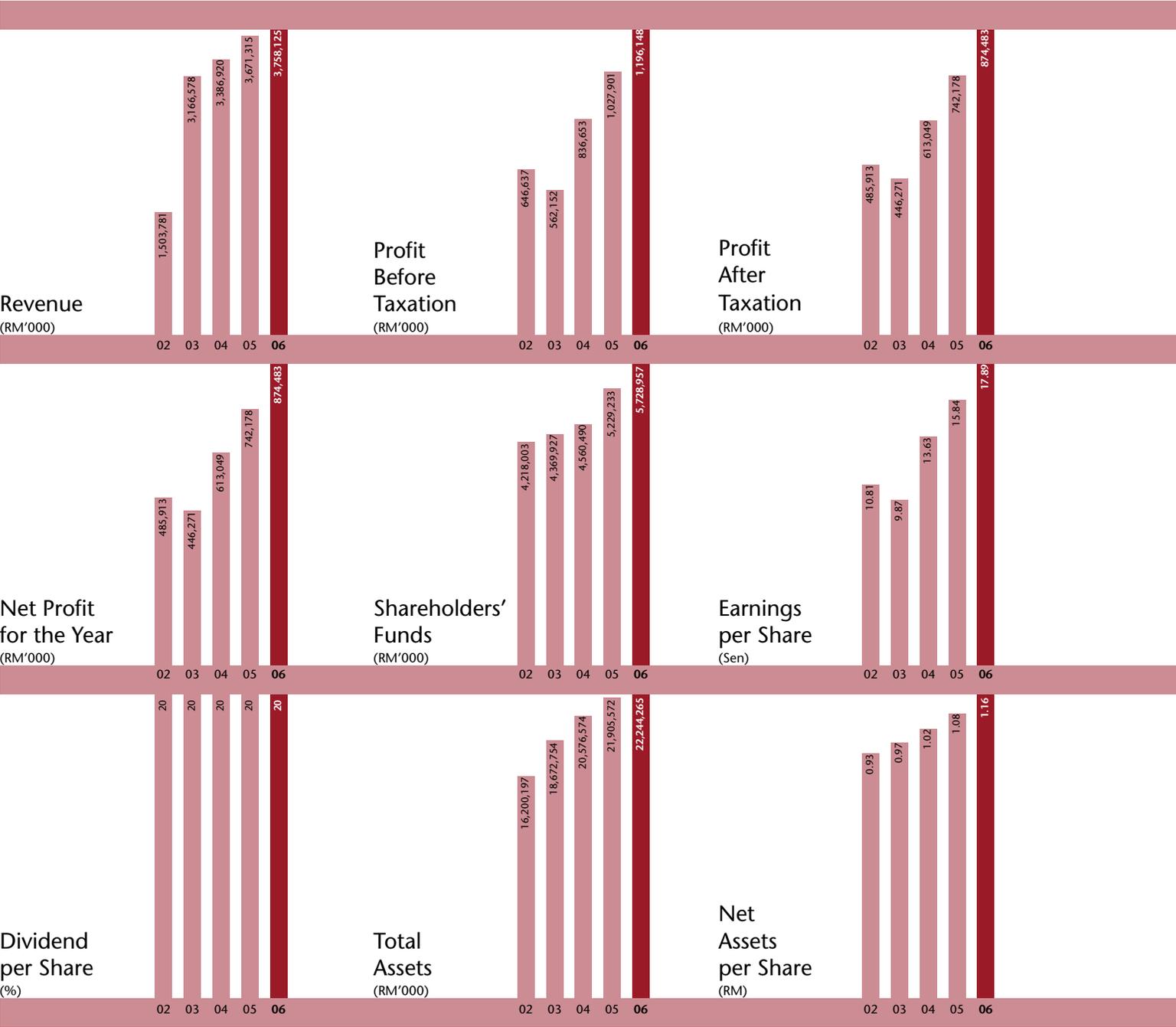
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Form of Proxy

Financial Highlights



Financial Highlights

	2006	2005	2004	2003	2002
Revenue (RM'000)	3,758,125	3,671,315	3,386,920	3,166,578	1,503,781
Profit Before Taxation (RM'000)	1,196,148	1,027,901	836,653	562,152	646,637
Profit After Taxation (RM'000)	874,483	742,178	613,049	446,271	485,913
Net Profit for the Year (RM'000)	874,483	742,178	613,049	446,271	485,913
Shareholders' Funds (RM'000)	5,728,957	5,229,233	4,560,490	4,369,927	4,218,003
Earnings per Share (Sen)	17.89	15.84	13.63	9.87	10.81
Dividend per Share (%)	20	20	20	20	20
Total Assets (RM'000)	22,244,265	21,905,572	20,576,574	18,672,754	16,200,197
Net Assets per Share (RM)	1.16	1.08	1.02	0.97	0.93

Chairman's Statement



TAN SRI DATO' SERI (DR) YEOH TIONG LAY
Executive Chairman

On behalf of the Board of Directors of YTL Power International Berhad ("YTL Power"), I have the pleasure of presenting to you the Annual Report and Audited Financial Statements of the Group and the Company for the financial year ended 30 June 2006.

OVERVIEW

YTL Power registered another excellent year, with strong financial performance achieved by all divisions of the Group's operations in Malaysia, the United Kingdom ("UK"), Australia and Indonesia.

In general, owing to the regulated nature of its businesses, which are supported by long-term concessions or contracts, the Group continues to remain largely insulated from economic pressures. However, as revenues from these businesses are denominated in different currencies, exchange rate fluctuations are one of the more significant variables. On this front, the Government's decision to shift the Ringgit exchange rate regime to a managed float in July 2005 has been positive for the economy and the Ringgit has strengthened by approximately 3.7% against the US dollar, supported by the country's strong trade performance, sustained capital flows and positive growth prospects.

The Malaysian economy has remained robust with real Gross Domestic Product (GDP) projected to grow by 5.8% during 2006, compared to 5.2% in 2005. Domestic demand, which was dampened by factors such as the 12% increase in the electricity tariff earlier this year and the persistence in high fuel costs, is also expected to strengthen, supported by favourable financing conditions and stable labour market conditions.

Meanwhile, the Group's wholly-owned subsidiary in the UK, Wessex Water Limited ("Wessex Water"), continues to deliver outstanding results and has maintained its status as one of the most efficient water and sewerage companies in the industry. The UK water industry has seen a surge in merger and acquisition activity, with the recent acquisition of Thames Water by Australia's Macquarie bank being done at a premium of about 25% to Thames Water's regulated asset base ("RAB"). RAB is the value of the business, as calculated by the UK water industry regulator, the Office of Water Services ("OFWAT"), and is the basis upon which prices are set. YTL Power acquired Wessex Water in 2002 for an enterprise value of £1.24 billion, representing a discount of approximately 8% to Wessex Water's RAB at the time. For the year ended 30 June 2006, Wessex Water's RAB stood at £1.86 billion, a 50% increase over YTL Power's investment in Wessex Water.

Chairman's Statement

YTL Power's operations in the UK, Australia and Indonesia account for approximately 68% of the Group's revenue, with this geographical diversification having the added benefit of reducing country-specific risks and enabling YTL Power to develop its expertise across a range of utility businesses, from power generation and power transmission, to water and sewerage operations, on three continents.

FINANCIAL PERFORMANCE

The Group's revenue increased to RM3,758.1 million for the year ended 30 June 2006, a 2.4% increase compared to RM3,671.3 million during the last financial year. Profit before taxation grew 16.4% to RM1,196.1 million for the 2006 financial year from RM1,027.9 million last year and net profit increased by 17.8% to RM874.5 million this year, compared to RM742.2 million during the last financial year ended 30 June 2005. Meanwhile, total assets grew by RM338.7 million to RM22,244.3 million from RM21,905.6 million last year.

The growth in revenue and profit was due to increased contributions from YTL Power's wholly-owned subsidiary, Wessex Water, as well as the Group's 35%-owned associate, Jawa Power.

For the year ended 30 June 2006, YTL Power's operations in Malaysia contributed 31.9% of revenue, whilst revenue contribution from overseas operations in the UK, Australia and Indonesia stood at 68.1%, similar to the last financial year ended 30 June 2005.

DIVIDEND

The Board of Directors of YTL Power is pleased to recommend for shareholders' approval, a First and Final Dividend of 20% less Malaysian income tax for the year ended 30 June 2006.

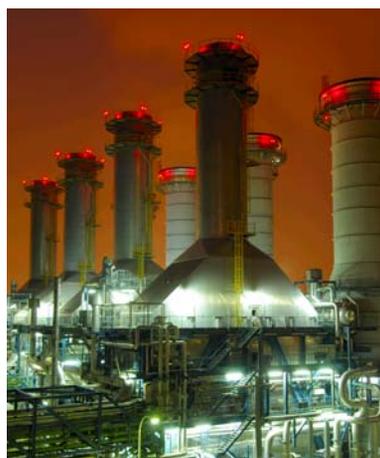
This dividend is recommended in concurrence with the Group's policy of creating value for shareholders by sustaining dividend yields which are much higher than prevailing interest rates. This is the 9th consecutive year that YTL Power has declared dividends to shareholders.

CORPORATE DEVELOPMENTS

On 3 April 2006, YTL Power announced that its wholly-owned subsidiary, YTL Utilities Limited ("YTL Utilities") had acquired YTL Utilities Holdings Limited ("YTLUH"), a new wholly-owned subsidiary. YTLUH is principally involved in investment holdings.

On 28 April 2006, YTL Power announced that YTL Utilities had acquired a new wholly-owned subsidiary, YTL Utilities Finance 3 Limited (formerly known as Concrete Investments Limited). YTL Utilities Finance 3 is also principally involved in investment holdings.

On 19 October 2006, YTL Power announced a proposed share dividend distribution of one treasury share for every twenty-five YTL Power shares held at an entitlement date to be determined at a later date. The book closure and distribution dates for the distribution of treasury shares by YTL Power have not yet been announced.



Chairman's Statement

- Status of utilisation of proceeds raised from corporate proposals

- a 7% Redeemable Non-Guaranteed Unsecured Bonds

The proceeds received by YTL Power from the issue of its RM750 million 7% Redeemable Non-Guaranteed Unsecured Bonds on 11 January 2000 are currently placed under fixed deposits with licensed financial institutions pending investment in power generation assets.

- b USD250 Million Guaranteed Exchangeable Bonds due 2010

The net proceeds received from the issue of USD250 million Guaranteed Exchangeable Bonds due 2010 by YTL Power Finance (Cayman) Limited, a wholly-owned subsidiary of YTL Power, are currently placed under fixed deposits pending investment in utility assets.

REVIEW OF OPERATIONS

Power Generation

The Group's power generation activities are carried out through two power stations owned by YTL Power Generation Sdn Bhd ("YTLPG"), a wholly-owned subsidiary of YTL Power, which has a 21-year power purchase agreement ("PPA") with Tenaga Nasional Berhad ("TNB"). The PPA, which defines YTLPG's long-term contractual relationship with TNB, is effective until 2015. YTL Power also owns a 35% interest in P.T. Jawa Power ("Jawa Power") in Indonesia.

Paka & Pasir Gudang Power Stations, Malaysia

Located in Paka, Terengganu and Pasir Gudang, Johor, YTLPG's two combined-cycle, gas-fired power stations have a combined capacity of 1,212 megawatts ("MW") - 808 MW at Paka Power Station and 404 MW at Pasir Gudang Power Station.

For the year under review, the Group's power stations registered an overall average station availability of 92.93%, a marginal decrease of approximately 2.6% from last year due to scheduled maintenance. Paka Power Station recorded overall availability of 95.83% compared to 96.34% last year, with lower availability being due to the overhaul of one steam turbine and generator. Meanwhile Pasir Gudang registered availability of 90.02% compared to 93.96% last year as the station underwent inspections of its steam turbine and generator,



Chairman's Statement

as well as upgrading of its Distributed Control System (DCS), which required a complete station shutdown in June 2006. The DCS is the heart of the power station, controlling operation and monitoring of the station.

The combined total power output for the year increased marginally to 7,736,304 MW, with the increase resulting mainly from additional amounts requested by TNB from the Pasir Gudang Power Station.

The operation and maintenance of the Paka and Pasir Gudang power stations continues to be undertaken by YTL Power Services Sdn Bhd, a wholly-owned subsidiary of YTL Corporation Berhad, under an 8-year Operation and Maintenance agreement entered into in December 2001.

Jawa Power, Indonesia

Jawa Power is the owner of a modern, high quality, coal-fired electricity generation plant with an installed capacity of 1,220 MW in East Java. YTL Power acquired a 35% equity interest in Jawa Power in December 2004, together with a 100% equity interest in P.T. YTL Jawa Timur ("Jawa Timur"), which carries out operations and maintenance for Jawa Power under a 30-year agreement.

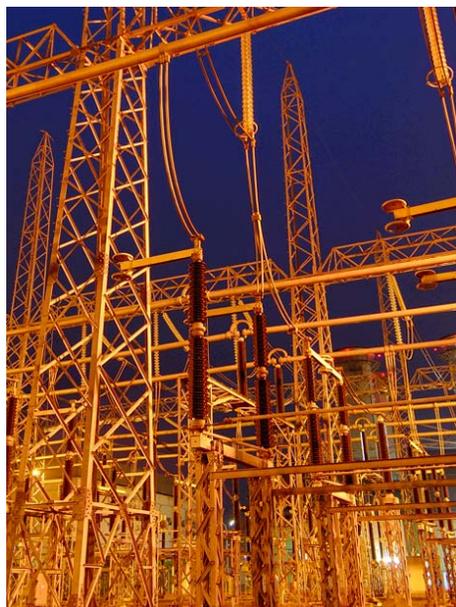
Jawa Power's plant comprises two electricity generation units, each having a net installed capacity of 610 MW and became commercially operational in November 2000. The plant is located at the Paiton Power Generation Complex in the district of Probolinggo, on Indonesia's most developed and populated island, Java. Jawa Power supplies power to P.T. Perusahaan Listrik Negara (PLN), the Indonesian state-owned integrated utility pursuant to a 30-year power purchase agreement. The other shareholders of Jawa Power are Jawa Power Holding GmbH, a wholly-owned subsidiary of Siemens AG, which holds 50% of the equity, and P.T. Bumipertivi, which owns the remaining 15%.

Indonesia's demand for electricity grew 6.5% in 2005 and World Bank estimates place growth at 6% per year until 2012, necessitating substantial investments in the sector in order to avert a power crisis. Indonesia's estimated 57% rate of electrification translates into over 90 million people who do not yet have access to electricity and, in this respect, the current government has set a goal of providing electricity access to 90% of the current population by 2020.

During the year under review, the growth in demand led to Jawa Power supplying additional amounts of electricity, resulting in an actual dispatch rate of 89.98% compared to the 83% availability contracted under Jawa Power's power purchase agreement. Jawa Power's operational performance for 2005 was the best achieved since the station commenced operations in 2000 (Jawa Power has a financial year end of 31 December), and performance for the 6 months to 30 June 2006 was even better, with availability increasing to 95.83%. Jawa Power receives a bonus payment from PLN for dispatch in excess of 83% of contracted availability and the high dispatch rates for 2005 earned the company a bonus payment for the first time since the commencement of operations.



Chairman's Statement



Operations and maintenance for Jawa Power are carried out by Jawa Timur, a wholly-owned subsidiary of YTL Power, which is responsible for co-ordinating, supervising and controlling all operations and maintenance as well as supplying all services, goods and material required to operate and maintain the power station. This investment continues to enable YTL Power to develop expertise in operations and maintenance of coal fired power plants.

Power Transmission

ElectraNet, Australia

ElectraNet Pty Ltd ("ElectraNet") continued to perform well during the year under review, maintaining transmission line availability in excess of 99%. YTL Power acquired its 33.5% equity interest in ElectraNet in 2000 and, at the same time, acquired a 33.5% equity interest in ElectraNet Transmission Services Pty Limited which manages ElectraNet's transmission assets.

ElectraNet operates and manages the high voltage electricity transmission system throughout South Australia under a 200-year concession, providing the high capacity link that connects South Australian electricity generators to the distribution network operated by local utilities and to other major end users. Extending across some 200,000 square kilometres, ElectraNet's transmission network provides electricity to over 99% of South Australia's population, through approximately 6,000 circuit kilometres of transmission lines and its 76 substations and switchyards.

ElectraNet is subject to a revenue cap which generally applies for a five-year regulatory period before adjustment. The current revenue cap became effective on 1 January 2003 and is valid for a period of five and a half years until 30 June 2008.

Water & Sewerage Services

During the year under review, YTL Utilities (UK) Limited, a wholly-owned subsidiary of YTL Power and the holding company of Wessex Water, achieved a ranking of 347 out of the top 700 European companies in terms of value added on the 2006 Value Added Scorecard, which is compiled by the UK Department of Trade and Industry (DTI). The Value Added Scorecard assesses British and other European companies and ranks them in terms of wealth creation efficiency, return on equity and value added.

Wessex Water, United Kingdom

Wessex Water recorded another excellent year delivering some of the highest levels of service to its customers and achieving compliance rates for drinking water, sewage treatment and bathing water amongst the best in the UK. The company was also awarded the prestigious Charter Mark for the fifth time in a row, making it the only water and sewerage company to have retained the award for its entire business since the Charter Mark was introduced in 1992. The Charter Mark is the UK Government's national standard for excellence in customer service and is valid for a three-year period.



Chairman's Statement

Wessex Water has consistently maintained an excellent record as one of the most efficient of the water and sewerage companies, with a reputation for outperforming on capital, operating expenditure and other key targets set by its regulator, OFWAT.

Overall, Wessex Water provides water services to 1.2 million customers and sewerage facilities to 2.6 million customers over an area of approximately 10,000 square kilometres in the south west of England and operates under a rolling 25-year licence granted by the UK Government. The company undertakes a complex set of operations, from collecting and treating raw water, and storing and transporting high quality drinking water to households and businesses all around the region, to collecting, treating and disposing of sewage safely back into the environment.

Wessex Water's RAB increased by 6.32% to £1,834 million (RM12.47 billion, based on an exchange rate of £1.00 : RM6.80) for its regulatory year ended 31 March 2006, from £1,725 million (RM11.73 billion) the previous year. As at 30 June 2006, Wessex Water's RAB was £1,861 million (RM12.65 billion).

CORPORATE SOCIAL RESPONSIBILITY

Social responsibility is one of the Group's key values and YTL Power places a high priority on acting responsibly in every aspect of its business. The Group is also part of the wider network of the YTL group of companies under the umbrella of its parent company, YTL Corporation Berhad, with a long-standing commitment to creating successful, profitable and sustainable

businesses which, in turn, benefit the surrounding community through the creation of sustained value for shareholders, secure and stable jobs for the Group's employees, support for the arts and culture in Malaysia and contributions to promote education for the benefit of future generations.

Every employee of the Group is expected to maintain the highest standards of propriety, integrity and conduct in all their business relationships and the Group is held to the same standard in its compliance with all applicable legal and regulatory requirements.

The Group has endeavoured to operate with a focus on sustainable development. The power stations in Paka and Pasir Gudang, for example, have employed the technology necessary to maintain the ambient temperature of the bodies of water that border the stations, thereby ensuring the sustainability of marine life in these areas. Meanwhile, Wessex Water, the Group's subsidiary in the UK, operates under a stringent set of environmental directives and regulations with a key long term goal of becoming a sustainable water company. Wessex Water's comprehensive programme to achieve this goal has ensured that all compliance rates for drinking water, sewage treatment and bathing water have not only been met but are amongst the best in the UK.

Together with Jawa Power, its associate company in Indonesia, YTL Power also contributed to relief efforts in Indonesia following the earthquake that hit Yogyakarta in May 2006, donating funds to purchase basic necessities, such as rice, baby food, milk, antibiotics, first-aid packages, tents and candles. The Group has over 300 employees in Indonesia.



Chairman's Statement

The Jawa Power station achieved ISO 14001:1996 Environmental Management System (EMS) Certification in 2001. Since then, the certification body has carried out 5 surveillance audits and certification was renewed in May 2004. After the issue of the new edition of ISO 14001 in 2004, the EMS was upgraded to conform to the requirements of this new version. The station has also participated in the Environmental Rating Program (PROPER) of the Indonesian Ministry of Environment. In the first year's rating program (2003 - 2004) the station was awarded a Green rating under this programme and became the only company in the Indonesian energy sector to receive this rating. The Green rating indicates that the company has implemented effective pollution control programs and has successfully exceeded the requirements of environmental laws and regulations. The station successfully maintained the Green rating during the second year programme (2004 - 2005) and it remains the only company awarded this rating in the Indonesian energy sector.

This year, the Group is pleased to integrate the corporate social responsibility aspect of its business into the Annual Report, as part of its reporting procedure. The Group believes that effective corporate responsibility can deliver benefits to its businesses and, in turn, to its shareholders, by enhancing reputation and business trust, risk management performance, relationships with regulators, staff motivation and attraction of talent, customer preference and loyalty, the goodwill of local

communities and long-term shareholder value. The Group's statements on corporate governance and internal control, which elaborate on these aspects, can be found as a separate section in this Annual Report.

FUTURE PROSPECTS

The Group will continue to rely on its core business philosophy, focusing on prudent and disciplined financial management, and undertaking projects and investments that provide long-term, predictable revenue streams in utility businesses. The Group's practice of funding the debt component of its acquisitions and greenfield projects largely through non-recourse financing has ensured that YTL Power only invests in projects that are commercially viable on a stand-alone basis and this is expected to remain a key component of the Group's growth strategy going forward.

Globally, concerns over high crude oil prices following strong demand and tight refining capacity as well as heightened geopolitical tensions are expected to remain, and could lead to a sustained rise in global inflation and subsequent hikes in global interest rates, impacting both trade and growth. The Malaysian economy, meanwhile, is expected to strengthen further in 2007, with GDP growing by a projected 6%.



Chairman's Statement

In addition, private finance initiatives (PFI) announced in the Ninth Malaysia Plan are expected to provide more opportunities for the private sector to participate in the implementation of development projects, and YTL Power will fully examine all initiatives that are within the scope of the Group's expertise.

The independent power producers' (IPPs) discussions with the Malaysian Government and TNB on the restructuring of the Malaysian power industry have yet to be finalised.

The Group will continue to focus on the creation of shareholder value, driven predominantly through investments in viable, high quality, regulated assets. YTL Power's exemplary track record in greenfield project development and value enhancing strategies, as well as expertise in plant operations and maintenance, will stand the Group in good stead to capitalise on viable investment opportunities as and when they arise across all key segments in the utility sector both regionally and internationally.

APPRECIATION

The Board of Directors wishes to take this opportunity to thank our shareholders, customers, business associates and the regulatory authorities for their ongoing support, which enabled the Group to achieve another successful year.

We wish to place on record the Group's deep appreciation for the invaluable guidance of the late Y.Bhg Tan Sri Dato' Seri Dr. Md. Noordin Bin Md. Soviee, who served as an Independent Non-Executive Director on the Board for nine years until he passed away on 29 December 2005.

We would also like to thank the management and staff for their continued dedication and commitment to the ideals of the Group.

TAN SRI DATO' SERI (DR) YEOH TIONG LAY

PSM, SPMS, DPMS, KMN, PPN, PJK

Executive Chairman



Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT THE TENTH ANNUAL GENERAL MEETING OF YTL POWER INTERNATIONAL BERHAD WILL BE HELD AT STARHILL 2, LEVEL 4, JW MARRIOTT HOTEL KUALA LUMPUR, 183 JALAN BUKIT BINTANG, 55100 KUALA LUMPUR ON THURSDAY, THE 7TH DAY OF DECEMBER, 2006 AT 2.00 P.M. TO TRANSACT THE FOLLOWING BUSINESS:

AS ORDINARY BUSINESS

- 1 To receive the Audited Financial Statements for the financial year ended 30 June 2006 together with the Reports of the Directors and Auditors thereon; **Resolution 1**
- 2 To sanction the declaration of a First and Final Dividend of 20% gross less Malaysian Income Tax in respect of the financial year ended 30 June 2006; **Resolution 2**
- 3 To re-elect the following Directors who retire pursuant to Article 84 of the Company's Articles of Association:
 - i Tan Sri Dato' (Dr) Francis Yeoh Sock Ping **Resolution 3**
 - ii Dato' Yeoh Soo Min **Resolution 4**
 - iii Dato' Yeoh Soo Keng **Resolution 5**
- 4 To re-elect Tan Sri Datuk Dr. Aris Bin Osman @ Othman who retires pursuant to Article 90 of the Company's Articles of Association; **Resolution 6**
- 5 To re-appoint the following Directors who retire pursuant to Section 129(6) of the Companies Act, 1965 and to hold office until the next Annual General Meeting:
 - i Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay **Resolution 7**
 - ii Dato' (Dr) Yahya Bin Ismail **Resolution 8**
 - iii Mej Jen (B) Dato' Haron Bin Mohd Taib **Resolution 9**
- 6 To approve the payment of Directors' fees amounting to RM351,532 for the financial year ended 30 June 2006; **Resolution 10**

- 7 To re-appoint the Auditors and to authorise the Directors to fix their remuneration. **Resolution 11**

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions:

ORDINARY RESOLUTION 1

- 8 PROPOSED AUTHORITY TO ALLOT SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965

"THAT pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby empowered to allot and issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the issued and paid-up share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad."

Resolution 12

Notice of Annual General Meeting

ORDINARY RESOLUTION 2

9 PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

“THAT subject to the Company’s compliance with all applicable rules, regulations, orders and guidelines made pursuant to the Companies Act, 1965, the provisions of the Company’s Memorandum and Articles of Association and the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and the approvals of all relevant authorities, the Company be and is hereby authorised, to the fullest extent permitted by law, to buy-back and/or hold from time to time and at any time such amount of ordinary shares of RM0.50 each in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interests of the Company (“the Proposed Share Buy-Back”) provided that:

- i The maximum number of shares which may be purchased and/or held by the Company at any point of time pursuant to the Proposed Share Buy-Back shall not exceed ten per centum (10%) of the total issued and paid-up share capital of the Company for the time being quoted on Bursa Securities provided always that in the event that the Company ceases to hold all or any part of such shares as a result of, amongst others, cancellation of shares, sale of shares on the market of Bursa Securities or distribution of treasury shares to shareholders as dividend in respect of shares bought back under the previous shareholders’ mandate for share buy-back which was obtained at the Annual General Meeting held on 8 December 2005, the Company shall be entitled to further purchase and/or hold such additional number of shares as shall (in aggregate with the shares then still held by the Company) not exceed ten per centum (10%) of the total issued and paid-up share capital of the Company for the time being quoted on Bursa Securities;

- ii The maximum amount of funds to be allocated by the Company pursuant to the Proposed Share Buy-Back shall not exceed the sum of Retained Profits and the Share Premium Account of the Company based on its latest audited financial statements available up to the date of a transaction pursuant to the Proposed Share Buy-Back. As at 30 June 2006, the audited Retained Profits and Share Premium Account of the Company were RM1,908,027,728 and RM2,211,391,498 respectively; and
- iii The shares purchased by the Company pursuant to the Proposed Share Buy-Back may be dealt with by the Directors in all or any of the following manner:
 - a the shares so purchased may be cancelled; and/or
 - b the shares so purchased may be retained in treasury for distribution as dividend to the shareholders and/or resold on the market of Bursa Securities and/or subsequently cancelled; and/or
 - c part of the shares so purchased may be retained as treasury shares with the remainder being cancelled.

AND THAT such authority shall commence upon the passing of this resolution, until the conclusion of the next Annual General Meeting of the Company or the expiry of the period within which the next Annual General Meeting is required by law to be held unless revoked or varied by Ordinary Resolution of the shareholders of the Company in general meeting, whichever occurs first, but so as not to prejudice the completion of a purchase made before such expiry date;

AND THAT the Directors of the Company be and are hereby authorised to take all steps as are necessary or expedient to implement or to give effect to the Proposed Share Buy-Back with full powers to amend and/or assent to any conditions, modifications, variations or amendments (if any) as may be imposed by the relevant governmental/regulatory authorities from time to time and with full power to do all such acts and things thereafter in accordance with the Companies Act, 1965, the provisions of the Company’s Memorandum and Articles of Association and the Listing Requirements of Bursa Securities and all other relevant governmental/regulatory authorities.”

Resolution 13

Notice of Annual General Meeting

ORDINARY RESOLUTION 3

10 PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE AND NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

"THAT the Company and/or its subsidiaries be and is/are hereby authorised to enter into recurrent related party transactions from time to time with Related Parties who may be a Director, a major shareholder of the Company and/or its subsidiaries or a person connected with such a Director or a major shareholder, as specified in section 2.3 of the Circular to Shareholders dated 15 November 2006 subject to the following:

- i the transactions are of a revenue or trading in nature which are necessary for the day-to-day operations of the Company and/or its subsidiaries and are transacted on terms consistent or comparable with market or normal trade practices and/or based on normal commercial terms and on terms not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders; and
- ii disclosure is made in the annual report of the aggregate value of transactions conducted during the financial year pursuant to the shareholders' mandate in accordance with the Listing Requirements of Bursa Malaysia Securities Berhad.

THAT the mandate given by the shareholders of the Company shall only continue to be in force until the conclusion of the next Annual General Meeting of the Company or the expiry of the period within which the next Annual General Meeting is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (the "Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); unless revoked or varied by Ordinary Resolution of the shareholders of the Company in general meeting, whichever is the earlier;

AND THAT the Directors of the Company be authorised to complete and do such acts and things as they may consider expedient or necessary to give full effect to the shareholders' mandate."

Resolution 14

NOTICE OF BOOK CLOSURE

Notice is hereby given that the Register of Members of the Company will be closed at 5.00 p.m. on 14 December 2006 for the entitlement of the following:

Proposed First and Final Dividend of twenty percent (20%) gross less Malaysian Income Tax in respect of the financial year ended 30 June 2006 as recommended by the Directors on 24 August 2006.

A Depositor shall qualify for entitlement to the first and final dividend only in respect of:

- a shares transferred into the Depositor's Securities Account before 4.00 p.m. on 14 December 2006 in respect of transfers; and
- b shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

Notice is also hereby given that the Dividend Payment Date of the Proposed First and Final Dividend of twenty percent (20%) gross less Malaysian Income Tax in respect of the financial year ended 30 June 2006, if approved by the shareholders at the forthcoming Tenth Annual General Meeting, shall be on 5 January 2007.

2000/2010 warrant holders are reminded to lodge with the Company's Registrar, YTL Corporation Berhad of 11th Floor, Yeoh Tiong Lay Plaza, 55 Jalan Bukit Bintang, 55100 Kuala Lumpur, their subscription forms and subscription monies for subscription of new shares by 5.00 p.m. on 4 December 2006 to qualify for the above dividend entitlement.

By Order of the Board,

Ho Say Keng
Company Secretary

KUALA LUMPUR
15 November 2006

Notice of Annual General Meeting

Notes:

A member entitled to attend and vote at the meeting may appoint a proxy to vote in his stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. A member other than an Authorised Nominee shall not be entitled to appoint more than one proxy to attend and vote at the same meeting and where such member appoints more than one proxy to attend and vote at the same meeting, such appointment shall be invalid. The instrument appointing a proxy, in the case of an individual, shall be signed by the appointer or his attorney and in the case of a corporation, either under seal or under the hand of an officer or attorney duly authorised in writing. An instrument appointing a proxy shall be deposited at the Registered Office of the Company at least 48 hours before the appointed time for holding the meeting. For the purpose of determining a member who shall be entitled to attend the Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd, in accordance with Article 60(2) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 30 November 2006. Only a depositor whose name appears on the General Meeting Record of Depositors as at 30 November 2006 shall be entitled to attend the said meeting or appoint proxy to attend and/or vote in his stead.

Resolution pursuant to Section 132D of the Companies Act, 1965

The Company is actively pursuing business opportunities in prospective areas so as to broaden the operating base and earnings potential of the Company. Such expansion plans may require the issue of new shares not exceeding ten per centum of the Company's issued share capital. With the passing of the Resolution 12 mentioned above by the shareholders of the Company at the forthcoming Annual General Meeting, the Directors would avoid delay and cost of convening further general meetings to approve issue of such shares for such purposes.

Resolution pertaining to the renewal of Authority to Buy-Back Shares of the Company

For Resolution 13, further information on the Share Buy-Back is set out in the Share Buy-Back Statement dated 15 November 2006 which is despatched together with the Circular to Shareholders for the Proposed Mandate for recurrent related party transactions of a revenue or trading nature, and the Company's Annual Report 2006.

Resolution pertaining to the Recurrent Related Party Transactions

For Resolution 14, further information on the Recurrent Related Party Transactions is set out in the Circular to Shareholders of the Company dated 15 November 2006 which is despatched together with the Share Buy-Back Statement dated 15 November 2006 and the Company's Annual Report 2006.

Statement Accompanying Notice of Annual General Meeting

1 THE NAMES OF INDIVIDUALS WHO ARE STANDING FOR RE-ELECTION OR RE-APPOINTMENT

Directors retiring by rotation pursuant to Article 84 of the Company's Articles of Association

- Tan Sri Dato' (Dr) Francis Yeoh Sock Ping
- Dato' Yeoh Soo Min
- Dato' Yeoh Soo Keng

Director retiring pursuant to Article 90 of the Company's Articles of Association:

- Tan Sri Datuk Dr. Aris Bin Osman @ Othman

Directors retiring pursuant to Section 129(6) of the Companies Act, 1965

- Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay
- Dato' (Dr) Yahya Bin Ismail
- Mej Jen (B) Dato' Haron Bin Mohd Taib

2 DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS

There were five (5) Board meetings held during the financial year ended 30 June 2006. Details of attendance of the Directors are set out in the "Profile of the Board of Directors".

3 10TH ANNUAL GENERAL MEETING OF YTL POWER INTERNATIONAL BERHAD

Place : Starhill 2, Level 4
JW Marriott Hotel Kuala Lumpur
183 Jalan Bukit Bintang
55100 Kuala Lumpur

Date & Time : 7 December 2006 at 2.00 p.m.

4 FURTHER DETAILS OF DIRECTORS WHO ARE STANDING FOR RE-ELECTION OR RE-APPOINTMENT

The profile of the Directors who are standing for re-election or re-appointment are set out in the "Profile of the Board of Directors" and their securities holdings in the Company and its subsidiaries are presented in the "Statement of Directors' Interests" of the Annual Report.

Corporate Information

BOARD OF DIRECTORS

Executive Chairman

Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay
PSM, SPMS, DPMS, KMN, PPN, PJK
Hon D Eng (Heriot-Watt), DBA (Hon)
(UMS), Chartered Builder
FCIOB, FAIB, FFB, FBIM, FSIET, FBGAM,
FMID

Managing Director

Tan Sri Dato' (Dr) Francis Yeoh Sock Ping
PSM, CBE, SIMP, DPMS, DPMP, JMN, JP
Hon D Eng (Kingston), B Sc (Hons) Civil
Engineering, FFB, F Inst D, MBIM, RIM

Deputy Managing Director

Dato' Yeoh Seok Kian
DSSA
B Sc (Hons) Bldg, MCIQB, FFB

Directors

Tan Sri Datuk Dr. Aris Bin Osman @ Othman
PSM, PJN, KMN
PhD (Development Economics), MA
(Development Economics), BA (Hons)
(Analytical Economics)

Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng
PSM, DPMT, ASM, JP
ACCA, ICASA

Dato' (Dr) Yahya Bin Ismail
DPMJ, DPCM, DPMP, KMN, PPT
Bachelor of Veterinary Science

Mej Jen (B) Dato' Haron Bin Mohd Taib
PSAT, DPMJ, DPMT, DPMK, JMN, PMK,
SMT, PIS, PJK, PKB, psc

Dato' Yeoh Soo Min
DSPN
BA (Hons) Accounting

Dato' Yeoh Seok Hong

DSPN, JP
BE (Hons) Civil & Structural Engineering,
FFB

Dato' Michael Yeoh Sock Siong

DIMP
BE (Hons) Civil & Structural Engineering,
FFB

Dato' Yeoh Soo Keng

DIMP
B Sc (Hons) Civil Engineering

Dato' Mark Yeoh Seok Kah

DSSA
LLB (Hons)

Syed Abdullah Bin Syed Abd. Kadir

B Sc (Engineering Production), B Com
(Economics)

COMPANY SECRETARY

Ho Say Keng

REGISTERED OFFICE

11th Floor, Yeoh Tiong Lay Plaza
55 Jalan Bukit Bintang
55100 Kuala Lumpur
Tel • 03-2117 0088
• 03-2142 6633
Fax • 03-2141 2703

BUSINESS OFFICE

7th Floor, Yeoh Tiong Lay Plaza
55 Jalan Bukit Bintang
55100 Kuala Lumpur
Tel • 03-2117 0088
• 03-2142 6633
Fax • 03-2141 2703

REGISTRAR

YTL Corporation Berhad
11th Floor, Yeoh Tiong Lay Plaza
55 Jalan Bukit Bintang
55100 Kuala Lumpur
Tel • 03-2117 0088
• 03-2142 6633
Fax • 03-2141 2703

SOLICITORS

Lee, Perara & Tan
Slaughter & May

AUDIT COMMITTEE

Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng
*Chairman and Independent Non-Executive
Director*

Tan Sri Datuk Dr. Aris Bin Osman @ Othman
Independent Non-Executive Director

Dato' (Dr) Yahya Bin Ismail
Independent Non-Executive Director

Dato' Yeoh Seok Hong
Executive Director

AUDITORS

PricewaterhouseCoopers (AF 1146)
Chartered Accountants

PRINCIPAL BANKERS OF THE GROUP

Bank of China (Malaysia) Berhad
Barclays Bank Plc
Bayerische Landesbank
BNP Paribas

CIMB Bank Berhad (formerly known as
Bumiputra-Commerce Bank Berhad)
Citibank Berhad
DBS Bank Ltd
Deutsche Bank AG
Dresdner Bank AG
European Investment Bank
HSBC Bank Plc
ING Bank N.V.
Lloyds TSB Bank Plc
Maybank International (L) Ltd
Mizuho Corporate Bank Ltd
National Australia Bank Limited
Oversea-Chinese Banking Corporation
Limited
Sumitomo Mitsui Banking Corporation
Southern Bank Berhad
Standard Chartered Bank Malaysia Berhad
The Bank of East Asia Limited
The Bank of Tokyo-Mitsubishi, Ltd
The Royal Bank of Scotland Plc
The Sumitomo Trust & Banking Co Ltd

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Main Board (23.5.1997)

Profile of the Board of Directors

TAN SRI DATO' SERI (DR) YEOH TIONG LAY

Malaysian, aged 76, was appointed to the Board on 21 October 1996 and has been the Executive Chairman since 31 October 1996. His contributions are well recognised with the conferment of the title of Doctor of Engineering by Heriot-Watt University, Edinburgh and his appointment as Honorary Life President of the Master Builders Association of Malaysia in 1988. He is the co-founder and the first Chairman of the ASEAN Constructors' Federation ("ACF"). On 26 October 2002, Tan Sri Yeoh Tiong Lay was conferred the Honorary Doctorate in Philosophy (Business Administration) by Universiti Malaysia Sabah. He was installed as Pro-Chancellor of Universiti Malaysia Sabah on 1 July 2005. He is the past President and Lifetime member of the International Federation of Asian and Western Pacific Contractors Association ("IFAWPCA"). Tan Sri Yeoh Tiong Lay is currently an EXCO member of the Malaysian Crime Prevention Foundation ("MCPF") and Vice President of the Malaysian Japanese Economic Association ("MAJECA"). He is also the Honorary Chairman of the Tung Shin Hospital and is on the board of Governors for several schools. Tan Sri Yeoh Tiong Lay is the Executive Chairman of YTL Corporation Berhad and YTL Cement Berhad, and a board member of YTL Industries Berhad, YTL Foundation and Wessex Water Limited (a private utilities company in UK).

TAN SRI DATUK DR. ARIS BIN OSMAN @ OTHMAN

Malaysian, aged 62, was appointed to the Board on 12 June 2006 as an Independent Non-Executive Director. Tan Sri Datuk Dr. Aris holds a PhD in Development Economics and a MA in Political Economy from Boston University, a MA in Development Economics from Williams College, Massachusetts, U.S.A., and a Bachelor of Arts (Hons) in Analytical Economics from University of Malaya.

Tan Sri Datuk Dr. Aris had served in various positions in the Economic Planning Unit, Prime Minister's Department from 1966 to 1986. He was seconded to Bank Bumiputra Malaysia Berhad, Kuala Lumpur as Chief General Manager (Corporate Planning, Financial Subsidiaries, Treasury, Human Resources) from 1986 to 1989. From 1989 to 1999, Tan Sri Datuk Dr. Aris was with the Ministry of Finance during which he had served as Executive Director (South-East Asia Group) of the World Bank, Washington D.C. from 1991 to 1994 and Secretary General to the Treasury from 1998 to mid 1999. This was followed by an illustrious career in banking where he had held the positions of Executive Chairman and Managing Director/Chief Executive Officer of Bank Pembangunan dan Infrastruktur Malaysia Berhad. He is presently the Chairman of Malaysia Airports Holdings Berhad and a board member of AMMB Holdings Berhad, AmMerchant Bank Berhad, AmInvestment Group Berhad and YTL Foundation. He is also the Chairman of Malaysia Design and Innovation Centre.

Profile of the Board of Directors

TAN SRI DATO' (DR) FRANCIS YEOH SOCK PING

Malaysian, aged 52, was appointed to the Board of the Company on 18 October 1996 as an Executive Director and has been the Managing Director since then. Tan Sri Francis obtained his secondary education at Victoria Institution, Kuala Lumpur, Malaysia where he was the Head Boy. He obtained his Bachelor of Science (Hons) Degree in Civil Engineering from Kingston University, United Kingdom in 1978. Under his stewardship, YTL Group has grown from a single listed entity in 1985 to a force comprising six listed entities i.e. YTL Corporation Berhad, YTL Power International Berhad, YTL Cement Berhad, YTL Land & Development Berhad, YTL e-Solutions Berhad and Starhill Real Estate Investment Trust, a listed real estate investment trust fund.

He currently serves as a member of the Malaysian Pacific Basin Economic Council (PBEC), Commonwealth Partnership for Technology Management (CPTM), The Capital Markets Advisory Council, The Nature Conservancy Asia Pacific Council and the Asia Business Council. He is also the Trustee of the Asia Society. He is a Board Member of SEI for Advanced Studies in Management - Wharton School, the Council Member of INSEAD and a Member of the Asia Regional Advisory Board of London Business School. He was the past President of the Kuala Lumpur Symphony Orchestra Society (KLSO) and the Founder President of the famous Eastern and Orient Express train. He was named the Ernst & Young "Master Entrepreneur of the Year 2002". He holds fellowships in many of the Chartered Institutions in the United Kingdom and is also the recipient of many major awards conferred by the Government of Malaysia. On 13 February 2004, he was conferred the degree of Honorary Doctorate of Engineering by Kingston University, United Kingdom. Tan Sri Francis was awarded the BusinessWeek's "25 Stars of Asia 2003" on 6 November 2003 in Hong Kong and was ranked 21st by Fortune Magazine Asia's 25 Most Powerful Business Personalities on 9 August 2004. He was appointed as a member of Barclays Asia-Pacific Advisory Committee on 1 January 2005. CNBC Asia Pacific named him Malaysia CEO of the Year at its Asia Business Leaders Awards on 9 November 2005. On 8 June 2006, he was conferred an Honorary Commander of the Most Excellent Order of the British Empire (CBE) by Her Majesty Queen Elizabeth II.

Besides the 5 listed companies in the YTL Group, Tan Sri Francis also sits on the board of YTL Industries Berhad, YTL Foundation and the prominent private utilities companies in United Kingdom, Wessex Water Limited and Wessex Water Services Limited. He is also a director and chief executive officer of Pintar Projek Sdn Bhd, the Manager of Starhill Real Estate Investment Trust.

DATO' YEOH SEOK KIAN

Malaysian, aged 49, was appointed to the Board on 21 October 1996 as an Executive Director. He is currently the Deputy Managing Director of the Company. He graduated from Heriot-Watt University, Edinburgh, United Kingdom in 1981 with a Bachelor of Science (Hons) Degree in Building. He attended the Advance Management Programme conducted by Wharton Business School, University of Pennsylvania in 1984. Dato' Yeoh Seok Kian is a Fellow of the Faculty of Building, United Kingdom as well as a Member of the Chartered Institute of Building (UK). He is the Deputy Managing Director of YTL Corporation Berhad and a board member of YTL Cement Berhad, YTL Land & Development Berhad, YTL Industries Berhad, The Kuala Lumpur Performing Arts Centre, YTL Vacation Club Berhad and private company, Wessex Water Limited. He also serves on the board of Pintar Projek Sdn Bhd, the Manager of Starhill Real Estate Investment Trust.

Profile of the Board of Directors

DATO' (DR) YAHYA BIN ISMAIL

Malaysian, aged 78, was appointed to the Board on 31 October 1996 as an Independent Non-Executive Director. He holds a Bachelor of Veterinary Science degree from University of Sydney, Australia which he obtained in 1957. He was formerly with the Government and his last appointment was as the Director General of the National Livestock Authority Malaysia. He was also with the Totalisator Board Malaysia from 1982 to 1990 and served as its Chairman since 1986. Dato' Yahya is also a director of YTL Corporation Berhad, YTL Industries Berhad, Shell Refining Company (Federation Of Malaya) Berhad, Killinghall Malaysia Berhad and Metroplex Berhad. He also serves on the board of Pintar Projek Sdn Bhd, the Manager of Starhill Real Estate Investment Trust.

MEJ JEN (B) DATO' HARON BIN MOHD TAIB

Malaysian, aged 71, was appointed to the Board on 31 October 1996 as an Independent Non-Executive Director. He was enlisted as an officer cadet at the Royal Military College in Sungei Besi, Kuala Lumpur in 1957 and was commissioned as a Second Lieutenant at Royal Military Academy Sandhurst, England in 1957. Some of his various notable appointments include the Director of Manpower Planning in the Ministry of Defence in 1972, the Chief of Logistic Staff in 1986 and the Commander of Army Logistic Command in 1987. He has been a Director of YTL Corporation Berhad since 3 July 1990.

TAN SRI DATO' LAU YIN PIN @ LAU YEN BENG

Malaysian, aged 57, was appointed to the Board on 18 February 1997 as an Independent Non-Executive Director. He obtained a Diploma in Commerce with distinction from Tunku Abdul Rahman College in 1974. In 1987, he became a graduate member of the Institute of Chartered Secretaries and Administrators, United Kingdom, and in 1981 was made a Fellow of the Chartered Association of Certified Accountants of the United Kingdom. Tan Sri Dato' Lau has been a member of the Malaysian Institute of Accountants since 1979. He was appointed to the Board of the former Lembaga Letrik Negara on 1 October 1988 and now serves on the Board of Tenaga Nasional Berhad, the successor to Lembaga Letrik Negara. On 13 April 2004, he was appointed as Treasurer General of the Malaysian Chinese Association (MCA). He also sits on the board of Star Publications (Malaysia) Berhad, Nanyang Press Holdings Berhad, Chang Ming Thien Foundation and Institute of Strategic Analysis & Policy Research.

DATO' YEOH SOO MIN

Malaysian, aged 50, was appointed to the Board on 2 June 1997 as an Executive Director. She graduated with a Bachelor of Art (Hons) Degree in Accounting from University of North London in 1980. She did her Articleship at Leigh Carr and Partners, London and has gained vast experience in accounting and management. She was responsible for the setting up of the Travel Division of the YTL Group in December 1990. Dato' Yeoh Soo Min is currently responsible for the setting up of the accounting and finance systems for the YTL Group. She is a Member of the Malaysian Institute of Management and has been a Committee Member of the Women for Women Association, Malaysia since 1990. She was the past President of the Women in Travel Industry. She has been one of the Governors of International Students House, London since 1995 and a Trustee of Yayasan Tuanku Fauziah (Queen's Foundation). She also holds directorships in YTL Corporation Berhad, YTL Industries Berhad and YTL Vacation Club Berhad.

Profile of the Board of Directors

DATO' YEOH SEOK HONG

Malaysian, aged 47, was appointed to the Board on 18 October 1996 as an Executive Director. He obtained his Bachelor of Engineering (Hons) Civil & Structural Engineering Degree from the University Bradford, United Kingdom in 1982. He is a member of the Faculty of Building, United Kingdom. Dato' Yeoh Seok Hong has vast experience in the construction industry, being the Executive Director responsible for the YTL Group's construction division. He was the project director responsible for the development and the construction of the two Independent Power Producer power stations owned by YTL Power Generation Sdn Bhd. He continues to be actively involved in the construction activities of the YTL Group, his most recent project being the construction of the Express Rail Link between the Kuala Lumpur International Airport and the Kuala Lumpur Sentral Station, and is also responsible for developing the power and utility businesses of the YTL Power International Berhad Group. He is also a director of YTL Corporation Berhad, YTL Land & Development Berhad, YTL e-Solutions Berhad, YTL Industries Berhad, YTL Foundation and the prominent private utilities companies in United Kingdom, Wessex Water Limited and Wessex Water Services Limited.

DATO' MICHAEL YEOH SOCK SIONG

Malaysian, aged 46, was appointed to the Board on 21 October 1996 as an Executive Director. He graduated from the Bradford University, United Kingdom in 1983 with a Bachelor of Engineering (Hons) Civil & Structural Engineering Degree. Dato' Michael Yeoh is primarily responsible for YTL Group's Manufacturing Division which activities involve cement manufacturing, ready-mixed concrete and other building material industries. He is also a director of YTL Corporation Berhad, YTL Cement Berhad, YTL Land & Development Berhad, YTL e-Solutions Berhad, YTL Industries Berhad, Sentul Raya Golf Club Berhad and private company, Wessex Water Limited.

DATO' YEOH SOO KENG

Malaysian, aged 43, was appointed to the Board on 2 June 1997 as an Executive Director. She graduated with a Bachelor of Science (Hons) in Civil Engineering from Leeds University, United Kingdom in 1985. She was the project director for the construction of the British High Commissioner's residence, Kuala Lumpur; the Design & Build of the National Art Gallery in Kuala Lumpur and the Selangor Medical Centre in Shah Alam. She was also in charge of a few turnkey projects such as the construction and completion of Yeoh Tiong Lay Plaza, Pahang Cement plant in Pahang and Slag Cement plants in Selangor and Johor. Dato' Yeoh Soo Keng is the purchasing director currently responsible for bulk purchases of building materials and related items for YTL Group's construction, hotels and resorts, and property development divisions. She is instrumental in the sales and marketing of cement and related products for YTL Cement Berhad, Pahang Cement Marketing Sdn Bhd and Perak-Hanjoong Simen Sdn Bhd. She is also a director of YTL Corporation Berhad and YTL Cement Berhad.

DATO' MARK YEOH SEOK KAH

Malaysian, aged 41, was appointed to the Board on 21 October 1996 as an Executive Director. He graduated from King's College, University of London with an LLB (Hons) and was subsequently called to the Bar at Gray's Inn, London in 1988. Dato' Mark Yeoh joined YTL Group in 1989 and is presently the Executive Director responsible for the YTL Hotels and Resorts Division. In addition, he is also part of YTL Power's Mergers & Acquisitions Team and was involved in the takeovers of ElectraNet SA (Australia), Wessex Water Limited (UK) and P.T. Jawa Power (Indonesia). He also serves on the board of YTL Corporation Berhad, YTL Land & Development Berhad, YTL e-Solutions Berhad, YTL Vacation Club Berhad and private company, Wessex Water Limited.

Profile of the Board of Directors

SYED ABDULLAH BIN SYED ABD. KADIR

Malaysian, aged 52, was appointed to the Board on 18 February 1997 as an Executive Director. He graduated from the University of Birmingham in 1977 with a Bachelor of Science (Engineering Production) and a Bachelor of Commerce (Economics) Double Degree. He has extensive experience in banking and financial services, having been with Bumiputra Merchant Bankers Berhad from 1984 to 1994, holding the position of general manager immediately prior to his departure from the Bank. Prior to joining YTL Corporation Berhad Group, he was the general manager of Amanah Capital Partners Berhad, a public listed company with subsidiaries involved in, inter alia, discount, money broking, unit trusts, finance and fund management operations from November 1994 to February 1996. He also serves on the board of YTL Corporation Berhad, YTL e-Solutions Berhad, Iris Corporation Berhad, Malaysian South-South Corporation Berhad and Versatile Creative Berhad.

Notes:

1 Family Relationship with Director and/or Major Shareholder

Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay who is a deemed major shareholder of the Company, is the father of Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, Dato' Yeoh Seok Kian, Dato' Yeoh Soo Min, Dato' Yeoh Seok Hong, Dato' Michael Yeoh Sock Siong, Dato' Yeoh Soo Keng and Dato' Mark Yeoh Seok Kah. Save as disclosed herein, none of the Directors has any family relationship with any director and/or major shareholder of the Company.

2 Conflict of Interest

None of the Directors has any conflict of interest with the Company.

3 Conviction of Offences

None of the Directors has been convicted of any offences in the past ten (10) years.

DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS

During the financial year, a total of 5 Board meetings (the last meeting being held on 18.05.2006) were held and the details of attendance are as follows:

	Attendance
Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	5
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping	3
Tan Sri Datuk Dr. Aris Bin Osman @ Othman (Appointed w.e.f. 12.6.2006)	0
Dato' Yeoh Seok Kian	3
Dato' (Dr) Yahya Bin Ismail	4
Mej Jen (B) Dato' Haron Bin Mohd Taib	5
Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng	5
Dato' Yeoh Soo Min	4
Dato' Yeoh Seok Hong	4
Dato' Michael Yeoh Sock Siong	4
Dato' Yeoh Soo Keng	4
Dato' Mark Yeoh Seok Kah	4
Syed Abdullah Bin Syed Abd. Kadir	5

Statement of Directors' Responsibilities

The Directors are required by law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and of the results and cash flows of the Group and of the Company for the financial year then ended.

The Directors consider that, in preparing the financial statements for the financial year ended 30 June 2006, the Group has used appropriate accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent. The Directors also consider that all applicable approved accounting standards have been followed and confirm that the financial statements have been prepared on a going concern basis.

The Directors are responsible for ensuring that the Group and the Company keep accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Company and which enable them to ensure that the financial statements comply with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia.

Audit Committee Report

MEMBERS

Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng

Chairman/Independent Non-Executive Director

Tan Sri Datuk Dr. Aris Bin Osman @ Othman

Member/Independent Non-Executive Director

Dato' (Dr) Yahya Bin Ismail

Member/Independent Non-Executive Director

Dato' Yeoh Seok Hong

Member/Executive Director

TERMS OF REFERENCE

Primary Purposes

The Committee shall:

- 1 Provide assistance to the Board in fulfilling its fiduciary responsibilities relating to the corporate accounting and practices for YTL Power International Berhad and all its wholly and majority owned subsidiaries ("Group").
- 2 Improve the Group's business efficiency, the quality of the accounting function, the system of internal controls and audit function and strengthen the confidence of the public in the Group's reported results.
- 3 Maintain through regularly scheduled meetings, a direct line of communication between the Board and the external auditors as well as internal auditors.
- 4 Enhance the independence of both the external and internal auditors' function through active participation in the audit process.
- 5 Strengthen the role of the Independent Directors by giving them a greater depth of knowledge as to the operations of the Company and of the Group through their participation in the Committee.

- 6 Act upon the Board of Directors' request to investigate and report on any issues or concerns in regard to the management of the Group.
- 7 Review existing practices and recommend to Management to formalise an ethics code for all executives and members of the staff of the Group.
- 8 Create a climate of discipline and control which will reduce opportunity of fraud.

Membership

- 1 The Committee shall be appointed by the Board from amongst their number and shall be composed of no fewer than three (3) members, majority of whom should be Independent Directors.
- 2 At least one member of the Audit Committee:
 - a must be a member of the Malaysian Institute of Accountants; or
 - b if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:
 - i he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - ii he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
 - c fulfils such other requirements as prescribed by Bursa Malaysia Securities Berhad ("Bursa Securities").
- 3 The Board must ensure that no alternate Director is appointed as a member of the Audit Committee.
- 4 The members of the Committee shall elect a Chairman from amongst their number who shall be an Independent Director.

Audit Committee Report

Authority

The Committee shall in accordance with the procedure determined by the Board and at the cost of the Company:

- 1 have authority to investigate any matter within its terms of reference;
- 2 have the resources which are required to perform its duties;
- 3 have full and unrestricted access to any information pertaining to the Company;
- 4 have direct communication channels with the external auditors and person(s) carrying out the internal audit function;
- 5 be able to obtain independent professional or other advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary; and
- 6 be able to convene meetings with the external auditors excluding the attendance of the executive members of the Company, whenever deemed necessary.

Functions And Duties

The Committee shall, amongst others, discharge the following functions:

- 1 Review the following and report the same to the Board of the Company:
 - a with the external auditors, the audit plan;
 - b with the external auditors, his evaluation of the quality and effectiveness of the entire accounting system, the adequacy and the integrity of the internal control system and the efficiency of the Group's operations and efforts and processes taken to reduce the Group's operational risks;
 - c with the external auditors, the audit report;
 - d the assistance given by the employees of the Company to the external auditors;
 - e the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work;
 - f the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
 - g the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focussing particularly on:
 - changes in or implementation of major accounting policy changes
 - significant and unusual events
 - the accuracy and adequacy of the disclosure of information essential to a fair and full presentation of the financial affairs of the Group
 - compliance with accounting standards, other statutory and legal requirements and the going concern assumption;
 - h any related party transaction and conflict of interest situation that may arise within the Company/Group and any related parties outside the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
 - i any letter of resignation from the external auditors of the Company;
 - j whether there is reason (supported by grounds) to believe that the Company's external auditors are not suitable for re-appointment; and
 - k any significant audit findings, reservations, difficulties encountered or material weaknesses reported by the external and internal auditors.
- 2 Recommend the nomination of a person or persons as external auditors and the external audit fee.

Audit Committee Report

- 3 Promptly report to Bursa Securities on any matter reported by it to the Board of the Company which has not been satisfactorily resolved resulting in a breach of Listing Requirements of Bursa Securities.
- 4 Carry out any other function that may be mutually agreed upon by the Committee and the Board which would be beneficial to the Company and ensure the effective discharge of the Committee's duties and responsibilities.

Meetings

- 1 To form a quorum in respect of a meeting of the Committee, the majority of members present must be Independent Directors.
- 2 The Committee shall meet at least five (5) times a year, although additional meetings may be called at any time at the Audit Committee Chairman's discretion. An agenda shall be sent to all members of the Committee and any other persons who may be required/invited to attend. All meetings to review the quarterly results and annual financial statements, shall be held prior to such quarterly results and annual financial statements being presented to the Board for approval.
- 3 Notwithstanding paragraph 2 above, upon the request of any member of the Committee, the external auditors or the internal auditors, the Chairman of the Committee shall convene a meeting of the Committee to consider any matter which should be brought to the attention of the Directors or shareholders.
- 4 The external auditors have the right to appear and be heard at any meeting of the Committee and shall appear before the Committee when required to do so by the Committee.
- 5 The Committee may invite any Board member or any member of the Senior Management or any relevant employee within the Company who the Committee thinks fit to attend its meetings to assist in resolving and clarifying matters raised in audit reports.

- 6 The internal auditors shall be in attendance at meetings of the Committee to present and discuss the audit reports of findings and the recommendations relating thereto and to follow up on decisions made at these meetings.
- 7 The Committee may establish any regulations from time to time to govern its administration.

Retirement And Resignation

In the event of any vacancy in the Audit Committee resulting in the non-compliance of subparagraphs 15.10(1) of the Listing Requirements of Bursa Securities, the Company must fill the vacancy within 3 months.

Minutes

- 1 The Committee shall cause minutes to be duly entered in the books provided for the purpose of all resolutions and proceedings of all meetings of the Committee. Such minutes shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting and if so signed, shall be conclusive evidence without any further proof of the facts thereon stated.
- 2 Minutes of each meeting shall also be distributed to all attendees at the meetings and members of the Committee.
- 3 Detailed minutes of the Committee's meetings will be made available to all Board members. A summary of significant matters and resolutions will be reported to the Board by the Committee.
- 4 The books containing the minutes of proceedings of any meeting of the Committee shall be kept by the Company at the registered office of the Company and shall be opened to the inspection of any member of the Committee and of the Board.

Secretary

The Secretary to the Committee shall be the Company Secretary.

Audit Committee Report

ACTIVITIES

In line with the terms of reference of the Committee, the following activities were carried out by the Committee during the financial year ended 30 June 2006 in discharging its functions:

- 1 Review of the external auditors' scope of work and their audit plan.
- 2 Reviewing with the external auditors on the results of their audit, the audit report and internal control recommendations in respect of control weaknesses noted in the course of their audit.
- 3 Review of internal control procedures.
- 4 Review of the quarterly unaudited financial results announcements and recommending for the Board of Directors' approval.
- 5 Reviewing the audited financial statements before recommending for the Board of Directors' approval.
- 6 Reviewing the Company's compliance with the Listing Requirements of Bursa Securities and the applicable approved accounting standards issued by the Malaysian Accounting Standards Board.
- 7 Verifying the allocation of share options pursuant to the Employees' Share Option Scheme.

NUMBER OF MEETINGS HELD AND DETAILS OF ATTENDANCE

During the financial year, a total of 5 Audit Committee meetings (the last meeting being held on 18.05.2006) were held and the details of attendance are as follows:

	Attendance
Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng	5
Tan Sri Datuk Dr. Aris Bin Osman @ Othman (Appointed w.e.f. 12.06.2006)	0
Dato' (Dr) Yahya Bin Ismail	5
Dato' Yeoh Seok Hong	2

Statement on Corporate Governance

YTL Power International Berhad (“YTL Power” or “Company”) and its subsidiaries (“YTL Power Group”) have a long-standing commitment to corporate governance and protection of shareholder value. This commitment has been integral to the YTL Power Group’s achievements and strong financial profile to date and the Board of Directors (“Board”) remains firmly committed to implementing and attaining the highest standards of corporate governance throughout the YTL Power Group. Good corporate governance is a fundamental part of the Board’s responsibility to protect and enhance long-term shareholder value and the financial performance of the YTL Power Group, whilst taking into account the interests of other stakeholders.

During the year under review, the Board continued to adhere to the measures recommended by the Malaysian Code on Corporate Governance (“Code”) to enhance its corporate governance practices, and to fully comply with the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“Listing Requirements”). This section of the Annual Report details the measures implemented by the YTL Power Group to strengthen its compliance with the Principles and Best Practices of Corporate Governance as set out in Parts 1 and 2 of the Code respectively.

COMPOSITION OF THE BOARD

YTL Power is led and managed by an experienced Board with a wide and varied range of expertise. This broad spectrum of skills and experience ensures the YTL Power Group is under the guidance of an accountable and competent Board. The Directors recognise the key role they play in charting the strategic direction, development and control of the YTL Power Group and have adopted the six primary responsibilities as listed in the Code, which facilitate the discharge of the Board’s stewardship responsibilities.

The Board currently has thirteen Directors comprising nine executive members and four non-executive members, all of whom are independent. This is in compliance with the requirement for one-third of the Board to be independent.

The positions of the Executive Chairman and the Managing Director are held by separate members of the Board. The Executive Chairman is primarily responsible for the orderly conduct and working of the Board, whilst the Managing Director oversees the day-to-day running of the business, implementation of Board policies and making of operational decisions. The Managing Director and the Executive Directors are accountable to the Board for the profitable operation and development of the YTL Power Group, consistent with the primary aim of enhancing long term shareholder value.

The presence of Independent Non-Executive Directors brings an additional element of balance to the Board and these Independent Non-Executive Directors have the experience to carry sufficient weight in the Board’s decisions. The differing roles of Executive and Non-Executive Directors are delineated, both having fiduciary duties towards shareholders. Executive Directors have a direct responsibility for business operations whereas Non-Executive Directors have the necessary skill and experience to bring an independent judgement to bear on issues of strategy, performance and resources brought before the Board.

The Executive Directors are responsible for the YTL Power Group’s operations and for ensuring that strategies proposed by management are fully discussed and examined, and take account of the long term interests of shareholders, employees, customers, suppliers and the many communities in which the YTL Power Group conducts its business. Together, the Directors possess the wide range of business, commercial and financial experience essential in the management and direction of a corporation with global presence. A brief description of the background of each Director is presented in the Profile of the Board of Directors in this Annual Report.

To date, the Board has not found it necessary to designate a senior independent non-executive director to whom concerns may be conveyed, mainly because the Chairman encourages full deliberation of issues affecting the YTL Power Group by all members of the Board.

Statement on Corporate Governance

DIRECTORS' TRAINING

All the Directors have successfully completed the Mandatory Accreditation Programme and each Director has now obtained the applicable number of points under the Continuing Education Programme ("CEP") that they were required to obtain prior to the repeal of the CEP by Bursa Securities last year. The Directors attended various other conferences and programmes throughout the year to enhance their knowledge and expertise, and the Board will continue to evaluate and determine the training needs of its Directors on an ongoing basis.

BOARD MEETINGS

The Board met five times during the financial year ended 30 June 2006. Details of each Director's attendance of the Board meetings are disclosed in the Profile of the Board of Directors in this Annual Report.

The Directors have full and unrestricted access to all information pertaining to the YTL Power Group's business and affairs, both as a full Board and in their individual capacities, to enable them to discharge their duties. There are matters specifically reserved for the Board's decision to ensure that the direction and control of the YTL Power Group rests firmly with the Board. Prior to each Board meeting, all Directors receive the agenda together with a full set of Board papers containing information relevant to the business of the meeting. This allows the Directors to obtain further explanations or clarification, where necessary, in order to be properly briefed before each meeting.

All Directors have full access to the advice and services of the Company Secretary who ensures that Board procedures are adhered to at all times during meetings and advises the Board on matters including corporate governance issues, and the Directors' responsibilities in complying with relevant legislation and regulations.

APPOINTMENT & RE-ELECTION OF DIRECTORS

The appointment of Directors is undertaken by the Board as a whole. The Managing Director recommends candidates suitable for appointment to the Board, and the final decision lies with the entire Board to ensure that the resulting mix of experience and expertise of members of the Board is sufficient to address the issues affecting the YTL Power Group.

In accordance with the Company's Articles of Association, one-third of the Directors are required to retire from office at each Annual General Meeting ("AGM"). Retiring Directors can offer themselves for re-election. Directors who are appointed by the Board during the financial year are subject to re-election by shareholders at the next AGM held following their appointments. Directors who are over seventy years of age are required to submit themselves for re-appointment annually in accordance with Section 129 of the Companies Act, 1965. Details of Directors seeking re-election at the forthcoming AGM are disclosed in the Statement Accompanying the Notice of AGM in this Annual Report.

DIRECTORS' REMUNERATION

Directors' remuneration is decided in line with the objective recommended by the Code to determine the remuneration for directors so as to attract and retain directors of the calibre needed to run the YTL Power Group successfully. In general, the component parts of remuneration are structured so as to link rewards to performance, in the case of Executive Directors. In the case of Non-Executive Directors, the level of remuneration reflects the experience and responsibilities undertaken by the particular non-executive concerned. Directors do not participate in decisions regarding their own remuneration packages and Directors' fees must be approved by shareholders at the AGM.

Statement on Corporate Governance

Aggregate remuneration of Directors categorised into appropriate components as at 30 June 2006:

	Salaries (RM)	Fees (RM)	Bonus (RM)	Others (RM)	Total (RM)
Executive Directors	5,145,000	185,000	2,350,000	1,060,100	8,740,100
Non-Executive Directors	–	166,532	–	–	166,532

The number of Directors of the Company whose total remuneration fall within the following bands for the financial year ended 30 June 2006 are as follows:

Range of remuneration	No. of Directors	
	Executive	Non-Executive
Below RM50,000	2	4
RM50,001 - RM100,000	–	1
RM100,001 - RM800,000	–	–
RM800,001 - RM850,000	2	–
RM850,001 - RM1,100,000	–	–
RM1,100,001 - RM1,150,000	2	–
RM1,150,001 - RM1,450,000	–	–
RM1,450,001 - RM1,500,000	2	–
RM1,700,001 - RM1,750,000	1	–

(for security reasons, details are not shown with reference to Directors individually)

Statement on Corporate Governance

DIALOGUE WITH SHAREHOLDERS & INVESTORS

The YTL Power Group values dialogue with investors as a means of effective communication that enables the Board to convey information about performance, corporate strategy and other matters affecting shareholders' interests. The Board recognises the importance of timely dissemination of information to shareholders and accordingly ensures that they are well informed of any major developments of the YTL Power Group. Such information is communicated through the Annual Report, the various disclosures and announcements to Bursa Securities, including quarterly and annual results, and corporate websites.

The Managing Director meets with analysts, institutional shareholders and investors throughout the year. Presentations based on permissible disclosures are made to explain the YTL Power Group's performance and major development programs. Price-sensitive and information that may be regarded as undisclosed material information about the YTL Power Group is, however, not disclosed in these sessions until after the prescribed announcement to Bursa Securities has been made.

The AGM is the principal forum for dialogue with shareholders. The Board provides opportunities for shareholders to raise questions pertaining to issues in the Annual Report, corporate developments in the YTL Power Group, the resolutions being proposed and the business of the YTL Power Group in general at every AGM and Extraordinary General Meeting of the Company. The Managing Director responds to shareholders' questions during the meeting, thereby ensuring a high level of accountability, transparency and identification with the YTL Power Group's business operations, strategy and goals. Each item of special business included in the notice of the meeting is accompanied by an explanatory statement for the proposed resolution to facilitate full understanding and evaluation of issues involved.

THE AUDIT COMMITTEE

The Company has in place an Audit Committee which comprises three Non-Executive Directors and one Executive Director. The Audit Committee holds quarterly meetings to review matters including the YTL Power Group's financial reporting, the audit plans for the year and recurrent related party transactions, as well as to deliberate the findings of the internal and external auditors. The Audit Committee is fully compliant with the Code and the Listing Requirements.

The Audit Committee met five times during the financial year ended 30 June 2006. Full details of the composition, complete terms of reference and the activities of the Audit Committee during the financial year are set out in the Audit Committee Report in this Annual Report.

FINANCIAL REPORTING

The Directors are responsible for ensuring that financial statements are drawn up in accordance with the provisions of the Companies Act, 1965, and applicable approved accounting standards in Malaysia. In presenting the financial statements, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Directors also strive to ensure that financial reporting presents a true and fair assessment of the Company's position and prospects. Quarterly financial statements were reviewed by the Audit Committee and approved by the Board prior to release to Bursa Securities and Securities Commission.

The Statement by Directors made pursuant to Section 169 of the Companies Act, 1965, is set out in this Annual Report.

Statement on Corporate Governance

INTERNAL CONTROL

Information on the YTL Power Group's system of internal control is presented in the Statement on Internal Control in this Annual Report.

RELATIONSHIP WITH THE AUDITORS

The Board has established formal and transparent arrangements for maintaining an appropriate relationship with the Company's auditors. The Company's auditor, Messrs. PricewaterhouseCoopers, has continued to report to members of the Company on their findings which are included as part of the Company's financial reports with respect to each year's audit on the statutory financial statements.

ADDITIONAL DISCLOSURE

- **Employees' Share Option Scheme:** YTL Power's Employees' Share Option Scheme ("ESOS") was approved by shareholders at an extraordinary general meeting in October 2001. Details of the number of ESOS options granted during the year under review can be found in the Directors' Report in the Financial Statements in this Annual Report. The Board believes that maintaining the calibre of its employees is vital to ensure the continued success of the YTL Power Group and the consequent increase in returns to shareholders. To these ends, the YTL Power Group has implemented various staff retention and assessment practices in addition to the ESOS, including a Thirteenth Month wage supplement, annual bonuses and biannual reviews of staff performance.
- **Share Buy-back:** Details of the Company's share buy-back exercises for the year under review have also been included in this Annual Report.

The Board is satisfied that the Company has, in all material aspects, complied with the best practices of the Code as at 30 June 2006.

This statement was approved by the Board of Directors on 19 October 2006.

Statement on Internal Control

During the year under review, YTL Power International Berhad (“YTL Power” or “Company”) and its subsidiaries (“YTL Power Group”) continued to enhance its system of internal control and risk management, in order to better quantify its compliance with the Malaysian Code on Corporate Governance (“Code”) and the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“Listing Requirements”).

The Code requires the Board of Directors (“Board”) of listed companies to maintain a sound system of internal control to safeguard shareholders’ investments and the Company’s assets. Paragraph 15.27(b) of the Listing Requirements requires the Board to include in the annual report of the Company a statement on the status of the system of internal control.

RESPONSIBILITIES OF THE BOARD

The Board is responsible for maintaining a sound system of internal control to safeguard shareholders’ investments and the assets of the YTL Power Group and for reviewing the adequacy and integrity of the system. The system of internal control covers not only financial controls but operational and compliance controls and risk management. However, the Board recognises that reviewing the YTL Power Group’s system of internal control is a concerted and continuing process, designed to manage rather than eliminate the risk of failure to achieve business objectives. Accordingly, the system of internal control can only provide reasonable but not absolute assurance against material misstatement, fraud and loss.

The Board believes that the YTL Power Group’s system of internal control, financial or otherwise, should provide reasonable assurance regarding the achievement of the objectives of ensuring effectiveness and efficiency of operations, reliability and transparency of financial information and compliance with laws and regulations.

PRINCIPAL FEATURES OF THE YTL POWER GROUP’S SYSTEM OF INTERNAL CONTROL

The principal features of the YTL Power Group’s system of internal control can be summarised as follows:

- **Authorisation Procedures:** The YTL Power Group has a clear definition of authorisation procedures and a clear line of accountability, with strict authorisation, approval and control procedures within which senior management operates. Responsibility levels are communicated throughout the YTL Power Group which set out, among others, authorisation levels, segregation of duties and other control procedures.
- **Authority Levels:** The YTL Power Group has delegated authority levels for major tenders, capital expenditure projects, acquisitions and disposals of businesses and other significant transactions. The approval of capital and revenue proposals above authorised limits is reserved for decision by the Board. Other investment decisions are delegated for approval in accordance with authority limits. Comprehensive appraisal and monitoring procedures are applied to all major investment decisions. The authority of the Directors is required for key treasury matters including changes to equity, financing, cheque signatories, opening of bank accounts and foreign operations. Comprehensive due diligence is carried out when a business is to be acquired.
- **Financial Performance:** Interim financial results are reviewed by the Audit Committee and approved by the Board upon recommendation of the Audit Committee before release to Bursa Securities. The full year financial results and analyses of the YTL Power Group’s state of affairs are disclosed to shareholders after review and audit by the external auditors.
- **Internal Compliance:** The YTL Power Group monitors compliance with its internal financial controls through management reviews and reports which are internally reviewed by key personnel. Updates of internal policies and procedures are undertaken to reflect changing risks or resolve operational deficiencies. Internal audit visits are systematically planned over specific periods to monitor and scrutinise compliance with procedures and assess the integrity of financial information provided.

Statement on Internal Control

KEY PROCESSES OF THE YTL POWER GROUP'S SYSTEM OF INTERNAL CONTROL

The key processes that the Board has established to review the adequacy and integrity of the system of internal control are as follows:

- **Internal Audit Function:** During the year under review, an in-house internal audit department was established. The in-house internal audit department is also complemented by the internal audit functions outsourced to a professional firm. The internal auditors report to the Audit Committee, which in turn reviews the effectiveness of the system of internal financial and accounting control as it operated during the year under review and reports their conclusions to the Board. The team advises executive and operational management on areas for improvement and subsequently reviews the extent to which its recommendations have been implemented.

During the year under review, the internal auditors reviewed the YTL Power Group's system of internal control covering financial, accounting, operational and compliance controls. None of internal control weaknesses identified during this review have resulted in non-compliance with any relevant policies or procedures, listing requirements or recommended industry practices that would require disclosure in the Company's annual report.

The companies of the Wessex Water Limited group ("Wessex Water") based in the United Kingdom were not covered by the internal audit process discussed above. Wessex Water's operations are subject to stringent financial and operational controls imposed by its regulator, the UK Office of Water Services (OFWAT), a government body, and by its Regulatory Licence. Wessex Water Services Limited ("WWSL") possesses its own internal audit department. The internal audit department reports to WWSL's audit committee, which has the responsibility to ensure the preservation of good financial practices and monitor the controls that are in place to ensure the integrity of those practices. It reviews the annual financial statements and by way of timely meetings provides a line of communication between the board of directors and the external auditors. It has formal terms of reference which deal with its authorities and duties.

The system of internal control will continue to be reviewed, enhanced and updated in line with changes in the operating environment. The Board will seek regular assurance on the continuity and effectiveness of the internal control system through independent appraisals by the internal auditors. The Board is of the view that the current system of internal control in place throughout the YTL Power Group is sufficient to safeguard its interests.

- **Senior Management Meetings:** The YTL Power Group conducts weekly meetings of the senior management which comprises Executive Directors and all divisional heads. The purpose of these meetings is to deliberate and decide upon all urgent company matters. Decisions can then be communicated to all members of staff immediately. From these meetings, the Board is able to identify significant operational and financial risks of the business units concerned.
- **Treasury Meetings:** Weekly meetings to discuss significant financial and treasury matters and to monitor the financial standing of the YTL Power Group are conducted. These meetings ensure that any new financial developments and/or areas of concern are highlighted early and can be dealt with promptly. The members of this meeting comprise the YTL Power Group Managing Director, Executive Directors, Company Secretary, Legal Adviser and Treasurer.
- **Site Visits:** The Executive Directors undertake site visits to production and operating units and communicate with various levels of staff to gauge first-hand the effectiveness of strategies discussed and implemented.

Statement on Internal Control

RISK MANAGEMENT

The YTL Power Group's strong financial profile is the result of a system of internal control and risk management designed to mitigate risks which arise in the course of business. This is exemplified by the YTL Power Group's strategy of acquiring regulated assets and financing acquisitions on a non-recourse basis. These include the Paka and Pasir Gudang Power Stations, ElectraNet and more recently, Wessex Water and P.T. Jawa Power.

These assets share common characteristics of highly predictable operating costs and revenue streams, which in turn generate stable and predictable cash flows and profits, underpinned by an established regulatory environment and a virtual monopoly in their respective markets of operation. In addition, the YTL Power Group intends to pursue a policy of entering into joint venture agreements with local authorities and state governments in undertaking future power generation projects, in order to reduce risk levels.

The Board acknowledges that all areas of the YTL Power Group's business activities involve some degree of risk and is committed to ensuring that there is an effective risk management framework which allows Management to manage risks within defined parameters and standards.

Identifying, evaluating and managing the significant risks faced by the YTL Power Group is an ongoing process which is undertaken at each level of operations. During the year under review, this function was exercised through participation of Executive Directors in management meetings to ensure the adequacy and integrity of the system of internal control. Emphasis is placed on reviewing and updating the process for identifying and evaluating the significant risks affecting the business, and policies and procedures by which these risks are managed.

Management is responsible for the identification and evaluation of significant risks applicable to their areas of business together with the design and operation of suitable internal controls. These risks are assessed on a continual basis and may be associated with a variety of internal and external sources including control breakdowns, disruption in information systems, competition, natural catastrophe and regulatory requirements.

The Managing Director reports to the Board on significant changes in the business and the external environment which affects significant risks. Where areas for improvement in the system are identified, the Board considers the recommendations made by the Audit Committee and the internal auditors.

The Board will pursue its ongoing process of identifying, assessing and managing key business, operational and financial risks faced by its business units as well as regularly reviewing planned strategies to determine whether risks are mitigated and well-managed, and to ensure compliance with the guidelines issued by the relevant authorities.

CONCLUSION

The Board is of the view that the system of internal controls being instituted throughout the YTL Power Group is sound and effective. Reviews of all the control procedures will be continuously carried out to ensure the ongoing effectiveness and adequacy of the systems of internal control, so as to safeguard shareholders' investments and the YTL Power Group's assets.

This Statement was approved by the Board of Directors on 19 October 2006.

Disclosure of Recurrent Related Party Transactions

At the last Annual General Meeting of YTL Power International Berhad (“YTL Power”) held on 8 December 2005, the Company had obtained a mandate from its shareholders to allow YTL Power and/or its subsidiaries (“YTL Power Group”) to enter into Recurrent Related Party Transactions of a Revenue or Trading Nature (“Recurrent Transactions”).

In accordance with Paragraph 10.09(1)(b) and Section 4.1.5 of Practice Note 12/2001 of Bursa Malaysia Securities Berhad Listing Requirements, details of the Recurrent Transactions conducted during the financial year ended 30 June 2006 pursuant to the said shareholders’ mandate are as follows:

Companies in the YTL Power Group involved in the

Recurrent Transactions	Related Party	Nature of Transactions	Interested Related Parties	Nature of Relationship	Value of Transactions RM’000
YTL Power Generation Sdn Bhd	YTL Power Services Sdn Bhd ⁽⁴⁾ (“YTLPS”)	Provision of operation and maintenance services by Related Party	Yeoh Tiong Lay & Sons Holdings Sdn Bhd (“YTLSH”);	Major Shareholder/ Person Connected ⁽¹⁾	62,588
			YTL Corporation Berhad (“YTL Corporation”)	Major Shareholder/ Person Connected ⁽²⁾	
			Tan Sri Dato’ Seri (Dr) Yeoh Tiong Lay (“Tan Sri Yeoh Tiong Lay”)	Director/Major Shareholder / Person Connected ⁽¹⁾⁽²⁾⁽³⁾	
			Tan Sri Dato’ (Dr) Francis Yeoh Sock Ping, Dato’ Yeoh Seok Kian, Dato’ Yeoh Soo Min, Dato’ Yeoh Seok Hong, Dato’ Michael Yeoh Sock Siong, Dato’ Yeoh Soo Keng, Dato’ Mark Yeoh Seok Kah [collectively referred to as the “Yeoh Siblings”]	Directors ⁽¹⁾⁽²⁾⁽³⁾	

Notes:

- (1) YTLSH is a major shareholder of YTL Power and the Related Party. YTLSH is a person connected to the major shareholder and director, Tan Sri Yeoh Tiong Lay, and the Yeoh Siblings.
- (2) YTL Corporation is a major shareholder of YTL Power and the Related Party. YTL Corporation is a person connected to the major shareholder and director, Tan Sri Yeoh Tiong Lay, and the Yeoh Siblings.
- (3) Tan Sri Yeoh Tiong Lay is a major shareholder of YTLSH, YTL Corporation, YTL Power and the Related Party. Tan Sri Yeoh Tiong Lay is also a person connected with the Yeoh Siblings.
- (4) YTLPS is a wholly-owned subsidiary of YTL Corporation, which in turn is a subsidiary of YTLSH.

Analysis of Share/Warrant Holdings

as at 9 October 2006

Class of shares : Ordinary Shares of RM0.50 each
 Voting rights : One vote per shareholder on a show of hands or one vote per ordinary share on a poll

DISTRIBUTION OF SHAREHOLDINGS

Size of holding	No. of Shareholders	%	No. of Shares #	% #
Less than 100	2,446	9.03	106,898	0.00
100 - 1,000	3,594	13.26	2,298,602	0.05
1,001 - 10,000	16,660	61.47	58,704,071	1.20
10,001 - 100,000	3,827	14.12	97,465,101	1.98
100,001 to less than 5% of issued shares	572	2.11	1,553,268,561	31.64
5% and above of issued shares	2	0.01	3,197,790,100	65.13
Total	27,101	100.00	4,909,633,333	100.00

THIRTY LARGEST SHAREHOLDERS (without aggregating securities from different securities accounts belonging to the same person)

Name	No. of shares	% #
1 YTL Corporation Berhad	2,832,446,423	57.69
2 Employees Provident Fund Board	365,343,677	7.44
3 Bara Aktif Sdn Bhd	194,413,387	3.96
4 Kumpulan Wang Amanah Pencen	162,219,888	3.30
5 Valuecap Sdn Bhd	119,769,400	2.44
6 Lembaga Tabung Haji	108,144,934	2.20
7 Yeoh Tiong Lay & Sons Holdings Sdn Bhd	95,397,777	1.94
8 Mayban Nominees (Tempatan) Sdn Bhd - Mayban Investment Management Sdn Bhd for Malayan Banking Berhad (N14011200618)	60,195,519	1.23
9 Amanah Raya Nominees (Tempatan) Sdn Bhd - Skim Amanah Saham Bumiputera	50,772,693	1.03
10 Amanah Raya Nominees (Tempatan) Sdn Bhd - Amanah Saham Wawasan 2020	39,272,100	0.80
11 Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	38,300,000	0.78
12 Citigroup Nominees (Asing) Sdn Bhd - CGML IPB for Ecofin Water & Power Opportunities PLC.	34,527,000	0.70
13 Citigroup Nominees (Asing) Sdn Bhd - Exempt An for American International Assurance Company Limited	33,408,000	0.68
14 Permodalan Nasional Berhad	29,111,800	0.59
15 Amanah Raya Nominees (Tempatan) Sdn Bhd - Amanah Saham Didik	24,755,100	0.50
16 YTL Corporation Berhad	20,849,900	0.42
17 HSBC Nominees (Asing) Sdn Bhd - TNTC for Saudi Arabian Monetary Agency	15,539,200	0.32

Analysis of Share/Warrant Holdings

as at 9 October 2006

Name	No. of shares	% #
18 HSBC Nominees (Asing) Sdn Bhd - Exempt An for Morgan Stanley & Co. International Limited	14,340,000	0.29
19 Amanah Raya Nominees (Tempatan) Sdn Bhd - Amanah Saham Malaysia	14,000,000	0.29
20 HSBC Nominees (Tempatan) Sdn Bhd - Nomura Asset Mgmt Sg for Employees Provident Fund	13,479,700	0.27
21 Malaysian Assurance Alliance Berhad - As Beneficial Owner	12,679,820	0.26
22 SBB Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	10,850,000	0.22
23 AM Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (A/c 1)	10,664,472	0.22
24 Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE	9,955,939	0.20
25 Cartaban Nominees (Asing) Sdn Bhd - State Street Australia Fund Scqq for Ing Chb Asia Pacific High Dividend Fund	7,834,800	0.16
26 Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	7,780,278	0.16
27 Malaysia National Insurance Berhad	7,662,219	0.16
28 Mayban Nominees (Tempatan) Sdn Bhd - Mayban Trustees Berhad for Public Ittikal Fund (N14011970240)	7,492,400	0.15
29 DB (Malaysia) Nominee (Asing) Sdn Bhd - Deutsche Bank Ag Singapore PBD for Water City Limited	7,276,335	0.15
30 Asia Life (M) Berhad - As Beneficial Owner (PF)	7,216,360	0.15
Total	4,355,699,121	88.70

SUBSTANTIAL SHAREHOLDERS (as per register of substantial shareholders)

Name	Direct	No. of Shares Held		% #
		% #	Indirect	
Yeoh Tiong Lay & Sons Holdings Sdn Bhd	97,220,689	1.98	2,858,738,355 ⁽¹⁾	58.23
YTL Corporation Berhad	2,858,448,790	58.22	289,565 ⁽²⁾	0.01
Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	7,780,278	0.16	2,955,959,044 ⁽³⁾	60.21
Employees Provident Fund Board	413,765,801	8.43	-	-

(1) Deemed interested by virtue of its interest in YTL Corporation Berhad & YTL Power Services Sdn Bhd pursuant to section 6A of the Companies Act, 1965

(2) Deemed interested by virtue of its interest in YTL Power Services Sdn Bhd pursuant to section 6A of the Companies Act, 1965

(3) Deemed interested by virtue of his interest in Yeoh Tiong Lay & Sons Holdings Sdn Bhd, YTL Corporation Berhad & YTL Power Services Sdn Bhd pursuant to section 6A of the Companies Act, 1965

Based on the issued and paid-up capital of the Company of RM2,581,571,294.50 comprising 5,163,142,589 ordinary shares after deduction of 253,509,256 treasury shares retained by the Company as per Record of Depositors.

Analysis of Share/Warrant Holdings

as at 9 October 2006

Type of Securities : Warrants
 Voting rights : One vote per warrant holder on a show of hands or one vote per warrant on a poll in respect of meeting of warrant holders

DISTRIBUTION OF WARRANT HOLDINGS

Size of holding	No. of Warrant Holders	%	No. of Warrants	%
Less than 100	66	0.74	3,120	0.00
100 - 1,000	861	9.72	559,914	0.06
1,001 - 10,000	6,769	76.40	23,603,444	2.35
10,001 - 100,000	1,054	11.90	30,681,142	3.05
100,001 to less than 5% of issued warrants	108	1.22	145,613,978	14.47
5% and above of issued warrants	2	0.02	805,539,802	80.07
Total	8,860	100.00	1,006,001,400	100.00

THIRTY LARGEST WARRANT HOLDERS (without aggregating securities from different securities accounts belonging to the same person)

Name	No. of Warrants	%
1 YTL Corporation Berhad	725,597,846	72.13
2 Employees Provident Fund Board	79,941,956	7.95
3 Khazanah Nasional Berhad	37,037,036	3.68
4 Tenaga Nasional Berhad	35,337,000	3.51
5 Yeoh Tiong Lay & Sons Holdings Sdn Bhd	22,710,442	2.26
6 Tenaga Nasional Berhad	15,000,000	1.49
7 UOBM Nominees (Asing) Sdn Bhd - Banque De Luxembourg for Bolux Utilities	4,008,500	0.40
8 Lee King Hong	2,060,000	0.20
9 HSBC Nominees (Asing) Sdn Bhd - UBS AG Zurich for David Taylor	1,800,000	0.18
10 HDM Nominees (Tempatan) Sdn Bhd - UOB Kay Hian Pte Ltd for Chen Joon Lee (Margin)	1,475,000	0.15
11 Malaysian Assurance Alliance Berhad - As Beneficial Owner	1,469,400	0.15
12 Tang Ling Tung	1,390,600	0.14
13 HSBC Nominees (Asing) Sdn Bhd - HSBC-FS for Pangolin Asia Fund	1,255,600	0.12
14 AMSEC Nominees (Asing) Sdn Bhd - James Hugh Alexander Hay (GZ0116)	864,000	0.09
15 Kho Boon Lian	742,600	0.07
16 AMSEC Nominees (Asing) Sdn Bhd - James Hugh Alexander Hay (GZ0115)	668,000	0.07

Analysis of Share/Warrant Holdings

as at 9 October 2006

Name	No. of Warrants	%
17 Pua Kok Sang	650,000	0.06
18 Lau Kheng Tong	563,300	0.06
19 Citigroup Nominees (Tempatan) Sdn Bhd - Pledged Securities A/c for Lim Chee Tat (471531)	556,200	0.06
20 HDM Nominees (Asing) Sdn Bhd - UOB Kay Hian Pte Ltd for Cheong Sing Fatt (Margin)	555,000	0.06
21 Public Nominees (Tempatan) Sdn Bhd - Pledged Securities A/c for Toh Dee Kong (E-JCL)	452,800	0.05
22 United Overseas Nominees (Tempatan) Sdn Bhd - Pledged Securities A/c for Tan Geok Lian (MKL)	429,100	0.04
23 Citigroup Nominees (Asing) Sdn Bhd - UBS Ag Hong Kong for Negre, Martin Andre Bernard	400,000	0.04
24 Gan Kim Huat	400,000	0.04
25 Mah Yoke Lian	376,000	0.04
26 Ee Wee Hee	373,200	0.04
27 On Thiam Chai	366,800	0.04
28 Soh Kian Teck	350,000	0.03
29 Chan Paik Hoon	348,000	0.03
30 YTL Corporation Berhad	320,200	0.03
Total	937,498,580	93.21

Statement of Directors' Interests

in the company and related corporations as at 9 October 2006

THE COMPANY

YTL POWER INTERNATIONAL BERHAD

Name	Direct	No. of Shares Held		%	No. of Share Options
		%	Indirect		
Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	7,780,278	0.16	2,955,959,044	60.21	7,000,000
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE	11,047,939	0.23	–	–	7,000,000
Dato' Yeoh Seok Kian	3,669,194	0.07	–	–	3,000,000
Dato' (Dr) Yahya Bin Ismail	549,767	0.01	–	–	–
Dato' Yeoh Soo Min	3,578,108	0.07	–	–	3,000,000
Dato' Yeoh Seok Hong	5,785,322	0.12	–	–	5,000,000
Dato' Michael Yeoh Sock Siong	3,410,829	0.07	–	–	3,000,000
Dato' Yeoh Soo Keng	3,582,913	0.07	–	–	3,000,000
Dato' Mark Yeoh Seok Kah	4,693,134	0.10	–	–	3,000,000
Syed Abdullah Bin Syed Abd Kadir	1,892,038	0.04	–	–	3,000,000
Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng	25,459	–	–	–	–

Name	Direct	No. of Warrants Held		%
		%	Indirect	
Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	–	–	748,920,488	74.45
Dato' (Dr) Yahya Bin Ismail	136,000	0.01	–	–
Syed Abdullah Bin Syed Abd Kadir	87,000	0.01	–	–

HOLDING COMPANY

YTL CORPORATION BERHAD

Name	Direct	No. of Shares Held		%	No. of Share Options
		%	Indirect		
Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	7,901,974	0.55	733,437,926	51.30	5,000,000
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE	13,424,052	0.94	–	–	5,000,000
Dato' Yeoh Seok Kian	5,146,010	0.36	–	–	3,500,000
Dato' (Dr) Yahya Bin Ismail	186,818	0.01	–	–	–
Dato' Yeoh Soo Min	5,416,475	0.38	–	–	3,000,000
Dato' Yeoh Seok Hong	4,863,690	0.34	–	–	3,000,000
Dato' Michael Yeoh Sock Siong	4,433,997	0.31	–	–	3,000,000
Dato' Yeoh Soo Keng	4,892,166	0.34	–	–	3,000,000
Dato' Mark Yeoh Seok Kah	3,246,248	0.23	–	–	3,000,000
Syed Abdullah Bin Syed Abd Kadir	752,611	0.05	–	–	3,000,000
Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng	5,120	–	–	–	–

Statement of Directors' Interests

in the company and related corporations as at 9 October 2006

Name	No. of 1997/2007 Warrants Held			
	Direct	%	Indirect	%
Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	298,920	0.40	56,882,985	75.41
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE	609,600	0.81	–	–
Dato' Yeoh Seok Kian	175,200	0.23	–	–
Dato' (Dr) Yahya Bin Ismail	22,320	0.03	–	–
Dato' Yeoh Soo Min	180,000	0.24	–	–
Dato' Yeoh Seok Hong	172,800	0.23	–	–
Dato' Michael Yeoh Sock Siong	144,000	0.19	–	–
Dato' Yeoh Soo Keng	156,000	0.21	–	–

Name	No. of 1999/2009 Warrants Held			
	Direct	%	Indirect	%
Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	1,117,350	0.36	186,355,397	59.34
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE	2,285,472	0.73	–	–
Dato' Yeoh Seok Kian	655,866	0.21	–	–
Dato' (Dr) Yahya Bin Ismail	68,550	0.02	–	–
Dato' Yeoh Soo Min	775,098	0.25	–	–
Dato' Yeoh Seok Hong	648,372	0.21	–	–
Dato' Michael Yeoh Sock Siong	550,110	0.18	–	–
Dato' Yeoh Soo Keng	654,600	0.21	–	–
Dato' Mark Yeoh Seok Kah	271,800	0.09	–	–
Syed Abdullah Bin Syed Abd Kadir	600	–	–	–

ULTIMATE HOLDING COMPANY YEHO TIONG LAY & SONS HOLDINGS SDN BHD

Name	No. of Shares Held			
	Direct	%	Indirect	%
Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	8,220,004	20.18	–	–
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE	5,000,000	12.28	–	–
Dato' Yeoh Seok Kian	5,000,000	12.28	–	–
Dato' Yeoh Soo Min	1,250,000	3.07	–	–
Dato' Yeoh Seok Hong	5,000,000	12.28	–	–
Dato' Michael Yeoh Sock Siong	5,000,000	12.28	–	–
Dato' Yeoh Soo Keng	1,250,000	3.07	–	–
Dato' Mark Yeoh Seok Kah	5,000,000	12.28	–	–

Statement of Directors' Interests

in the company and related corporations as at 9 October 2006

RELATED CORPORATIONS

YTL CEMENT BERHAD

Name	Direct	No. of Shares Held			No. of Share Options
		%	Indirect	%	
Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	1,681,634	0.35	250,124,222	51.63	1,400,000
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE	1,727,423	0.36	–	–	1,400,000
Dato' Yeoh Seok Kian	618,754	0.13	–	–	350,000
Dato' (Dr) Yahya Bin Ismail	45,136	0.01	–	–	–
Dato' Yeoh Soo Min	225,634	0.05	–	–	–
Dato' Yeoh Seok Hong	225,634	0.05	–	–	–
Dato' Michael Yeoh Sock Siong	1,265,634	0.26	–	–	1,000,000
Dato' Yeoh Soo Keng	918,251	0.19	–	–	700,000
Dato' Mark Yeoh Seok Kah	187,200	0.04	–	–	–

No. of Irredeemable Convertible Unsecured

Loan Stocks 2005/2015

Name	Direct	No. of Irredeemable Convertible Unsecured Loan Stocks 2005/2015		
		%	Indirect	%
Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	1,681,634	0.35	451,100,099	93.44
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE	1,727,423	0.36	–	–
Dato' Yeoh Seok Kian	618,754	0.13	–	–
Dato' Yeoh Soo Min	225,634	0.05	–	–
Dato' Yeoh Seok Hong	225,634	0.05	–	–
Dato' Michael Yeoh Sock Siong	1,265,634	0.26	–	–
Dato' Yeoh Soo Keng	818,251	0.17	–	–
Dato' Mark Yeoh Seok Kah	187,200	0.04	–	–

YTL E-SOLUTIONS BERHAD

Name	Direct	No. of Shares Held		
		%	Indirect	%
Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	–	–	1,000,520,500	74.11
Dato' (Dr) Yahya Bin Ismail	292,000	0.02	–	–
Syed Abdullah Bin Syed Abd Kadir	300,000	0.02	–	–
Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng	150,000	0.01	–	–

Statement of Directors' Interests

in the company and related corporations as at 9 October 2006

YTL LAND & DEVELOPMENT BERHAD

Name	Direct	No. of Shares Held		%
		%	Indirect	
Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	–	–	217,964,800	61.39

Name	Direct	No. of Irredeemable Convertible Preference Shares 2001/2011 Held		%
		%	Indirect	
Dato' Yeoh Seok Kian	240,000	0.09	–	–

Name	Direct	No. of Irredeemable Convertible Preference Shares 2003/2008 Held		%
		%	Indirect	
Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	–	–	370,285,058	66.02

By virtue of Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay deemed interests in the shares of the Company pursuant to section 6A of the Companies Act, 1965 through Yeoh Tiong Lay & Sons Holdings Sdn Bhd, Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay is deemed to have interests in the shares of the subsidiaries of the Company to the extent the Company has an interest.

Schedule of Share Buy-back

for the financial year ended 30 June 2006

Monthly Breakdown	No. of Shares Purchased And Retained As Treasury Shares	Purchase Price Per Share (RM)		Average Cost Per Share (RM)	Total Cost (RM)
		Lowest	Highest		
July 2005	8,453,800	2.01	2.12	2.06840	17,485,837.60
August 2005	2,278,800	2.07	2.14	2.11564	4,821,121.06
September 2005	10,136,400	2.02	2.20	2.13213	21,612,087.21
October 2005	10,941,800	2.15	2.20	2.17868	23,838,648.34
November 2005	2,214,500	2.17	2.28	2.23317	4,945,361.33
December 2005	20,326,900	2.18	2.32	2.21638	45,052,109.63
January 2006	11,602,000	2.19	2.29	2.21771	25,729,919.37
February 2006	736,000	2.23	2.29	2.28579	1,682,344.49
March 2006	12,100	2.20	2.21	2.21744	26,831.05
April 2006	2,541,900	2.02	2.12	2.09156	5,316,537.34
May 2006	4,164,500	1.95	2.14	2.05626	8,563,278.04
June 2006	4,755,900	1.82	1.97	1.89129	8,994,781.39
TOTAL	78,164,600	1.82	2.32	2.15019	168,068,856.85

During the financial year, all the shares purchased by the Company were retained as treasury shares. As at 30 June, 2006 a total of 238,621,656 ordinary shares were held as treasury shares. None of the treasury shares were resold or cancelled during the financial year.

List of Properties

as at 30 June 2006

Location	Tenure	Land Area	Description and Existing Use	Built up Area (sq. m.)	Approximate Age of Building (years)	Lease Expiry Date	Net Book Value as at 30 June 2006 RM'000	Date of Acquisition
Lot No. PT 2467 HS(D)340 Mukim of Kuala Paka Terengganu	Leasehold	16.187 hectare	Power plant	–	11	Year 2018	1,368,319.5	3.12.95
Lot No. PT 64062, HS(D) 69515 Mukim of Plentong Johor	Leasehold	2.0577 hectare	Power plant	–	11	Year 2018	700,623.6	3.12.95
Claverton Down, Bath	Freehold	27,100 sq.m.	Head office	5,640	6	–	182,059	21.5.02
Kennet Way Trowbridge Wiltshire	Freehold	7,400 sq.m.	Office and depot	654	16	–	10,628	21.5.02
Galmington Taunton Somerset	Leasehold	4,900 sq.m.	Office and depot	758	34	24.12.2009	882	21.5.02
Grosvener House Bath	Freehold	3,100 sq.m.	Office let to 3rd party	1,227	14	–	18,697	21.5.02
No. 3, Clifton Place London SW 10 Hollywood Road Kensington Title No. BGL 4544	Freehold	*	Residential	2,400	15	–	10,446	3.11.03

* Details not stated on title

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Directors' Report

The Directors are pleased to submit their annual report to the members together with the audited financial statements of the Group and the Company for the financial year ended 30 June 2006.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the provision of administrative and technical support services. The principal activities of the subsidiary companies are set out in Note 23 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group RM	Company RM
Net profit attributable to shareholders	874,482,581	366,093,810
Unappropriated profit brought forward	3,018,508,701	1,897,255,627
Dividends paid for the financial year ended 30 June 2005	(355,321,709)	(355,321,709)
Transfer to statutory reserve	(15,762,260)	–
Unappropriated profit carried forward	3,521,907,313	1,908,027,728

DIVIDEND

Dividends paid since the end of the Company's previous financial year were as follows:

	RM
In respect of the financial year ended 30 June 2005, as recommended in the Directors' Report of that financial year, a first and final gross dividend of 10 sen per RM0.50 ordinary share, less income tax of 28%, paid on 6 January 2006	355,321,709

The Directors now recommend the payment of a first and final dividend of 10 sen per RM0.50 ordinary share less income tax for the financial year ended 30 June 2006 subject to the approval by the shareholders at the forthcoming Annual General Meeting.

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

Directors' Report

SHARE CAPITAL

The issued and fully paid up share capital of the Company was increased from RM2,498,397,967 to RM2,581,535,295 following the exercise of 73,873,000 ESOS at exercise prices ranging from RM1.14 to RM1.39 per share and the exercise of 92,401,656 warrants of 50 sen each at exercise prices ranging from RM1.41 to RM1.43 per warrant on the basis of one (1) new ordinary share for every one (1) warrant exercised. The new ordinary shares of 50 sen each rank pari passu in all respects with the existing issued shares of the Company.

The total number of unexercised warrants as at 30 June 2006 amounted to 1,006,003,400.

TREASURY SHARES

The shareholders of the Company, by a resolution passed in the 9th Annual General Meeting held on 8 December 2005, approved the Company's plan to repurchase its own shares. The Directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company repurchased 78,164,600 of its issued share capital from the open market. The average price paid for the shares repurchased was RM2.15 per share. The repurchase transactions 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.

EMPLOYEES' SHARE OPTION SCHEME

At the Extraordinary General Meeting of the Company held on 16 October 2001, the shareholders of the Company approved an Employees' Share Option Scheme ('ESOS' or 'Scheme') for employees and Executive Directors of the Company and its subsidiaries who meet the criteria of eligibility for participation in the ESOS.

The main features of the Scheme are as follows:

- i The ESOS shall be in force for a period of ten (10) years, effective from 30 November 2001.
- ii The maximum number of shares which may be made available under the Scheme, shall not exceed ten per cent (10%) of the total issued and paid up share capital of the Company at the time of offering the option.
- iii Any employee (including Executive Directors) of the Group shall be eligible to participate in the Scheme if, as at the date of offer for an option ('Offer Date') the employee:
 - a has attained the age of eighteen (18) years;
 - b is employed by and on payroll of a company within the Group; and
 - c has been in the employment of the Group for a period of at least one (1) year of continuous service prior to and up to the Offer Date, including service during the probation period, and is confirmed in service. The options committee may, at its discretion, nominate any employee (including Executive Directors) of the Group to be an eligible employee despite the eligibility criteria under clause 4.1(iii) of the bye-laws not being met, at any time and from time to time.

Directors' Report

- iv The price payable for shares under the Scheme shall be based on the 5-day weighted average market price of the underlying shares at the time the option is granted, with a discount of not more than 10%, if deemed appropriate.
- v Subject to Clause 14 of the bye-laws, the options committee may, at any time and from time to time, before or after an option is granted, limit the exercise of the option to a maximum number of new ordinary shares of the Company and/or such percentage of the total ordinary shares of the Company comprised in the option during such period(s) within the option period and impose any other terms and/or conditions deemed appropriate by the options committee in its sole discretion including amending/varying any terms and conditions imposed earlier. Notwithstanding the above, and subject to Clause 11 and 12 of the bye-laws, the option can only be exercised by the grantee three (3) years after the Offer Date, by notice in writing to the Company, provided however that the options committee may at its discretion or upon the request in writing by the grantee allow the option to be exercised at any earlier or other period.
- vi The grantee shall be prohibited from disposing the ordinary shares of the Company so allotted to him for a period of twelve (12) months from the date on which the option is exercised. However, the options committee may at its discretion or upon request in writing by the grantee allow the disposal of such ordinary shares of the Company at any earlier or other period.

On 13 December 2002, the shareholders approved the amendments to the existing bye-laws governing the ESOS. The amendments were made to extend the ESOS to employees of Wessex Water Limited, a subsidiary of the Company and its subsidiary companies following its acquisition on 21 May 2002.

The movements during the financial year in the number of options over the shares of the Company are set out in Note 12(A) to the financial statements.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose in this report the name of the persons who have been granted less than 500,000 number of options and details of their holdings. The names of persons who are not Directors who have been granted with options totalling 500,000 and above are as follows:

Name of option holders	Number of options
Chan Chor Yook	700,000
Chin Peng Koon	500,000
Tan Choong Min	500,000

The names of the persons who are Directors who have been granted options have been disclosed in the Directors' interests in shares.

Directors' Report

DIRECTORS

The Directors who have held office during the period since the date of the last report are as follows:

Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay
 Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE
 Tan Sri Datuk Dr. Aris Bin Osman @ Othman (appointed w.e.f 12.6.2006)
 Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng
 Dato' Yeoh Seok Kian
 Dato' (Dr) Yahya bin Ismail
 Mej. Jen. (B) Dato' Haron bin Mohd Taib
 Dato' Yeoh Soo Min
 Dato' Yeoh Seok Hong
 Dato' Michael Yeoh Sock Siong
 Dato' Yeoh Soo Keng
 Dato' Mark Yeoh Seok Kah
 Syed Abdullah bin Syed Abd. Kadir
 Tan Sri Dato' Seri Dr. Md. Noordin bin Md Sopiee (deceased on 29.12.2005)

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' shareholdings, particulars of interests of Directors who held office at the end of the financial year in shares and options over shares in the Company and its related corporations are as follows:

	Number of ordinary shares of RM0.50 each in the Company			
	At 1 July 2005	Addition	Disposal	At 30 June 2006
Direct interest				
Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	780,278	7,000,000	–	7,780,278
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE	3,905,834	7,000,000	–	10,905,834
Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng	25,459	–	–	25,459
Dato' Yeoh Seok Kian	669,194	3,000,000	–	3,669,194
Dato' (Dr) Yahya bin Ismail	602,132	–	(52,365)	549,767
Mej. Jen. (B) Dato' Haron bin Mohd Taib	101,836	–	–	101,836
Dato' Yeoh Soo Min	578,108	3,000,000	–	3,578,108
Dato' Yeoh Seok Hong	485,322	5,000,000	–	5,485,322
Dato' Michael Yeoh Sock Siong	410,829	3,000,000	–	3,410,829
Dato' Yeoh Soo Keng	482,913	3,000,000	–	3,482,913
Dato' Mark Yeoh Seok Kah	1,693,134	3,000,000	–	4,693,134
Syed Abdullah bin Syed Abd. Kadir	392,038	3,000,000	(1,500,000)	1,892,038
Indirect interest				
Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	2,935,283,144 ⁽¹⁾	20,849,900	(88,000)	2,956,045,044 ⁽¹⁾

Directors' Report

	Number of warrants 2000/2010 in the Company			
	At 1 July 2005	Granted	Exercised/ Disposed	At 30 June 2006
Direct interest				
Dato' (Dr) Yahya bin Ismail	140,000	–	(4,000)	136,000
Mej. Jen. (B) Dato' Haron bin Mohd Taib	24,000	–	–	24,000
Syed Abdullah bin Syed Abd. Kadir	87,000	–	–	87,000
Indirect interest				
Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	748,920,488 ⁽¹⁾	–	–	748,920,488 ⁽¹⁾

	Number of ESOS options over ordinary shares of RM0.50 each in the Company			
	At 1 July 2005	Granted	Exercised	At 30 June 2006
Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	7,000,000	7,000,000	(7,000,000)	7,000,000
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE	7,000,000	7,000,000	(7,000,000)	7,000,000
Dato' Yeoh Seok Kian	3,000,000	3,000,000	(3,000,000)	3,000,000
Dato' Yeoh Soo Min	3,000,000	3,000,000	(3,000,000)	3,000,000
Dato' Yeoh Seok Hong	5,000,000	5,000,000	(5,000,000)	5,000,000
Dato Michael Yeoh Sock Siong	3,000,000	3,000,000	(3,000,000)	3,000,000
Dato' Yeoh Soo Keng	3,000,000	3,000,000	(3,000,000)	3,000,000
Dato' Mark Yeoh Seok Kah	3,000,000	3,000,000	(3,000,000)	3,000,000
Syed Abdullah Bin Syed Abd. Kadir	3,000,000	3,000,000	(3,000,000)	3,000,000

	Number of ordinary shares of RM0.50 each			
	At 1 July 2005	Addition	Disposal	At 30 June 2006

HOLDING COMPANY YTL CORPORATION BERHAD

Direct interest				
Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	5,401,974	2,500,000	–	7,901,974
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE	9,887,447	2,500,000	–	12,387,447
Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng	5,120	–	–	5,120
Dato' Yeoh Seok Kian	3,396,010	1,750,000	–	5,146,010
Dato' (Dr) Yahya bin Ismail	330,042	–	(143,224)	186,818
Dato' Yeoh Soo Min	3,916,475	1,500,000	–	5,416,475
Dato' Yeoh Seok Hong	3,363,690	1,500,000	–	4,863,690
Dato' Michael Yeoh Sock Siong	2,933,997	1,500,000	–	4,433,997
Dato' Yeoh Soo Keng	3,392,166	1,500,000	–	4,892,166
Dato' Mark Yeoh Seok Kah	1,746,248	1,500,000	–	3,246,248
Syed Abdullah bin Syed Abd. Kadir	2,611	1,500,000	(750,000)	752,611
Indirect interest				
Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	733,437,926 ⁽²⁾	–	–	733,437,926 ⁽²⁾

Directors' Report

	Number of Warrants			At 30 June 2006
	At 1 July 2005	Addition	Disposal	
HOLDING COMPANY				
YTL CORPORATION BERHAD				
Direct interest				
Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay				
-Warrants 1997/2007	298,920	–	–	298,920
-Warrants 1999/2009	1,117,350	–	–	1,117,350
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE				
-Warrants 1997/2007	573,600	–	–	573,600
-Warrants 1999/2009	2,147,472	–	–	2,147,472
Dato' Yeoh Seok Kian				
-Warrants 1997/2007	175,200	–	–	175,200
-Warrants 1999/2009	655,866	–	–	655,866
Dato' (Dr) Yahya bin Ismail				
-Warrants 1997/2007	34,320	–	(12,000)	22,320
-Warrants 1999/2009	110,550	–	(42,000)	68,550
Dato' Yeoh Soo Min				
-Warrants 1997/2007	180,000	–	–	180,000
-Warrants 1999/2009	775,098	–	–	775,098
Dato' Yeoh Seok Hong				
-Warrants 1997/2007	172,800	–	–	172,800
-Warrants 1999/2009	648,372	–	–	648,372
Dato' Michael Yeoh Sock Siong				
-Warrants 1997/2007	144,000	–	–	144,000
-Warrants 1999/2009	550,110	–	–	550,110
Dato' Yeoh Soo Keng				
-Warrants 1997/2007	156,000	–	–	156,000
-Warrants 1999/2009	654,600	–	–	654,600
Dato' Mark Yeoh Seok Kah				
-Warrants 1999/2009	271,800	–	–	271,800
Syed Abdullah bin Syed Abd. Kadir				
-Warrants 1999/2009	600	–	–	600
Indirect interest				
Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay				
-Warrants 1997/2007	56,875,185 ⁽²⁾	7,800	–	56,882,985 ⁽²⁾
-Warrants 1999/2009	186,299,397 ⁽²⁾	56,000	–	186,355,397 ⁽²⁾

Directors' Report

	Number of options over ordinary shares of RM0.50 each			
	At 1 July 2005	Granted	Exercised	At 30 June 2006
HOLDING COMPANY				
YTL CORPORATION BERHAD				
Direct interest				
Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	2,500,000	5,000,000	(2,500,000)	5,000,000
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE	2,500,000	5,000,000	(2,500,000)	5,000,000
Dato' Yeoh Seok Kian	1,750,000	3,500,000	(1,750,000)	3,500,000
Dato' Yeoh Soo Min	1,500,000	3,000,000	(1,500,000)	3,000,000
Dato' Yeoh Seok Hong	1,500,000	3,000,000	(1,500,000)	3,000,000
Dato' Michael Yeoh Sock Siong	1,500,000	3,000,000	(1,500,000)	3,000,000
Dato' Yeoh Soo Keng	1,500,000	3,000,000	(1,500,000)	3,000,000
Dato' Mark Yeoh Seok Kah	1,500,000	3,000,000	(1,500,000)	3,000,000
Syed Abdullah Bin Syed Abd. Kadir	1,500,000	3,000,000	(1,500,000)	3,000,000

	Number of ordinary shares of RM1.00 each			
	At 1 July 2005	Addition	Disposal	At 30 June 2006
ULTIMATE HOLDING COMPANY				
YEOH TIONG LAY & SONS HOLDINGS SDN BHD				
Direct interest				
Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	8,220,004	–	–	8,220,004
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE	5,000,000	–	–	5,000,000
Dato' Yeoh Seok Kian	5,000,000	–	–	5,000,000
Dato' Yeoh Soo Min	1,250,000	–	–	1,250,000
Dato' Yeoh Seok Hong	5,000,000	–	–	5,000,000
Dato' Michael Yeoh Sock Siong	5,000,000	–	–	5,000,000
Dato' Yeoh Soo Keng	1,250,000	–	–	1,250,000
Dato' Mark Yeoh Seok Kah	5,000,000	–	–	5,000,000

Directors' Report

	Number of ordinary shares of RM0.50 each			
	At 1 July 2005	Addition	Disposal	At 30 June 2006
RELATED COMPANY				
YTL CEMENT BERHAD				
Direct interest				
Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	1,681,634	–	–	1,681,634
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE	1,681,634	–	–	1,681,634
Dato' Yeoh Seok Kian	618,754	–	–	618,754
Dato' (Dr) Yahya bin Ismail	81,536	–	(36,400)	45,136
Mej Jen (B) Dato' Haron bin Mohd Taib	44,428	–	–	44,428
Dato' Yeoh Soo Min	225,634	–	–	225,634
Dato' Yeoh Seok Hong,	225,634	–	–	225,634
Dato' Michael Yeoh Sock Siong	1,265,634	–	–	1,265,634
Dato' Yeoh Soo Keng	818,251	100,000	–	918,251
Dato' Mark Yeoh Seok Kah	187,200	–	–	187,200
Indirect interest				
Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	270,124,222 ⁽³⁾	–	(20,000,000)	250,124,222 ⁽³⁾

	Number of Irredeemable Cumulative Unsecured Loan Stock			
	At 1 July 2005	Addition	Disposal	At 30 June 2006
RELATED COMPANY				
YTL CEMENT BERHAD				
Direct interest				
Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	–	1,681,634	–	1,681,634
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE	–	1,681,634	–	1,681,634
Dato' Yeoh Seok Kian	–	618,754	–	618,754
Dato' Yeoh Soo Min	–	225,634	–	225,634
Dato' Yeoh Seok Hong	–	225,634	–	225,634
Dato' Michael Yeoh Sock Siong	–	1,265,634	–	1,265,634
Dato' Yeoh Soo Keng	–	818,251	–	818,251
Dato' Mark Yeoh Seok Kah	–	187,200	–	187,200
Indirect interest				
Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	–	451,100,099 ⁽³⁾	–	451,100,099 ⁽³⁾

Directors' Report

	Number of options over ordinary shares of RM0.50 each			
	At	Granted	Exercised	At
	1 July 2005			30 June 2006

RELATED COMPANY

YTL CEMENT BERHAD

Direct interest

Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	–	1,400,000	–	1,400,000
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE	–	1,400,000	–	1,400,000
Dato' Yeoh Seok Kian	–	350,000	–	350,000
Dato' Michael Yeoh Sock Siong	–	1,000,000	–	1,000,000
Dato' Yeoh Soo Keng	–	700,000	–	700,000

	Number of ordinary shares of RM0.10 each			
	At	Addition	Disposal	At
	1 July 2005			30 June 2006

RELATED COMPANY

YTL E-SOLUTIONS BERHAD

Direct interest

Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng	150,000	–	–	150,000
Dato' (Dr) Yahya bin Ismail	527,000	–	(235,000)	292,000
Syed Abdullah bin Syed Abd Kadir	300,000	–	–	300,000

Indirect interest

Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	1,000,017,000 ⁽⁴⁾	503,500	–	1,000,520,500 ⁽⁴⁾
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	Number of ordinary shares of RM0.50 each			
	At	Addition	Disposal	At
	1 July 2005			30 June 2006

RELATED COMPANY

YTL LAND & DEVELOPMENT BERHAD

Indirect interest

Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	217,856,000 ⁽⁴⁾	108,800	–	217,964,800 ⁽⁴⁾
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Directors' Report

Number of Irredeemable Convertible Preference shares 2001/2011 of RM0.50 each

	At 1 July 2005	Addition	Disposal	At 30 June 2006
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RELATED COMPANY

YTL LAND & DEVELOPMENT BERHAD

Direct interest

Dato' Yeoh Seok Kian	240,000	–	–	240,000
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Number of Irredeemable Convertible Preference shares 2003/2008 of RM0.50 each

	At 1 July 2005	Addition	Disposal	At 30 June 2006
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RELATED COMPANY

YTL LAND & DEVELOPMENT BERHAD

Indirect interest

Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	370,285,058 ⁽⁵⁾	–	–	370,285,058 ⁽⁵⁾
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Number of ordinary shares of RM1.00 each

	At 1 July 2005	Addition	Disposal	At 30 June 2006
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RELATED COMPANY

SYARIKAT PELANCONGAN SERI ANDALAN (M) SDN BHD

Direct interest

Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	1	–	–	1
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE	1	–	–	1

Directors' Report

	Number of ordinary shares of 1p each			
	At 1 July 2005	Addition	Disposal	At 30 June 2006
RELATED COMPANY				
*INFOSCREEN NETWORKS PLC				
Direct interest				
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE	100	–	–	100

* Incorporated in the United Kingdom

	Number of ordinary shares of S\$1.00 each			
	At 1 July 2005	Addition	Disposal	At 30 June 2006
RELATED COMPANY				
#YEOH TIONG LAY CONSTRUCTION (S) PTE LTD				
Direct interest				
Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	1	–	–	1
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE	2	–	–	2

Incorporated in Singapore

- (1) Deemed interests by virtue of his interests in Yeoh Tiong Lay & Sons Holdings Sdn Bhd, YTL Corporation Berhad and YTL Power Services Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.
- (2) Deemed interests by virtue of his interests in Yeoh Tiong Lay & Sons Holdings Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.
- (3) Deemed interests by virtue of his interests in Yeoh Tiong Lay & Sons Holdings Sdn Bhd, YTL Corporation Berhad, YTL Industries Berhad and YTL Power International Berhad pursuant to Section 6A of the Companies Act, 1965.
- (4) Deemed interests by virtue of his interests in Yeoh Tiong Lay & Sons Holdings Sdn Bhd and YTL Corporation Berhad pursuant to Section 6A of the Companies Act, 1965.
- (5) Deemed interests by virtue of his interests in YTL Corporation Berhad pursuant to Section 6A of the Companies Act, 1965.

Other than as disclosed above, the Directors who held office at the end of the financial year did not have an interest in shares, warrants, options over shares and debentures in the Company or its related companies during the financial year.

Directors' Report

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than Directors' remuneration disclosed in Note 7 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except that certain Directors received remuneration from the Company's related corporations.

Neither during nor at the end of the financial year was the Company a party to any arrangement whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other corporate body, other than the Company's Employees' Share Option Scheme.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the income statements and balance sheets were made out, the Directors took reasonable steps:

- a 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
- b to ensure that any current assets which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and the Company 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:

- a which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent; or
- b which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; and
- c which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

No contingent or other liability 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 the Company to meet their obligations when they fall due.

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

- a any charge on the assets of the Group and the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- b any contingent liability of the Group and the Company which has arisen since the end of the financial year.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

Directors' Report

In the opinion of the Directors:

- a the results of the Group's and the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- b there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and the Company for the financial year in which this report is made.

ULTIMATE HOLDING COMPANY

The Directors regard Yeoh Tiong Lay & Sons Holdings Sdn Bhd, a company incorporated in Malaysia, as the Company's ultimate holding company.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 19 October 2006.

Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE
Director

Dato' Yeoh Seok Hong
Director

Income Statements

for the financial year ended 30 June 2006

	Note	Group		Company	
		2006 RM	2005 RM	2006 RM	2005 RM
Revenue	5	3,758,124,729	3,671,314,688	572,149,767	483,796,763
Cost of sales		(1,901,307,722)	(1,886,099,712)	-	-
Gross profit		1,856,817,007	1,785,214,976	572,149,767	483,796,763
Other operating income		39,914,474	24,750,035	7,049,260	198,853
Administrative expenses		(210,283,285)	(179,954,580)	(31,184,666)	(19,865,711)
Other operating expenses		(79,150,541)	(68,778,788)	(11,229,674)	(26,187,017)
Profit from operations	7	1,607,297,655	1,561,231,643	536,784,687	437,942,888
Finance cost	8	(661,103,082)	(694,655,066)	(52,503,475)	(42,028,650)
Share of results of associated companies		249,953,442	161,324,679	-	-
Profit before taxation		1,196,148,015	1,027,901,256	484,281,212	395,914,238
Taxation					
- Company and subsidiaries		(237,917,331)	(234,265,904)	(118,187,402)	(99,224,427)
- Associated companies		(83,748,103)	(51,457,322)	-	-
	9	(321,665,434)	(285,723,226)	(118,187,402)	(99,224,427)
Net profit attributable to shareholders		874,482,581	742,178,030	366,093,810	296,689,811
Basic earnings per ordinary share (sen)	10	17.89	15.84		
Diluted earnings per ordinary share (sen)	10	16.67	14.87		
Dividend per ordinary share (sen)					
- RM0.50 each	11	10.0	10.00		

The above income statements are to be read in conjunction with the notes to the financial statements on pages 70 to 125.
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Consolidated Balance Sheet

as at 30 June 2006

	Note	2006 RM	Group 2005 RM
Capital and reserves			
Share capital	12	2,581,535,295	2,498,397,967
Reserves	13	3,147,421,559	2,730,835,289
		5,728,956,854	5,229,233,256
Minority interest			
		1	1
Deferred and long term liabilities			
Deferred taxation	14	2,327,500,554	2,362,357,174
Bonds	15	7,141,296,173	8,105,189,148
Borrowings	16	4,400,577,290	3,151,994,074
Post-employment benefit obligations	17	406,643,736	417,535,209
Deferred income	18	147,202,509	149,212,894
Payables	19	16,132,663	22,263,632
		14,439,352,925	14,208,552,131
		20,168,309,780	19,437,785,388
Represented by:			
Non-current assets			
Property, plant and equipment	20	14,123,423,525	14,295,773,775
Intangible assets	21	441,333,424	441,333,424
Development expenditure	22	633,775	857,511
Associated companies	26	816,192,906	774,959,660
Investments	27	854,567,762	590,790,269
		16,236,151,392	16,103,714,639
Current assets			
Inventories	28	153,311,409	138,209,261
Receivables, deposits and prepayments	29	1,071,517,651	1,112,395,518
Short term investments	31	43,137,427	41,963,903
Fixed deposits	32	4,732,407,502	4,487,493,023
Cash and bank balances	33	7,739,737	21,795,753
		6,008,113,726	5,801,857,458
Current liabilities			
Payables and accrued expenses	34	824,196,529	837,385,122
Provision for liabilities and charges	35	37,171,279	31,017,981
Post-employment benefit obligations	17	370,845	316,189
Amount owing to immediate holding company	36	6,640,686	6,209
Amounts owing to related companies	30	71,060,821	35,003,787
Taxation		71,768,405	53,423,989
Bonds	15	874,508,928	125,000,000
Borrowings	16	190,237,845	1,385,633,432
		2,075,955,338	2,467,786,709
Net current assets		3,932,158,388	3,334,070,749
		20,168,309,780	19,437,785,388

The above consolidated balance sheet is to be read in conjunction with the notes to the financial statements on pages 70 to 125.

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Balance Sheet

as at 30 June 2006

	Note	Company	
		2006 RM	2005 RM
Capital and reserves			
Share capital	12	2,581,535,295	2,498,397,967
Reserves	13	3,649,851,615	3,667,884,112
		6,231,386,910	6,166,282,079
Deferred and long term liabilities			
Bonds	15	–	748,526,786
Borrowings	16	622,897,568	–
		622,897,568	748,526,786
		6,854,284,478	6,914,808,865
Represented by:			
Non-current assets			
Property, plant and equipment	20	368,040	2
Development expenditure	22	633,775	857,511
Subsidiary companies	23	6,252,323,220	5,259,302,128
Associated companies	26	4,930	4,930
Investments	27	277,161,542	20,288,780
		6,530,491,507	5,280,453,351
Current assets			
Receivables, deposits and prepayments	29	43,712,970	48,732,363
Amounts owing by subsidiary companies	25	15,350,295	1,252,619,476
Short term investments	31	43,137,427	41,963,903
Fixed deposits	32	986,089,418	1,148,286,442
Cash and bank balances	33	1,174,236	1,413,978
		1,089,464,346	2,493,016,162
Current liabilities			
Payables and accrued liabilities	34	4,354,859	5,655,461
Amounts owing to subsidiary companies	25	11,695,798	852,832,512
Amounts owing to related companies	30	42,894	172,675
Bonds	15	749,508,928	–
Borrowings	16	68,896	–
		765,671,375	858,660,648
Net current assets		323,792,971	1,634,355,514
		6,854,284,478	6,914,808,865

The above balance sheet is to be read in conjunction with the notes to the financial statements on pages 70 to 125.

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Consolidated Statement of Changes in Equity

for the financial year ended 30 June 2006

Group	Note	Share capital (Note 12) RM	Non-distributable		Distributable		Total RM
			Share premium RM	Merger and other reserves (Note 13A) RM	Treasury shares (Note 13B) RM	Retained earnings (Note 13C) RM	
At 1 July 2004		2,306,254,911	1,953,399,521	(2,057,951,911)	(265,126,926)	2,623,914,703	4,560,490,298
Loss not recognised in the income statement:							
- Foreign currency translation differences		-	-	(47,730,712)	-	-	(47,730,712)
Net profit for the financial year		-	-	-	-	742,178,030	742,178,030
Exercise of share warrants		22,957,296	43,480,777	-	-	-	66,438,073
Conversion of bonds		169,185,760	328,367,241	-	-	-	497,553,001
Interest accretion from bonds		-	68,537,926	-	-	-	68,537,926
Dividends paid for the financial year ended 30 June 2004	11	-	-	-	-	(337,337,303)	(337,337,303)
Shares repurchased	13(B)	-	-	-	(358,030,054)	-	(358,030,054)
Share dividend distributed on 21 February 2005	13(B)	-	(321,658,226)	-	321,658,226	-	-
Equity component of Exchangeable Bond		-	-	35,231,540	-	-	35,231,540
Statutory reserves transferred from retained earnings	13(A)	-	-	10,246,729	-	(10,246,729)	-
Capital reserve arising from acquisition of an associated company	13(A)	-	-	1,902,457	-	-	1,902,457
At 30 June 2005		2,498,397,967	2,072,127,239	(2,058,301,897)	(301,498,754)	3,018,508,701	5,229,233,256
At 1 July 2005		2,498,397,967	2,072,127,239	(2,058,301,897)	(301,498,754)	3,018,508,701	5,229,233,256
Loss not recognised in the income statement:							
- Foreign currency translation differences		-	-	(73,770,004)	-	-	(73,770,004)
Net profit for the financial year		-	-	-	-	874,482,581	874,482,581
Exercise of share warrants		46,200,828	84,110,639	-	-	-	130,311,467
Exercise of ESOS		36,936,500	55,153,620	-	-	-	92,090,120
Dividends paid for the financial year ended 30 June 2005	11	-	-	-	-	(355,321,709)	(355,321,709)
Shares repurchased	13(B)	-	-	-	(168,068,857)	-	(168,068,857)
Statutory reserves transferred from retained earnings	13(A)	-	-	15,762,260	-	(15,762,260)	-
At 30 June 2006		2,581,535,295	2,211,391,498	(2,116,309,641)	(469,567,611)	3,521,907,313	5,728,956,854

The above consolidated statement of changes in equity is to be read in conjunction with the notes to the financial statements on pages 70 to 125.
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Statement of Changes in Equity

for the financial year ended 30 June 2006

Company	Note	Non-distributable		Distributable		Total RM
		Share capital (Note 12) RM	Share premium RM	Treasury shares (Note 13B) RM	Retained earnings (Note 13C) RM	
At 1 July 2004		2,306,254,911	1,953,399,521	(265,126,926)	1,937,903,119	5,932,430,625
Net profit for the financial year		-	-	-	296,689,811	296,689,811
Exercise of share warrants		22,957,296	43,480,777	-	-	66,438,073
Conversion of bonds		169,185,760	328,367,241	-	-	497,553,001
Interest accretion from bonds		-	68,537,926	-	-	68,537,926
Dividends paid for the financial year ended 30 June 2004	11	-	-	-	(337,337,303)	(337,337,303)
Shares repurchased	13(B)	-	-	(358,030,054)	-	(358,030,054)
Share dividend distributed on 21 February 2005	13(B)	-	(321,658,226)	321,658,226	-	-
At 30 June 2005		2,498,397,967	2,072,127,239	(301,498,754)	1,897,255,627	6,166,282,079
At 1 July 2005		2,498,397,967	2,072,127,239	(301,498,754)	1,897,255,627	6,166,282,079
Net profit for the financial year		-	-	-	366,093,810	366,093,810
Exercise of share warrants		46,200,828	84,110,639	-	-	130,311,467
Exercise of ESOS		36,936,500	55,153,620	-	-	92,090,120
Dividends paid for the financial year ended 30 June 2005	11	-	-	-	(355,321,709)	(355,321,709)
Shares repurchased	13(B)	-	-	(168,068,857)	-	(168,068,857)
At 30 June 2006		2,581,535,295	2,211,391,498	(469,567,611)	1,908,027,728	6,231,386,910

The above statement of changes in equity is to be read in conjunction with the notes to the financial statements on pages 70 to 125.
Auditors' report - Page 127.

Consolidated Cash Flow Statement

for the financial year ended 30 June 2006

	2006 RM	2005 RM
Cash flows from operating activities		
Net profit attributable to shareholders	874,482,581	742,178,030
Adjustments for:		
Taxation	321,665,434	285,723,226
Depreciation of property, plant and equipment	532,189,739	559,115,844
Loss on disposal of property, plant and equipment	12,191,016	–
Unrealised gain on foreign exchange	(7,722,155)	(9,004)
Unrealised loss on foreign exchange	772,848	2,589
Share of results of associated companies	(249,953,442)	(161,324,679)
Interest expense	661,103,082	694,655,066
Interest income	(206,480,667)	(121,874,080)
Dividend income	(17,000,264)	(67,590,857)
Gain on disposal of investments	–	(13,448,534)
Gain on disposal of property, plant and equipment	–	(1,877,814)
Deferred income	(5,767,239)	(5,948,574)
Provision for liabilities and charges	9,001,905	4,936,400
Development expenditure written off	7,978,033	24,536,338
Defined contribution plan	1,310,419	979,300
Provision for retirement benefits	60,381,396	31,891,161
	1,994,152,686	1,971,944,412
Changes in working capital:		
Receivables, deposits and prepayments	32,544,832	134,044,658
Payables and accrued expenses	30,535,310	1,866,275
Amount owing to immediate holding company	6,634,677	(84,576)
Amounts owing to related companies	36,213,560	26,048,273
Inventories	(15,207,503)	7,682,052
Cash generated from operations	2,084,873,562	2,141,501,094
Payment to a retirement benefits scheme	(73,667,698)	(33,849,600)
Taxation paid	(293,137,693)	(179,496,361)
Interest paid	(574,879,837)	(596,339,597)
Net cash flow from operating activities	1,143,188,334	1,331,815,536

Consolidated Cash Flow Statement

for the financial year ended 30 June 2006

	Note	2006 RM	2005 RM
Cash flows from investing activities			
Development expenditure incurred		(7,626,680)	(25,390,586)
Purchase of property, plant and equipment		(651,451,342)	(1,001,942,443)
Proceeds from sale of property, plant and equipment		5,358,070	15,007,540
Grants received in respect of infrastructure assets		51,299,342	39,298,032
Acquisition of subsidiary company		–	(2,177,494)
Investment in an associated company		–	(654,306,545)
Interest received		206,824,253	116,606,966
Purchase of investments		(264,333,562)	(148,308,560)
Purchase of short term investments		–	(4,966,247)
Proceeds from sale of investments		–	27,115,695
Dividends received		86,967,726	1,384,968
Net cash flow used in investing activities		(572,962,193)	(1,637,678,674)
Cash flows from financing activities			
Proceeds from issue of shares		222,401,586	66,438,073
Proceeds from issue of bonds		–	2,335,212,459
Repayment of bonds		(125,000,000)	(125,000,000)
Redemption of bonds		–	(23,963,768)
Dividends paid to shareholders		(355,321,709)	(337,337,303)
Drawdown of term loan		1,064,517,083	1,229,649,536
Repayment of other bank loans		(913,315,855)	(2,349,366,532)
Finance lease creditors paid		(18,991,685)	(16,557,612)
Repurchase of own shares		(168,068,857)	(358,030,054)
Net cash flow (used in)/from financing activities		(293,779,437)	421,044,799
Net increase in cash and cash equivalents		276,446,704	115,181,661
Currency translation differences		(47,097,964)	(52,200,249)
Cash and cash equivalents			
- at start of financial year		4,446,874,716	4,383,893,304
- at end of financial year	33	4,676,223,456	4,446,874,716

The above consolidated cash flow statement is to be read in conjunction with the notes to the financial statements on pages 70 to 125.
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Cash Flow Statement

for the financial year ended 30 June 2006

	2006 RM	2005 RM
Cash flows from operating activities		
Net profit attributable to shareholders	366,093,810	296,689,811
Adjustments for:		
Taxation	118,187,402	99,224,427
Depreciation of property, plant and equipment	8,119	–
Unrealised gain on foreign exchange	(7,721,912)	–
Unrealised loss on foreign exchange	671,334	–
Finance cost	52,503,475	42,028,650
Interest income	(48,648,433)	(65,704,202)
Dividend income	(495,169,735)	(403,092,561)
Gain on disposal of investments	–	(195,476)
Development expenditure written off	7,978,033	24,402,838
	(6,097,907)	(6,646,513)
Changes in working capital:		
Receivables, deposits and prepayments	4,891,907	2,348,680
Payables and accrued expenses	(7,730,064)	2,159,861
Amount owing to immediate holding company	–	(90,785)
Amounts owing to related companies	(129,780)	120,895
Amounts owing by subsidiary companies	975,718,894	73,012,856
Cash generated from operations	966,653,050	70,904,994
Taxation paid	(328,528)	(12,095,236)
Interest paid	(5,448,619)	(28,869,028)
Net cash flow from operating activities	960,875,903	29,940,730

Cash Flow Statement

for the financial year ended 30 June 2006

	Note	2006 RM	2005 RM
Cash flows from investing activities			
Development expenditure incurred		(7,626,680)	(25,257,086)
Development expenditure recovered from related companies		–	8,329,087
Dividends received		376,517,183	307,937,600
Repayment/(advances) from a subsidiary company		300,000,000	(300,000,000)
Interest received		50,226,358	65,293,849
Proceeds from sale of short term investment		–	5,000,000
Investments in subsidiary companies		(993,021,092)	(15,200)
Purchase of investments		(256,872,762)	(1,552,561)
Purchase of property, plant and equipment		(157,157)	–
Purchase of short term investments		–	(4,966,247)
Proceeds from sale of non-current quoted investments		–	556,000
Net cash flow (used in)/from investing activities		(530,934,150)	55,325,442
Cash flows from financing activities			
Increase in share capital		222,401,586	66,438,073
Dividends paid to shareholders		(355,321,709)	(337,337,303)
Repurchase of own shares		(168,068,857)	(358,030,054)
Repayment of term loan		(291,384,000)	(874,000,000)
Repayment of hire purchase creditors		(5,539)	–
Net cash flow used in financing activities		(592,378,519)	(1,502,929,284)
Net decrease in cash and cash equivalents		(162,436,766)	(1,417,663,112)
Cash and cash equivalents			
- at start of financial year		1,149,700,420	2,567,363,532
- at end of financial year	33	987,263,654	1,149,700,420

The above cash flow statement is to be read in conjunction with the notes to the financial statements on pages 70 to 125.
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Notes to the Financial Statements

1 GENERAL INFORMATION

The principal activities of the Company are investment holding and the provision of administrative and technical support services. The principal activities of the subsidiary companies are set out in Note 23 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

The number of employees at the end of the financial year amounted to 2,054 (2005: 2,374) employees in the Group and 40 (2005: 37) employees in the Company.

The immediate holding company is YTL Corporation Berhad and the ultimate holding company is Yeoh Tiong Lay & Sons Holdings Sdn Bhd, both of which are incorporated in Malaysia.

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

The address of the registered office of the Company is as follows:

11th Floor, Yeoh Tiong Lay Plaza
55, Jalan Bukit Bintang
55100 Kuala Lumpur

The address of the principal place of business of the Company is as follows:

7th Floor, Yeoh Tiong Lay Plaza
55, Jalan Bukit Bintang
55100 Kuala Lumpur

2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks, including foreign currency exchange risk, interest risk, market risk, credit risk, liquidity and cash flow risk. The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders. The Group focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Financial risk management is carried out through risk reviews, internal control systems and adherence to Group financial risk management policies. The Board regularly reviews these risks and approves the treasury, which covers the management of these risks.

Foreign currency exchange risk

The Group's exposure to currency risk as a result of foreign currency transactions is limited because its subsidiaries trade and obtain borrowings predominantly in their respective functional currency. Where necessary, the Group enters into forward foreign currency exchange contracts to limit its exposure on foreign currency receivables and payables, and on cash flows generated from anticipated transactions denominated in foreign currencies.

Notes to the Financial Statements

Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises from the Group's borrowings, deposits and short term investment, and is managed through the use of fixed and floating rate debts and derivative financial instruments. Derivative financial instruments are used, where appropriate, to generate the desired interest rate profile.

Market risk

The Group operates substantially under a business regime of contractual sales or price regulation in its business segments of Power Generation and Water and Sewerage. The Group considers its market risk to be minimal as the tariff rates applicable to these business segments are either protected by agreement or set by industry regulators. For key product purchases, the Group establishes floating and fixed priced levels that the Group considers acceptable and enters physical supply or derivative agreements, where necessary to achieve these levels. The Group does not face significant exposure to risk from changes in debt and equity prices.

Credit risk

Credit risk is the potential financial loss resulting from the failure of a counter party to settle their obligations to the Group. Credit risk of the Group arises mainly from trade receivables, fixed deposits, short term investments and interest rate swaps.

The Group seeks to invest cash assets safely and profitably with creditworthy institutions. All derivative financial instruments are executed with creditworthy counter parties with a view to limit the credit risk exposure of the Group.

In the Group's Power Generation business, trade receivables are solely from its offtaker, a national electricity utility company and the counter party risk is considered to be minimal. As for the Group's Water and Sewerage business, the credit risk of receivables is mitigated through strict collection procedures. In addition, the Directors are of the view that credit risk arising from the Water and Disposal of Waste Water businesses is limited due to its large customer base.

The Group considers the risk of material loss in the event of non-performance by a financial counter party to be unlikely.

Liquidity and cash flow risk

Prudent liquidity risk management implies maintaining sufficient and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims at maintaining flexibility by keeping committed credit lines available.

3 BASIS OF PREPARATION

The financial statements of the Group and the Company have been prepared under the historical cost convention except as disclosed in Note 4 to the financial statements.

The financial statements of the Group and the Company comply with the MASB approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

Notes to the Financial Statements

The preparation of financial statements in conformity with the MASB approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported financial year. Actual results could differ from those estimates.

4 SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

Subsidiary companies

Subsidiary companies are those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities. Subsidiary companies are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

The Group adopts both the acquisition and merger methods of consolidation. The consolidated income statement and balance sheet include the financial statements of the Company and its subsidiary companies made up to the end of the financial year. Inter-company transactions and resulting unrealised profits or losses are eliminated fully on consolidation and the consolidated financial statements reflect external transactions only.

Acquisition method

Under the acquisition method of accounting, the results of subsidiary companies acquired or disposed off during the financial year are included from the date of acquisition up to the date of disposal. At the date of acquisition, the fair values of the subsidiary companies' net assets are determined and these values are reflected in the consolidated financial statements. The excess of the cost of acquisition over the fair value of the Group's share of the subsidiary companies' identifiable net assets at the date of acquisition is reflected as goodwill on consolidation. Goodwill is retained in the consolidated balance sheet at cost. Where an indication of impairment exists, the carrying amount of the net assets is assessed and written down immediately to its recoverable amount.

The excess of the fair value of the Group's share of the subsidiary companies' identifiable net assets over the cost of acquisition at the date of acquisition is reflected as capital reserve on consolidation and taken to reserves.

Merger method

Acquisition of a subsidiary company, YTL Power Generation Sdn Bhd, is accounted for using merger accounting principles.

Under the merger method of accounting, the results of the subsidiary company are presented as if the merger had been effected throughout the current and previous financial years. On consolidation, the difference between the carrying value of the investment in the subsidiary company over the nominal value of the shares acquired is taken to merger reserve.

The Group has taken advantage of the exemption provided under FRS 122 'Business Combinations' to apply the standard prospectively. Accordingly, business combinations entered into prior to 1 July 2001 have not been restated with this standard.

Notes to the Financial Statements

Joint ventures

Jointly controlled entities

Jointly controlled entities are corporations, partnerships or other entities over which there is contractually agreed sharing of control by the Group with one or more parties. The Group's interests in jointly controlled entities are accounted for in the consolidated financial statements by the equity method of accounting.

Equity accounting involves recognising in the income statement the Group's share of the results of jointly controlled entities for the financial year. The Group's investments in jointly controlled entities are carried in the balance sheet at an amount that reflects its share of the net assets of the jointly controlled entities and includes goodwill on acquisition.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interests in the jointly controlled entities; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of jointly controlled entities to ensure consistency of accounting policies with those of the Group.

Jointly controlled operations

When a group company is party to a joint arrangement, that company accounts directly for its part of income and expenditure, assets, liabilities and cash flows. Such arrangements are reported in the consolidated financial statements on the same basis.

Associated companies

Investments in associated companies are accounted for in the consolidated financial statements by the equity method of accounting. Associated companies are companies in which the Group exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the associated companies but not control over those policies.

Equity accounting involves recognising in the income statement the Group's share of the results of associated companies for the financial year. The Group's investments in associated companies are carried in the balance sheet at an amount that reflects its share of the net assets of the associated companies and includes goodwill (net of accumulated amortisation) on acquisition. Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interests in the associated companies; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of associated companies to ensure consistency of accounting policies with those of the Group.

Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation, except for infrastructure assets.

Notes to the Financial Statements

Short term leasehold land is amortised in equal instalments over a period of twenty five (25) years. All other property, plant and equipment, except for infrastructure assets, are depreciated on a straight line basis to write off the cost of each asset over the expected useful lives of the assets concerned at the following annual rates:

	%
Buildings	2½ to 10
Plant and machinery	4 to 20
Mains and lines	5
Office equipment	10 to 20
Computers	20
Furniture and fittings	10
Motor vehicles and aircraft	10 to 20
Gas turbine major overhaul cost	25

Depreciation on assets under construction commences when the assets are ready for their intended use.

Infrastructure assets comprise a network of systems of mains and sewers, impounding and pumped raw water storage reservoirs, dams, sludge pipelines, sea outfalls and infrastructure investigations and studies. Expenditure on infrastructure assets relating to enhancements of the network is treated as additions, which are included after deducting connection charges and grants. The system or network is required to be maintained in perpetuity and on this basis is deemed to have no finite useful economic life.

Accordingly, no depreciation is charged to the income statement in relation to the use of the infrastructure assets due to its immateriality. Maintenance costs incurred in respect of infrastructure assets are charged to the income statement as incurred.

Where an indication of impairment exists for the infrastructure and other assets, the carrying amounts of the assets are assessed and written down immediately to their recoverable amounts.

Leased assets

Where assets are financed by leasing arrangements which transfer substantially all the risks and rewards of ownership of an asset to the lessee (finance leases), the assets are treated as if they had been purchased and the corresponding capital cost is shown as an obligation to the lessor. Leasing payments are treated as consisting of a capital element and finance costs, the capital element reducing the obligation to the lessor and the finance charge being written off to the income statement over the period of the lease in reducing amounts in a constant rate in relation to the outstanding obligations. The assets are depreciated in accordance with the relevant accounting policy for property, plant and equipment. All other leases are regarded as operating leases. Rental costs arising under operating leases are written off in the financial year they are incurred.

Development expenditure

Development expenditure incurred is capitalised when it meets certain criteria that indicate that it is probable that the costs will give rise to future economic benefits and are amortised over the period of the projects. They are written down to their recoverable amounts when there is insufficient certainty that future economic benefits will flow to the enterprise.

Notes to the Financial Statements

Investments

Investments in subsidiary companies, jointly controlled entities and associated companies are shown at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

Short term investments are carried at the lower of cost and market value, determined on an aggregate portfolio basis by category of investment. Cost is derived on the weighted average basis. Market value is calculated by reference to stock exchange quoted selling prices at the close of business on the balance sheet date. Increases or decreases in the carrying amount of short term investments are credited or charged to the income statement.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged or credited to the income statement.

Impairment of assets

Property, plant and equipment and other non-current assets, including intangible assets, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flow.

Government grants

Government grants relating to the purchase of non-infrastructure assets are included in non-current liabilities as deferred income and are credited to the income statement on a straight line basis over the expected lives of the related assets.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Restructuring provision

Restructuring provision mainly comprises employee termination payments, and is recognised in the financial year in which the Group becomes legally or constructively committed to the payment. Employee termination benefits are recognised only either after an agreement is in place with the appropriate employee representatives specifying the terms of redundancy and the number of employees affected, or after individual employees have been advised of the specific terms. Costs related to the on-going activities of the Group are not provided in advance. Any property, plant and equipment that are no longer required for their original use are transferred to current assets and carried at the lower of its carrying amount and estimated net realisable value.

Notes to the Financial Statements

Foreign currencies

Foreign entities

The Group's foreign entities are those operations that are not an integral part of the operations of the Company. Income statements of foreign entities are translated into Ringgit Malaysia at average exchange rates for the financial year and the balance sheets are translated at exchange rates ruling at the balance sheet date. Exchange differences arising from the retranslation of the net investment in foreign entities and of borrowings that hedge such investments are taken to 'Foreign currency translation differences' in shareholders' equity.

On disposal of the foreign entity, such translation differences are recognised in the income statement as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the Company and are translated accordingly at the exchange rate ruling at the date of the transaction.

Foreign currency transactions

Foreign currency transactions in Group companies are accounted for at exchange rates prevailing at the transaction dates, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Foreign currency monetary assets and liabilities are translated at exchange rates prevailing at the balance sheet date, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the income statement.

Closing rates

The principal closing rates used in translation of foreign currency amounts are as follows:

Foreign currency	30 June 2006	30 June 2005
	RM	RM
1 Hong Kong Dollar	0.4732	0.4889
1 Australian Dollar	2.7219	2.9032
1 US Dollar	3.6750	3.8000
1 Euro	4.6698	4.5948
1 Great Britain Pound	6.7352	6.8685
1 Thai Baht	0.0961	0.0920

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis. Inventories comprise primarily of items held for operation and maintenance purposes. The cost of work in progress comprises raw materials, direct labour, other direct costs and an appropriate portion of overheads.

Notes to the Financial Statements

Revenue recognition

Revenue from sales of electricity is recognised upon performance of services based on the invoiced value of sales net of discounts allowed and also includes an estimate of the value of services provided between the last meter reading date and the financial year end. Revenue from supply of clean water and treatment and disposal of waste water represents the amounts (excluding value added tax, where applicable) derived from the provision of goods and services to third party customers. Other revenues earned by the Group are recognised on the following bases:

- Dividend income - when the shareholders' right to receive payment is established.
- Interest income - on an effective yield basis.
- Management fees - when services are rendered and invoiced, net of service taxes.
- Operation and maintenance fee - when services are rendered and invoiced.

Income taxes

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and includes all taxes based upon the taxable profits, including withholding taxes payable by a foreign subsidiary, associate or joint venture on distributions of retained earnings to companies in the Group.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised.

Deferred tax is recognised on temporary differences arising on investments in subsidiaries, associates and joint ventures except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred tax.

Trade and other receivables

Trade and other receivables are carried at original invoiced amounts less an estimate made for doubtful debts based on a review of all outstanding amounts at the financial year end. Bad debts are written off when identified.

Dividends

Dividends on ordinary shares are recognised as liabilities when proposed or declared before the balance sheet date. A dividend proposed or declared after the balance sheet date is not recognised as a liability in the balance sheet. Upon the dividend becoming payable, it will be accounted for as a liability.

Notes to the Financial Statements

Employee benefits

Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

Post-employment benefits

The Group has various post-employment benefit schemes in accordance with local conditions and practices in the countries in which it operates. These benefit plans are either defined contribution or defined benefit plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation.

Defined contribution plan

The Group's contributions to a defined contribution plan are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

Defined benefit plan

The liability in respect of a defined benefit plan is the present value of the defined benefit obligation at the balance sheet date minus the fair value of plan assets, together with adjustments for actuarial gains or losses and past service cost. The Group determines the present value of the defined benefit obligation and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the balance sheet date.

The defined benefit obligation, calculated using the projected unit credit method, is determined by independent actuaries, considering the estimated future cash outflows using market yields at balance sheet date of government securities which have currency and terms to maturity approximating the terms of the related liability.

Plan assets in excess of the defined benefit obligation are subject to the asset limitation specified in FRS 119.

Actuarial gains and losses arise from experience adjustments and changes in actuarial assumptions. The amount of net actuarial gains and losses recognised in the income statement is determined by the corridor method in accordance with FRS 119 and is charged or credited to income over the average remaining service lives of the related employees participating in the defined benefit plan.

Equity compensation benefits

Details of the Group's Employee Share Option Scheme are set out in Note 12(A) to the financial statements. The Group does not make a charge to the income statement in connection with share options granted. When share options are exercised, the proceeds received, net of any transaction costs, are credited to share capital and share premium.

Notes to the Financial Statements

Borrowings

Borrowings are initially recognised based on the proceeds received, net of transaction costs incurred, including underwriting expenses. In subsequent financial years, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, investments, receivables, payables, borrowings and share capital. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item, where applicable.

The Group and the Company are also parties to financial instruments that comprise interest rate swap agreements. These instruments are not recognised in the financial statements on inception except that amounts paid on inception are recognised as prepaid interest and amortised as a component of interest expense over the period of the contract.

The Group has taken advantage of the exemption provided by FRS 132 'Financial Instruments: Disclosure and Presentation' not to reclassify compound instruments issued by the Group prior to 1 July 2003 into liability and equity components. These instruments (together with their associated interest) continue to be classified according to their legal form.

Interest rate swap contracts

Any differential to be paid or received on an interest rate swap contract is recognised as a component of interest income or expense over the period of the contract. Gains and losses on early termination of interest rate swaps or on repayment of the borrowings are taken to the income statement.

Fair value estimation for disclosure purposes

The fair value of publicly traded derivatives and securities is based on quoted market prices at the balance sheet date.

The fair value of interest rate swaps is calculated at the present value of the estimated future cash flows.

In assessing the fair value of non-traded derivatives and financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for the specific or similar instruments are used for long term debt. Other techniques, such as estimated discounted value of future cash flows, are used to determine fair value for the remaining financial instruments. In particular, the fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar instruments.

The face values of financial assets (less any estimated credit adjustments) and financial liabilities with a maturity period of less than one year are assumed to approximate their fair values.

Notes to the Financial Statements

Segment reporting

Segment reporting is presented for enhanced assessment of the Group's risks and returns. Business segments provide products or services that are subject to risk and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those components operating in other economic environments.

Segment revenue, expense, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expense, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, bank overdrafts and deposits held at call with financial institutions that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are included within borrowings in current liabilities on the balance sheet. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts.

Share capital

Ordinary shares and non-redeemable preference shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

The portion of a convertible bond representing the value of the conversion option at the time of issue is included in equity. The value of the conversion option is not changed in subsequent periods. Upon conversion of the bond to equity shares, the amount credited to share capital and share premium is the aggregate of the amounts classified within liability and equity at the time of conversion. No gain or loss is recognised. If the bond is redeemed, the conversion option is transferred to retained earnings.

Distributions to holders of a financial instrument classified as an equity instrument is charged directly to equity.

Purchase of own shares

Shares repurchased by the Company are held as treasury shares and are accounted for on the cost method. The amount of the consideration paid, including directly attributable costs, is recognised as cost and set off against equity. Should such shares be cancelled, their nominal amounts will be eliminated, and the differences between their cost and nominal amounts will be taken to reserves, as appropriate. Where the treasury shares are subsequently distributed as dividends to shareholders, the cost of the treasury shares is applied as reduction of the share premium account or the distributable retained profits or both.

Notes to the Financial Statements

5 REVENUE

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Sale of electricity	1,160,620,632	1,142,600,657	–	–
Sale of water and the treatment and disposal of waste water	2,368,738,209	2,328,000,799	–	–
Interest income	186,749,387	110,739,815	48,648,433	65,704,202
Dividends:				
- unquoted investment in subsidiary company	–	–	492,917,826	400,950,000
- unquoted investments outside Malaysia	14,714,751	65,315,179	–	–
- quoted investments in Malaysia	2,251,909	2,142,561	2,251,909	2,142,561
Management services	–	8,000,000	25,000,000	15,000,000
Royalty income	–	–	3,331,599	–
Operation and maintenance fees	25,049,841	14,515,677	–	–
	3,758,124,729	3,671,314,688	572,149,767	483,796,763

6 SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions. The related party transactions described below were carried out on negotiated terms.

Entity	Relationship	Type of transaction	Group	
			2006 RM	2005 RM
YTL Power Services Sdn Bhd	Subsidiary of immediate holding company	Fees paid and payable under the Operation and Maintenance Agreement dated 20 November 2002	62,558,021	73,219,200
Suri Travel & Tours Sdn Bhd	Subsidiary of immediate holding company	Expenses paid and payable for travelling fares and motor vehicle maintenance	3,076,664	2,534,823
Included in Note 27: Investment in YTL Cement Bhd			212,457,842	–
Included in Note 30: Amount owing to YTL Power Services Sdn Bhd			70,911,548	34,562,308

Notes to the Financial Statements

7 PROFIT FROM OPERATIONS

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Profit from operations is stated after charging:				
Depreciation of property, plant and equipment	532,189,739	559,115,845	8,119	–
Rental of land and building	2,406,080	2,862,709	–	–
Directors' remuneration				
- fees	351,532	361,694	351,532	361,694
- other emoluments	8,555,100	7,706,850	5,031,950	3,198,150
Auditors' remuneration				
- statutory audit fees paid to PwC	240,538	118,093	97,490	59,200
- under provision in prior year	38,290	–	38,290	–
- statutory audit fees paid to other audit firms	1,147,061	1,146,025	–	–
- other audit fees paid to PwC	–	21,000	–	21,000
- other audit fees paid to other audit firms	150,835	160,645	–	–
Staff costs				
- wages, salaries and bonus	287,188,938	259,687,977	4,621,719	2,907,308
- defined contribution plan	1,310,419	979,300	463,055	277,148
- defined benefit plan	49,787,156	31,891,161	–	–
Realised loss on foreign exchange	85,531	200,550	1,681	–
Unrealised loss on foreign exchange	772,848	2,589	671,334	–
Development expenditure written off	7,978,033	24,536,338	7,978,033	24,402,838
Rental of plant and machinery	11,185,657	21,696,310	–	–
Allowance for doubtful debts	30,948,424	32,157,120	–	–
Provision for liabilities and charges	9,001,906	4,936,400	–	–
Loss on disposal of property, plant and equipment	12,209,065	–	–	–
and crediting:				
Gain on disposal of property, plant and equipment	18,049	1,877,814	–	–
Realised gain on foreign exchange	362	24,393	363	3,377
Unrealised gain on foreign exchange	7,722,155	9,004	7,721,912	–
Gain on sale of investments	–	13,448,534	–	195,476
Dividends from quoted shares in Malaysia	33,604	133,117	–	–
Interest income	19,731,280	11,134,265	–	–

8 FINANCE COST

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Interest on borrowings	661,103,082	694,655,066	52,503,475	42,028,650

Notes to the Financial Statements

9 TAXATION

Taxation charge for the financial year:

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Current tax				
- Malaysian tax	154,595,024	145,341,017	117,687,662	99,224,427
- Foreign tax	156,887,085	92,432,805	499,740	-
Deferred tax (Note 14)	10,183,325	47,949,404	-	-
	321,665,434	285,723,226	118,187,402	99,224,427
Current tax				
Current financial year	312,732,353	240,265,399	118,389,152	103,613,687
(Over)/under accrual in prior financial years	(1,250,244)	(2,491,577)	(201,750)	(4,389,260)
Deferred tax				
Originating and reversal of temporary differences	10,183,325	47,949,404	-	-
	321,665,434	285,723,226	118,187,402	99,224,427

The explanation of the relationship between tax expense and profit from ordinary activities before tax is as follows:

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Numerical reconciliation between tax expense and the product of accounting profit multiplied by the Malaysian tax rate				
Profit from ordinary activities before tax	1,196,148,015	1,027,901,256	484,281,212	395,914,238
Tax calculated at the Malaysian tax rate 28%	334,921,444	287,812,352	135,598,740	110,855,987
Different tax rates in other countries	27,763,879	13,641,639	(433,108)	-
Expenses not deductible for tax purposes	37,752,817	71,806,502	4,392,017	11,640,390
Income not subject to tax	(11,846,375)	(41,598,319)	(21,168,497)	(18,882,690)
Over accrual in previous years	(66,926,331)	(45,938,948)	(201,750)	(4,389,260)
	321,665,434	285,723,226	118,187,402	99,224,427
Average effective tax expenses				

Notes to the Financial Statements

10 EARNINGS PER ORDINARY SHARE

Basic earnings per share of the Group is calculated by dividing the net profit attributable to shareholders of RM874,482,581 (2005: RM742,178,030) by the weighted average number of ordinary shares outstanding, adjusted by the number of ordinary shares bought back during the financial year of 4,888,860,001 (2005: 4,686,697,716).

As at 30 June 2006, the Company had 1,006,003,400 (2005: 1,098,405,056) warrants, whose terms of conversion are set out in Note 12, still unexercised. FRS 133 'Earnings per share' prescribes that warrants are dilutive when they are issued for no consideration or when they would result in the issue of ordinary shares for less than fair value. The weighted average number of ordinary shares after adjustment for warrants and ESOS during the financial year is 5,244,478,432 (2005: 4,989,443,505).

11 DIVIDENDS

Group and Company

Dividends proposed in respect of the financial year ended 30 June 2006 are as follows:

	2006		2005	
	Gross dividend per share Sen	Amount of dividend, net of tax RM	Gross dividend per share Sen	Amount of dividend, net of tax RM
Proposed final	10	354,560,323	10	348,216,399
Paid final			10	355,321,709

A first and final gross dividend in respect of the financial year ended 30 June 2006 of 10 sen per RM0.50 share (2005: 10 sen per RM0.50 share) amounting to RM354,560,323 (2005: RM348,216,399) was recommended for shareholders' approval at the forthcoming Annual General Meeting. These financial statements do not reflect this final dividend which will be accrued as a liability in the financial year ending 30 June 2007 when approved by shareholders.

12 SHARE CAPITAL

	Group and Company	
	No. of shares	RM
Authorised:		
2005		
Ordinary shares of RM0.50 each		
As at 1 July 2004	11,365,000,000	11,365,000,000
Subdivision of ordinary shares of RM1.00 each into RM0.50 each	11,365,000,000	–
As at 30 June 2005	22,730,000,000	11,365,000,000

Notes to the Financial Statements

	Group and Company	
	No. of. shares	RM
2006		
Ordinary shares of RM0.50 each		
As at 1 July 2005/30 June 2006	22,730,000,000	11,365,000,000
Issued and fully paid-up:		
As at 1 July 2004	2,306,254,911	2,306,254,911
Subdivision of ordinary shares of RM1.00 each into RM0.50 each	2,306,254,911	–
Conversion of bonds	338,371,519	169,185,760
Exercise of share warrants	45,914,592	22,957,296
As at 30 June 2005	4,996,795,933	2,498,397,967
Ordinary shares of RM0.50 each		
As at 1 July 2005	4,996,795,933	2,498,397,967
Exercise of ESOS	73,873,000	36,936,500
Exercise of share warrants	92,401,656	46,200,828
As at 30 June 2006	5,163,070,589	2,581,535,295

The issued and fully paid up share capital of the Company was increased from RM2,498,397,967 to RM2,581,535,295 following the exercise of 73,873,000 ESOS of exercise prices ranging from RM1.14 to RM1.39 per share and the exercise of 92,401,656 warrants of 50 sen each at exercise prices ranging from RM1.41 to RM1.43 per warrant on the basis of one (1) new ordinary share for every one (1) warrant exercised. The new ordinary shares of 50 sen each rank pari passu in all respects with the existing issued shares of the Company.

The total number of unexercised warrants as at 30 June 2006 amounted to 1,006,003,400.

As indicated in Note 15(B) to the financial statements, the Company had on 11 January 2000 issued RM750,000,000 nominal value of seven-year 7% Redeemable Non-Guaranteed Unsecured Bonds 2000/2007 with 572,166,338 detachable Warrants ('Warrants').

The Warrants were constituted under a deed poll dated 13 March 2000 and each Warrant entitles its registered holder to subscribe for one (1) new ordinary share of RM1.00 each in the Company at the initial exercise price of RM2.75 payable in cash. This initial exercise price of the Warrants will be increased annually by four (4) sen from the first anniversary to the ninth anniversary of the date of issue. The initial exercise price is also subject to adjustments in accordance with the basis set out in the deed poll.

Each warrant entitles its registered holder to subscribe for one (1) new ordinary share of 50 sen each in the Company at the revised exercise price of RM1.41 payable in cash. On 11 January 2006, the exercise price was increased from RM1.41 to RM1.43 pursuant to appendix A of the deed poll. The exercise price of the warrants will be increased annually by two (2) sen from thereon until to the ninth anniversary of the date of issue.

The Warrants may be exercised at any time or before 8 January 2010. Any Warrants which have not been exercised at date of maturity will lapse and cease to be valid for any purpose.

Notes to the Financial Statements

The new ordinary shares allotted and issued upon exercise of the Warrants shall be fully paid and rank pari passu with the then existing ordinary shares of the Company. The Warrant holder will not have any voting rights in any general meeting of the Company unless the Warrants are exercised into new ordinary shares and registered prior to the date of the general meeting of the Company.

The total number of warrants that remain unexercised are as follows:

	Group/Company
As at 1 July 2004	572,150,895
Warrants exercised on 1 July 2004	8,929
	<hr/> 572,159,824
Subdivision of ordinary shares	572,159,824
Exercise of warrants	(45,914,592)
	<hr/> As at 30 June 2005
	1,098,405,056
As at 1 July 2005	1,098,405,056
Exercise of warrants	(92,401,656)
	<hr/> As at 30 June 2006
	1,006,003,400

Of the total 5,163,070,589 (2005: 4,996,795,933) issued and fully paid ordinary shares at 30 June 2006, the Company holds 238,621,656 (2005: 160,457,056) shares as treasury shares. As at 30 June 2006, the number of ordinary shares in issue and fully paid after offsetting treasury shares is 4,924,448,933 (2005: 4,836,338,877).

A Employees' Share Option Scheme

The Company implemented an Employees' Share Option Scheme ('ESOS') which came into effect on 30 November 2001 for a period of 10 years. The ESOS is governed by the bye-laws which were approved by the shareholders on 16 October 2001.

- i The maximum number of shares, which may be made available under the Scheme, shall not exceed ten per cent (10%) of the total issued and paid up share capital of the Company at the time of offering the option.
- ii Any employee (including Executive Directors) of the Group shall be eligible to participate in the Scheme if, as at the date of offer for an option ('Offer Date') the employee:
 - a has attained the age of eighteen (18) years;
 - b is employed by and on payroll of a company within the Group; and
 - c has been in the employment of the Group for a period of at least one (1) year of continuous service prior to and up to the Offer Date, including service during the probation period, and is confirmed in service. The options committee may, at its discretion, nominate any employee (including Executive Directors) of the Group to be an eligible employee despite the eligibility criteria under Clause 4.1(iii) of the bye-laws not being met, at any time and from time to time.

Notes to the Financial Statements

- iii The price payable for shares under the Scheme shall be based on the 5-day weighted average market price of the underlying shares at the time the option is granted, with a discount of not more than 10%, if deemed appropriate.
- iv Subject to Clause 14, the options committee may, at any time and from time to time, before or after an option is granted, limit the exercise of the option to a maximum number of new ordinary shares of the Company and/or such percentage of the total ordinary shares of the Company comprised in the option during such period(s) within the option period and impose any other terms and/or conditions deemed appropriate by the options committee in its sole discretion including amending/varying any terms and conditions imposed earlier. Notwithstanding the above, and subject to Clause 11 and 12, the option can only be exercised by the grantee three (3) years after the Offer Date, by notice in writing to the Company, provided however that the options committee may at its discretion or upon the request in writing by the grantee allow the option to be exercised at any earlier or other period.
- v The grantee shall be prohibited from disposing the ordinary shares of the Company so allotted to him for a period of twelve (12) months from the date on which the option is exercised. However, the options committee may at its discretion or upon request in writing by the grantee allow the disposal of such ordinary shares of the Company at any earlier or other period.

On 13 December 2002, the shareholders approved the amendments to the existing bye-laws governing the ESOS. The amendments were made to extend the ESOS to employees of Wessex Water Limited, a subsidiary of the Company following its acquisition on 21 May 2002.

The movements during the financial year in the number of options over the shares of the Company are as follows:

Grant date	Expiry date	Exercise price RM/share	Number of shares options				At end of financial year '000
			At start of financial year '000	Granted '000	Exercised '000	Lapsed '000	
Year ended							
30 June 2006							
16.10.2002	29.11.2011	1.14	41,496	–	(41,476)	–	20
13.12.2002	29.11.2011	1.32	23,200	–	(3,205)	(2,200)	17,795
26.12.2002	29.11.2011	1.39	35,288	–	(29,192)	(624)	5,472
12.12.2003	29.11.2011	1.53	3,100	–	–	(100)	3,000
12.12.2003	29.11.2011	1.70	3,888	–	–	(476)	3,412
16.05.2005	29.11.2011	1.82	4,300	–	–	(200)	4,100
16.05.2005	29.11.2011	2.02	5,630	–	–	(508)	5,122
01.08.2005	29.11.2011	1.90	–	42,472	–	(552)	41,920
			116,902	42,472	(73,873)	(4,660)	80,841

Notes to the Financial Statements

Grant date	Expiry date	Exercise price RM/share	Number of shares options				At end of financial year '000
			At start of financial year '000	Granted '000	Exercised '000	Lapsed '000	
Year ended							
30 June 2005							
16.10.2002	29.11.2011	1.14	41,500	–	–	(4)	41,496
13.12.2002	29.11.2011	1.32	23,200	–	–	–	23,200
26.12.2002	29.11.2011	1.39	36,156	–	–	(868)	35,288
12.12.2003	29.11.2011	1.53	3,100	–	–	–	3,100
12.12.2003	29.11.2011	1.70	4,194	–	–	(306)	3,888
16.05.2005	29.11.2011	1.82	–	4,600	–	(300)	4,300
16.05.2005	29.11.2011	2.02	–	10,078	–	(4,448)	5,630
			108,150	14,678	–	(5,926)	116,902
						2006	2005
						'000	'000
Number of share options vested at balance sheet date							
- option over ordinary shares of 50 sen each						80,841	116,902

13 RESERVES

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Share premium	2,211,391,498	2,072,127,239	2,211,391,498	2,072,127,239
Merger and other reserves	(2,116,309,641)	(2,058,301,897)	–	–
Treasury shares	(469,567,611)	(301,498,754)	(469,567,611)	(301,498,754)
Retained earnings	3,521,907,313	3,018,508,701	1,908,027,728	1,897,255,627
	3,147,421,559	2,730,835,289	3,649,851,615	3,667,884,112

Notes to the Financial Statements

A Merger and other reserves

	Group	
	2006 RM	2005 RM
Non-distributable		
Capital redemption reserve	20,000,000	20,000,000
Merger reserve	(2,138,533,328)	(2,138,533,328)
Foreign exchange fluctuation reserve	(60,285,570)	12,850,705
Equity component of Exchangeable Bond [Note 15(H)]	35,231,540	35,231,540
Share of an associated company's statutory reserves transferred from retained earnings	25,437,841	10,246,729
Capital reserve	1,839,876	1,902,457
	(2,116,309,641)	(2,058,301,897)

The movement in each category of reserves are as follows:

	Group	
	2006 RM	2005 RM
Capital redemption reserve*		
At 1 July/ 30 June	20,000,000	20,000,000
Merger reserve		
At 1 July/30 June	(2,138,533,328)	(2,138,533,328)
Foreign exchange fluctuation reserve		
At 1 July	12,850,705	60,581,417
Foreign currency translation differences	(73,136,275)	(47,730,712)
At 30 June	(60,285,570)	12,850,705
Equity component of Exchangeable Bond		
At 1 July	35,231,540	–
Equity component of Exchangeable Bond recognised during the financial year	–	35,231,540
At 30 June	35,231,540	35,231,540
Share of associated company's statutory reserves transferred from retained earnings		
At 1 July	10,246,729	–
Share of statutory reserves during the financial year	15,762,260	10,246,729
Foreign currency translation differences	(571,148)	–
At 30 June	25,437,841	10,246,729

Notes to the Financial Statements

	Group	
	2006	2005
	RM	RM
Capital reserve		
At 1 July	1,902,457	–
Capital reserve arising from acquisition of an associated company	–	1,902,457
Foreign currency translation differences	(62,581)	–
At 30 June	1,839,876	1,902,457

* Capital redemption reserve has been set up for purposes of redemption of preference shares in a subsidiary company.

B Treasury shares

The Shareholders of the Company, by a resolution passed in the 9th Annual General Meeting held on 8 December 2005, approved the Company's plan to repurchase its own shares. The Directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company repurchased 78,164,600 (2005: 187,836,600) of its issued share capital from the open market. The average price paid for the shares repurchased was RM2.15 per share. The repurchase transactions 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.

C Retained earnings

Subject to agreement by the Inland Revenue Board, the Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and tax exempt income to frank the payment of net dividends amounting to approximately RM909,000,000 (2005: RM898,000,000) out of its retained earnings at 30 June 2006 without incurring additional tax liabilities. The extent of the retained earnings not covered at that date amounted to approximately RM998,000,000 (2005: RM1,000,000,000).

14 DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	Group	
	2006	2005
	RM	RM
Deferred tax liabilities	2,327,500,554	2,362,357,174

Notes to the Financial Statements

	2006 RM	2005 RM
At 1 July	2,362,357,174	2,301,955,313
Charged/(credited) to income statement:		
- Property, plant and equipment	(36,851,484)	(8,691,702)
- Retirement benefits	(64,327,416)	55,163,707
- Advance Corporate Tax	112,908,113	(5,232,584)
- Others	(1,545,888)	6,709,983
	10,183,325	47,949,404
Exchange differences	(45,039,945)	(2,669,094)
Acquisition of subsidiary company	-	(758,034)
Acquisition of an associated company	-	15,879,585
At 30 June	2,327,500,554	2,362,357,174

	Group	
	2006 RM	2005 RM
Subject to income tax		
Deferred tax assets before offsetting:		
- Retirement benefits	119,707,410	45,366,681
- Advance Corporate Tax	106,348,808	225,575,277
- Others	8,410,920	7,031,970
	234,467,138	277,973,928
Offsetting	(234,467,138)	(277,973,928)
	-	-
Deferred tax liabilities before offsetting:		
- Property, plant and equipment	2,546,311,126	2,616,857,918
- Others	15,656,566	23,473,184
	2,561,967,692	2,640,331,102
Offsetting	(234,467,138)	(277,973,928)
	2,327,500,554	2,362,357,174

Notes to the Financial Statements

15 BONDS

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Current				
Fixed Rate Bonds [Note 15 (A)]	125,000,000	125,000,000	–	–
7% Redeemable Non-Guaranteed Unsecured Bonds (Note 15(B))	749,508,928	–	749,508,928	–
	874,508,928	125,000,000	749,508,928	–
Non current				
Fixed Rate Bonds [Note 15 (A)]	187,500,000	312,500,000	–	–
7% Redeemable Non-Guaranteed Unsecured Bonds [Note 15 (B)]	–	748,526,786	–	748,526,786
5.875% Guaranteed Unsecured Bonds [Note 15 (C)]	1,340,448,244	1,340,198,360	–	–
Guaranteed Variable Coupon Bonds Due 2009 [Note 15 (D)]	673,520,000	686,850,000	–	–
3.52% Retail Price Index Guaranteed Bonds [Note 15 (E)]	371,096,143	379,434,577	–	–
5.75% Guaranteed Unsecured Bonds [Note 15 (F)]	2,324,432,280	2,369,209,438	–	–
5.375% Guaranteed Unsecured Bonds [Note 15 (G)]	1,331,422,828	1,357,041,499	–	–
Zero Coupon Exchangeable Guaranteed Bonds Due 2010 [Note 15 (H)]	912,876,678	911,428,488	–	–
	7,141,296,173	8,105,189,148	–	748,526,786
Total				
Fixed Rate Bonds [Note 15 (A)]	312,500,000	437,500,000	–	–
7% Redeemable Non-Guaranteed Unsecured Bonds [Note 15 (B)]	749,508,928	748,526,786	749,508,928	748,526,786
5.875% Guaranteed Unsecured Bonds [Note 15 (C)]	1,340,448,244	1,340,198,360	–	–
Guaranteed Variable Coupon Bonds Due 2009 [Note 15 (D)]	673,520,000	686,850,000	–	–
3.52% Retail Price Index Guaranteed Bonds [Note 15 (E)]	371,096,143	379,434,577	–	–
5.75% Guaranteed Unsecured Bonds [Note 15 (F)]	2,324,432,280	2,369,209,438	–	–
5.375% Guaranteed Unsecured Bonds [Note 15 (G)]	1,331,422,828	1,357,041,499	–	–
Zero Coupon Exchangeable Guaranteed Bonds Due 2010 [Note 15 (H)]	912,876,678	911,428,488	–	–
	8,015,805,101	8,230,189,148	749,508,928	748,526,786

Notes to the Financial Statements

	Group		Company	
	Fair value 2006 RM	Fair value 2005 RM	Fair value 2006 RM	Fair value 2005 RM
Fixed Rate Bonds [Note 15(A)]	334,635,719	487,000,837	–	–
7% Redeemable Non-Guaranteed Unsecured Bonds [Note 15 (B)]	863,774,398	868,972,589	863,774,398	868,972,589
5.875% Guaranteed Unsecured Bonds [Note 15 (C)]	1,360,525,304	1,430,937,500	–	–
Guaranteed Variable Coupon Bonds Due 2009 [Note 15 (D)]	683,607,895	715,468,750	–	–
3.52% Retail Price Index Guaranteed Bonds [Note 15 (E)]	430,379,280	423,099,600	–	–
5.75% Guaranteed Unsecured Bonds [Note 15 (F)]	2,518,964,800	2,628,574,950	–	–
5.375% Guaranteed Unsecured Bonds [Note 15 (G)]	1,353,101,680	1,431,395,400	–	–
Zero Coupon Exchangeable Guaranteed Bonds Due 2010 [Note 15 (H)]	906,899,832	919,283,444	–	–
	8,451,888,908	8,904,733,070	863,774,398	868,972,589

A Fixed Rate Bonds

The Fixed Rate Bonds were issued pursuant to a subscription agreement dated 30 October 1993 and bear interest at a rate of 10% per annum. The principal amount of the bonds issued under the subscription agreement was RM1,500,000,000.

The Fixed Rate Bonds are secured by fixed and floating charges over all assets of a subsidiary company, YTL Power Generation Sdn Bhd, both present and future. The Fixed Rate Bonds are repayable in half-yearly equal instalments commenced from the year 1999.

B 7% Redeemable Non-Guaranteed Unsecured Bonds

In 2000, the Company issued RM750,000,000 nominal value of seven-year 7.0% Redeemable Non-Guaranteed Unsecured Bonds 2000/2007 ('RNGU Bonds') with 572,166,338 detachable Warrants. The RNGU Bonds were constituted under a Trust Deed dated 5 January 2000. The details of the Warrants are set out in Note 12.

The principal features of the RNGU Bonds are as follows:

- The RNGU Bonds bear interest at 7.0% per annum, payable semi-annually on 11 July and 11 January of each financial year. The Company entered into an associated interest rate swap agreement as set out in Note 40(a).
- The RNGU Bonds are redeemable on 11 January 2007 ('Maturity Date') at one hundred percent (100%) of its nominal value. Unless previously redeemed, repurchased, cancelled or otherwise satisfied by the Company, the Bonds will be redeemed in full by the Company on the Maturity Date at one hundred percent (100%) of its nominal value together with all accrued interest on the surrender of the bond certificate.

Notes to the Financial Statements

The nominal value of the 7 year 7.0% RNGU Bonds 2000/2007 with 572,166,338 detachable Warrants amounted to RM750,000,000 and remained outstanding as at 30 June 2006, net of amortised fees and discount.

C 5.875% Guaranteed Unsecured Bonds

On 30 March 1999, Wessex Water Services Finance Plc ('Issuer'), a subsidiary company of the Group, issued GBP300,000,000 nominal value of 5.875% Guaranteed Unsecured Bonds due 2009 ('GU Bonds') unconditionally and irrevocably guaranteed by Wessex Water Services Limited ('Guarantor'), a subsidiary company of the Group. The GU Bonds are constituted under a Trust Deed dated 30 March 1999. The nominal value of GU Bonds issued amounted to GBP300,000,000 and GBP199,021,298 remained outstanding as at 30 June 2006, net of amortised fees and discount.

The principal features of the GU Bonds are as follows:

- a The GU Bonds bear interest at 5.875% per annum, payable annually on 30 March of each financial year.
- b Unless previously redeemed, repurchased, cancelled or otherwise satisfied by the Issuer, the bonds will be redeemed in full by the Issuer on 30 March 2009 at their nominal value together with all accrued interest on the surrender of the GU Bonds.
- c The Issuer may, at any time, purchase the GU Bonds in any manner and at any price. If purchases are made by tender, tenders must be available to all bondholders alike. All GU Bonds purchased by the Issuer will forthwith be cancelled.
- d The Issuer, by giving the appropriate notice and in accordance with the conditions laid out in the offering circular, may purchase the GU Bonds if there is a change in tax legislation or if it wishes to do so at a price determined by an agreed formula.
- e The bondholders may put the GU Bonds to the Issuer if:
 - i Wessex Water Services Limited loses its Appointment;
 - ii the Issuer ceases to be a subsidiary of Wessex Water Services Limited; or
 - iii a Restructuring Event occurs which results in the GU Bonds being downgraded below investment grade. 'Appointment' refers to the Instrument of Appointment dated 1 September 1989 under Section 11 of the Water Act 1989 (now Section 6 of the Water Industry Act, 1991) appointing the Guarantor as a water undertaker and sewerage undertaker for the areas described therein. 'Restructuring Event' refers to either:
 - a any material rights, benefits or obligations of Wessex Water Services Limited under the Appointment or any material terms of the Appointment are modified; or
 - b any legislation is enacted removing, reducing or qualifying the duties or powers of the Secretary of State for the Environment and/or the Director General of Water Services.

Notes to the Financial Statements

D Guaranteed Variable Coupon Bonds Due 2009

On 30 March 2001, GBP100,000,000 nominal value of the GU Bonds were redeemed by the issue of GBP100,000,000 Guaranteed Variable Coupon Bonds ('GVC Bonds') due 2009 by Wessex Water Services Finance Plc unconditionally and irrevocably guaranteed by Wessex Water Services Limited.

The nominal value of GVC Bonds issued remained outstanding as at 30 June 2006 (2005: GBP100,000,000). Interest payable on the GVC Bonds is calculated by reference to ratings assigned to the bonds. The GVC Bonds are unsecured and the interest rate since issuance of the Bonds was 5.875% payable semi-annually in arrears on 30 September and 30 March of each financial year. Other features of the GVC Bonds remain similar to that of the GU Bonds mentioned previously.

E 3.52% Retail Price Index Guaranteed Bonds

On 10 December 2001, Wessex Water Services Finance Plc ('Issuer') issued GBP50,000,000 nominal value of 3.52% Guaranteed Retail Price Index with Zero Floor Bonds due 2023 ('RPIG Bonds') unconditionally and irrevocably guaranteed by Wessex Water Services Limited ('Guarantor'). The RPIG Bonds were constituted under a Trust Deed dated 10 December 2001 and are unsecured.

The principal features of the RPIG Bonds are as follows:

- a The RPIG Bonds bear interest semi-annually on 30 January and 30 July at an interest rate of 3.52% initially, indexed up by the inflation rate every year. The effective interest rate as at 30 June 2006 is 5.95% (2005: 6.97%).
- b Unless previously redeemed, repurchased, cancelled or otherwise satisfied by the Issuer, the RPIG Bonds will be redeemed in full by the Issuer on 30 July 2023 at their indexed value together with all accrued interest on the surrender of the Bonds.
- c The Issuer may, at any time, purchase the RPIG Bonds in any manner and at any price. If purchases are made by tender, tenders must be available to all bondholders alike. All RPIG Bonds purchased by the Issuer will forthwith be cancelled.
- d The Issuer, by giving the appropriate notice and in accordance with the conditions laid out in the offering circular, may purchase the RPIG Bonds if there is a change in tax legislation or if it wishes to do so at a price determined by an agreed formula.
- e The bondholders may put the RPIG Bonds to the Issuer if:
 - i Wessex Water Services Limited loses its Appointment;
 - ii the Issuer ceases to be a subsidiary of Wessex Water Services Limited; or
 - iii a Restructuring Event occurs which results in the RPIG Bonds being downgraded below investment grade. 'Appointment' refers to the Instrument of Appointment dated 1 September 1989 under Section 11 of the Water Act 1989 (now Section 6 of the Water Industry Act, 1991) appointing the Guarantor as a water undertaker and sewerage undertaker for the areas described therein. 'Restructuring Event' refers to either:

Notes to the Financial Statements

- a any material rights, benefits or obligations of Wessex Water Services Limited under the Appointment or any material terms of the Appointment are modified; or
- b any legislation is enacted removing, reducing or qualifying the duties or powers of the Secretary of State for the Environment and/or the Director General of Water Services.

The nominal value of RPIG Bonds issued of GBP50,000,000 remained outstanding as at 30 June 2006, net of amortised fees and discount.

F 5.75% Guaranteed Unsecured Bonds

On 15 October 2003, Wessex Water Services Finance Plc ('Issuer'), a subsidiary company of the Group, issued GBP350,000,000 nominal value of 5.75% Guaranteed Unsecured Bonds due 2033 ('GU Bonds') unconditionally and irrevocably guaranteed by Wessex Water Services Limited ('Guarantor'), a subsidiary company of the Group. The GU Bonds are constituted under a Trust Deed dated 15 October 2003. The nominal value of GU Bonds issued amounted to GBP350,000,000 and GBP345,117,039 (2005: GBP344,938,406) remained outstanding as at 30 June 2006, net of amortised fees and discount. The net proceeds of the GU Bonds were used for refinancing of existing financial indebtedness and for general corporate purposes.

The principal features of the GU Bonds are as follows:

- a The bonds bear interest at 5.75% per annum, payable annually on 14 October of each financial year.
- b Unless previously redeemed, repurchased, cancelled or otherwise satisfied by the Issuer, the bonds will be redeemed in full by the Issuer on 14 October 2033 at their nominal value together with all accrued interest on the surrender of the GU Bonds.
- c The Issuer may, at any time, purchase the GU Bonds in any manner and at any price. If purchases are made by tender, tenders must be available to all bondholders alike. All GU Bonds purchased by the Issuer will forthwith be cancelled.
- d The Issuer, by giving the appropriate notice and in accordance with the conditions laid out in the offering circular, may purchase the GU Bonds if there is a change in tax legislation or if it wishes to do so at a price determined by an agreed formula.
- e The bondholders may put the GU Bonds to the Issuer if:
 - i Wessex Water Services Limited loses its Appointment;
 - ii the Issuer ceases to be a subsidiary of Wessex Water Services Limited; or
 - iii a Restructuring Event occurs which results in the GU Bonds being downgraded below investment grade. 'Appointment' refers to the Instrument of Appointment dated 1 September 1989 under Section 11 of the Water Act 1989 (now Section 6 of the Water Industry Act, 1991) appointing the Guarantor as a water undertaker and sewerage undertaker for the areas described therein. 'Restructuring Event' refers to either:
 - a any material rights, benefits or obligations of Wessex Water Services Limited under the Appointment or any material terms of the Appointment are modified;

Notes to the Financial Statements

- b any legislation is enacted removing, reducing or qualifying the duties or powers of the Secretary of State for the Environment and/or the Director General of Water Services.

G 5.375% Guaranteed Unsecured Bonds

On 10 March 2005, Wessex Water Services Finance Plc ('Issuer'), a subsidiary company of the Group, issued GBP200,000,000 nominal value 5.375% Guaranteed Unsecured Bonds due 2028 ('GU Bonds') unconditionally and irrevocably guaranteed by Wessex Water Services Limited ('Guarantor'), a subsidiary company of the Group. The GU Bonds are constituted under a Trust Deed dated 10 March 2005. The nominal value of GU Bonds issued amounted to GBP200,000,000 and GBP197,681,261 (2005: GBP197,574,652) remained outstanding as at 30 June 2006, net of amortised fees and discount. The net proceeds of the GU Bonds were used for refinancing of existing financial indebtedness and for general corporate purposes.

The principal features of the GU Bonds are as follows:

- a The bonds bear interest at 5.375% per annum, payable on 10 March of each financial year.
- b Unless previously redeemed, repurchased, cancelled or otherwise satisfied by the Issuer, the bonds will be redeemed in full by the Issuer on 10 March 2028 at their nominal value together with accrued interest on the surrender of the GU Bonds.
- c The Issuer may, at any time, purchase the GU Bonds in any manner and at any price. If purchases are made by tender, tenders must be available to all bondholders alike. All GU Bonds purchased by the Issuer will forthwith be cancelled.
- d The Issuer, by giving the appropriate notice and in accordance with the conditions laid out in the offering circular, may purchase the GU Bonds if there is a change in tax legislation or if it wishes to do so at a price determined by an agreed formula.
- e The bondholders may put the GU Bonds to the Issuer if:
 - i Wessex Water Services Limited loses its Appointment;
 - ii the Issuer ceases to be a subsidiary of Wessex Water Services Limited; or
 - iii a Restructuring Event occurs which results in the GU Bonds being downgraded below investment grade. 'Appointment' refers to the Instrument of Appointment dated 1 September 1989 under Section 11 of the Water Act 1989 (now Section 6 of the Water Industry Act, 1991) appointing the Guarantor as a water undertaker and sewerage undertaker for the areas described therein. 'Restructuring Event' refers to either:
 - a any material rights, benefits or obligations of Wessex Water Services Limited under the Appointment or any material terms of the Appointment are modified;
 - b any legislation is enacted removing, reducing or qualifying the duties or powers of the Secretary of State for the Environment and/or the Director General of Water Services.

Notes to the Financial Statements

H Zero Coupon Exchangeable Guaranteed Bonds Due 2010

On 9 May 2005, YTL Power Finance (Cayman) Limited issued USD250 million nominal value 5-year Exchangeable Guaranteed Bonds at 100% nominal value which were listed on the Singapore Exchange Securities Trading Limited on 10 May 2005 ("The Bonds"). Each Bond entitles its registered holder to exchange for fully paid ordinary shares ("Shares") of the Company, YTL Power International Berhad, with a par value of RM0.50 each at an initial exchange price of RM2.277 per share at a fixed exchange rate of USD1.00 = RM3.80. The initial exchange price is also subject to adjustments in accordance with the terms and conditions of the Bonds as set out in the Trust Deed dated 9 May 2005.

The net proceeds from the issue of the Bonds will be used by the Company to finance its offshore investments and projects and/or for the potential repayment of foreign currency borrowing.

The principal features of the Bonds which matures on 9 May 2010 are as follows:

- a The Bonds carry no coupon, have a maturity yield of 3.375% and have a put option at 110.56% on 9 May 2008.
- b The Bonds constitute direct, unsubordinated, unconditional and (subject to the negative pledge) unsecured obligations of YTL Power Finance (Cayman) Limited shall at all times rank pari passu and without any preference or priority among themselves.
- c The Bonds will be unconditionally and irrevocably guaranteed by the Company.
- d Final redemption

Unless previously purchased and cancelled, redeemed or exchanged, the Bonds will be redeemed on 9 May 2010 at 118.22% of their principal amount.

- e Mandatory exchange option of YTL Power Finance (Cayman) Limited or the Company

On or at any time after 23 May 2007 but not less than 21 days prior to the Maturity Date, either YTL Power Finance (Cayman) Limited or the Company may, in respect of all (but not some) of the outstanding Bonds exercise an option to mandatorily exchange the Bonds for Shares, provided that the volume weighted average price of the Shares into which each USD100,000 principal amount of Bonds can be exchanged for each of 20 consecutive trading days ending on a date no earlier than five trading days prior to the date of notice of mandatory exchange was at least 120% of the early redemption amount of such USD100,000 principal amount Bonds. YTL Power Finance (Cayman) Limited or the Company, as the case may be, has the option to settle the mandatory exchange in full or in part by the payment of cash.

- f Redemption at the option of YTL Power Finance (Cayman) Limited

YTL Power Finance (Cayman) Limited may redeem the Bonds, in whole but not in part, at their early redemption amount if less than 10% of the aggregate principal amount of the Bonds originally issued is still outstanding.

- g Redemption by bondholders upon delisting of the shares of the Company or a change of control

Upon the Shares ceasing to be listed on Bursa Malaysia or upon a change of control of the Company, the Bonds may be redeemed at the option of bondholders at their early redemption amount at the relevant redemption date.

Notes to the Financial Statements

16 BORROWINGS

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Current				
Revolving credit [Note 16 (A)]	–	661,345,903	–	–
Term loans [Note 16 (B)]	–	538,490,400	–	–
Committed bank loans [Note 16 (C)]	3,998,069	3,978,612	–	–
Finance lease [Note 16 (D)]	21,598,433	18,606,677	–	–
Bank overdrafts [Note 16 (E), Note 33]	63,923,783	62,414,060	–	–
Medium Term Notes [Note 16 (F)]	100,000,000	100,000,000	–	–
Hire purchase liabilities [Note 16 (G)]	717,560	797,780	68,896	–
	190,237,845	1,385,633,432	68,896	–
Non-current				
Revolving credit [Note 16 (A)]	648,321,935	–	–	–
Term loans [Note 16 (B)]	1,946,893,323	1,609,794,636	622,753,003	–
Committed bank loans [Note 16 (C)]	39,012,919	42,802,740	–	–
Finance lease [Note 16 (D)]	566,345,174	599,579,928	–	–
Medium Term Notes [Note 16 (F)]	1,199,371,818	899,281,212	–	–
Hire purchase liabilities [Note 16 (G)]	632,121	535,558	144,565	–
	4,400,577,290	3,151,994,074	622,897,568	–
	4,590,815,135	4,537,627,506	622,966,464	–
Total				
Revolving credit [Note 16 (A)]	648,321,935	661,345,903	–	–
Term loans [Note 16 (B)]	1,946,893,323	2,148,285,036	622,753,003	–
Committed bank loans [Note 16 (C)]	43,010,988	46,781,352	–	–
Finance lease [Note 16 (D)]	587,943,607	618,186,605	–	–
Bank overdrafts [Note 16 (E), Note 33]	63,923,783	62,414,060	–	–
Medium Term Notes [Note 16 (F)]	1,299,371,818	999,281,212	–	–
Hire purchase liabilities [Note 16 (G)]	1,349,681	1,333,338	213,461	–
	4,590,815,135	4,537,627,506	622,966,464	–

Notes to the Financial Statements

	Group		Company	
	2006 %	2005 %	2006 %	2005 %
Weighted average effective interest rate				
Revolving credit	4.74	4.92	–	–
Term loans	4.90	3.56	4.73	1.87
Committed bank loans	N/A	5.00	–	–
Finance lease	4.28	4.93	–	–
Bank overdrafts	5.50	5.50	–	–
Medium Term Notes	3.45	3.92	–	–
Hire purchase liabilities	2.42	3.50	3.15	–

Group borrowings:

	Not later than 1 year RM	Later than 1 year but not later than 5 years RM	Later than 5 years RM	Total RM
At 30 June 2006				
Revolving credit [Note 16 (A)]	–	648,321,935	–	648,321,935
Term loans [Note 16 (B)]	–	650,620,320	1,296,273,003	1,946,893,323
Committed bank loans [Note 16 (C)]	3,998,069	15,992,267	23,020,652	43,010,988
Finance lease [Note 16 (D)]	21,598,433	125,956,645	440,388,529	587,943,607
Bank overdrafts [Note 16 (E), Note 33]	63,923,783	–	–	63,923,783
Medium Term Notes [Note 16 (F)]	100,000,000	–	1,199,371,818	1,299,371,818
Hire purchase liabilities [Note 16 (G)]	717,560	632,121	–	1,349,681
	190,237,845	1,441,523,288	2,959,054,002	4,590,815,135
At 30 June 2005				
Revolving credit [Note 16 (A)]	661,345,903	–	–	661,345,903
Term loans [Note 16 (B)]	538,490,400	1,094,657,136	515,137,500	2,148,285,036
Committed bank loans [Note 16 (C)]	3,978,612	15,914,452	26,888,288	46,781,352
Finance lease [Note 16 (D)]	18,606,677	111,598,598	487,981,330	618,186,605
Bank overdrafts [Note 16 (E)]	62,414,060	–	–	62,414,060
Medium Term Notes [Note 16 (F)]	100,000,000	–	899,281,212	999,281,212
Hire purchase liabilities [Note 16 (H)]	797,780	535,558	–	1,333,338
	1,385,633,432	1,222,705,744	1,929,288,330	4,537,627,506

The borrowings obtained by the subsidiary companies are on a non-recourse basis to the Company.

The carrying amounts of borrowings of the Group and the Company at the balance sheet date approximated their fair values.

Notes to the Financial Statements

A Revolving credit

Revolving credit due is secured by fixed deposits of YTL Utilities Finance Limited (Note 33). The facility bears an interest rate of LIBOR plus 0.10%.

B Term loans

i Term loans denominated in Great Britain Pounds

Term loans of RM1,324,140,320 (GBP196,600,000) (2005: RM1,201,987,500 (GBP175,000,000)) are unsecured loans of Wessex Water Services Limited and are guaranteed by Wessex Water Limited. The loans bear interest rates of LIBOR plus 0.15% and LIBOR plus a different variable margin for each of the GBP21,600,000 and GBP175,000,000 respectively. Wessex Water Services Limited entered into interest rate swap agreements in relation to the term loans as set out in Note 40(b).

ii Term loans denominated in US Dollars

YTL Utilities Finance 2 Limited had in 2005 drawn down a term loan of USD250,000,000. The term loan is unsecured and is guaranteed by the Company. The loan bears an interest rate of LIBOR plus 0.475% margin. The term loan facility was subsequently novated by YTL Utilities Finance 2 Limited to the Company on 7 October 2005 of which USD80,000,000 has been repaid during the current financial year.

C Committed bank loans

Committed bank loans totalling RM43,010,988 (EUR9,226,486) (2005: RM46,781,352 (EUR5,972,882)) are guaranteed by Wessex Water Limited. The loan bears an interest rate of EURO base rate plus 0.60% and varies depending on the credit rating of Wessex Water Limited.

D Finance lease

The finance lease as at 30 June 2006 is an unsecured obligation of Wessex Water Services Limited. The principal amount of RM587,943,607 (GBP87,294,157) (2005: RM618,186,605 (GBP90,003,145)) is repayable in instalments until 30 June 2019. The finance lease bears an interest rate of LIBOR minus 0.48% derived from the annual lease rental payable.

	2006 RM	2005 RM
Minimum finance lease payments		
- Not later than 1 year	51,150,936	49,679,326
- Later than 1 year but not later than 5 years	231,490,274	224,830,309
- Later than 5 years	539,957,107	614,048,500
Future finance charges on finance lease	(234,654,710)	(270,371,530)
Present value of finance lease	587,943,607	618,186,605

Notes to the Financial Statements

E Bank overdrafts

Bank overdrafts of RM63,923,783 (GBP9,491,000) (2005: RM62,414,060 (GBP9,087,000)) are unsecured loans of Wessex Water Services Limited, Wessex Water Limited and SC Technology Nederlands BV. The overdrafts are repayable in full on demand. All the bank overdrafts bear interest of Base Rate plus 1%.

F Medium Term Notes

The nominal value of RM1,300,000,000 unsecured Medium Term Notes ranging between 1 year to 11 years were issued pursuant to a Facility Agreement dated 16 July 2003. Interest is payable semi-annually. The Facility bears interest rates ranging from 3.20% per annum to 4.05% per annum (2005: 3.20% per annum to 4.05% per annum).

A principal amount of RM100,000,000 was repaid during the financial year.

During the financial year, the Company issued an additional unsecured Medium Term Notes at a nominal value of RM400,000,000 ranging between 1 year to 3 years which bears an interest rate ranging from 3.02% to 4.55% per annum. Interest is payable semi annually.

G Hire purchase liabilities

Hire purchase liabilities were obtained by the Company and one of its subsidiary company during the financial year.

	2006 RM	2005 RM
Minimum hire purchase payments		
- not later than 1 year	768,365	854,328
- later than 1 year but not later than 5 years	654,415	555,248
	1,422,780	1,409,576
Future finance charges on hire purchase liabilities	(73,099)	(76,238)
Present value of hire purchase liabilities	1,349,681	1,333,338
Present value of hire purchase liabilities		
- not later than 1 year (current)	717,560	797,780
- later than 1 year but not later than 5 years (non-current)	632,121	535,558
Present value of hire purchase liabilities	1,349,681	1,333,338

Notes to the Financial Statements

17 POST-EMPLOYMENT BENEFIT OBLIGATIONS

	Defined benefit plan		Defined contribution plan	
	United Kingdom RM	Indonesia RM	Total RM	Malaysia RM
Group				
2006				
Current	–	–	–	370,845
Non-current	404,010,972	2,632,764	406,643,736	–
	404,010,972	2,632,764	406,643,736	370,845
2005				
Current	–	–	–	316,189
Non-current	415,544,250	1,990,959	417,535,209	–
	415,544,250	1,990,959	417,535,209	316,189

A Defined contribution plan

Group companies incorporated in Malaysia contribute to the Employees Provident Fund, the national defined contribution plan. Once the contributions have been paid, the Group has no further payment obligations.

B Defined benefit plan - United Kingdom

The Group operates final salary defined benefit plans for its employees in the United Kingdom, the assets of which are held in separate trustee - administered funds. The latest actuarial valuation of the plan was undertaken at 31 December 2004. This valuation was updated as at 30 June 2006 using revised assumptions.

The movements during the financial year in the amounts recognised in the consolidated balance sheet are as follows:

	Defined benefit plan United Kingdom RM
At 1 July 2004	393,072,680
Pension cost	57,121,200
Contributions and benefits paid	(33,849,600)
Currency translation differences	(800,030)
At 30 June 2005	415,544,250
Pension cost	69,425,379
Contributions and benefits paid	(72,835,400)
Currency translation differences	(8,123,257)
At 30 June 2006	404,010,972

Notes to the Financial Statements

The amounts recognised in the consolidated balance sheet may be analysed as follows:

	Defined benefit plan United Kingdom	
	2006	2005
	RM	RM
Present value of funded obligations	2,251,476,332	2,141,598,300
Fair value of plan assets	(1,770,010,560)	(1,651,187,400)
Status of funded plan	481,465,772	490,410,900
Unrecognised actuarial loss	(77,454,800)	(74,866,650)
Liability in the balance sheet	404,010,972	415,544,250

The pension cost recognised be analysed as follows:

	Defined benefit plan United Kingdom	
	2006	2005
	RM	RM
Current service cost	52,507,702	39,491,200
Interest cost	103,293,840	107,190,400
Expected return on plan assets	(92,699,600)	(93,086,400)
Past service cost	6,323,437	3,526,000
Total	69,425,379	57,121,200
Actual return on plan assets	114,188,180	232,245,300

The charge to the income statement was included in the following line items:

- cost of sales	21,287,801	9,167,600
- administrative expenses	26,949,098	22,566,400
- finance cost	10,594,240	14,104,000
Total charge to income	58,831,139	45,838,000
Capitalised spread across fixed assets	10,594,240	11,283,200
	69,425,379	57,121,200

The principal actuarial assumptions used in respect of the Group's defined benefit plan were as follows:

	Defined benefit plan United Kingdom	
	2006	2005
	%	%
Discount rate	5.20	5.00
Expected rate of increase in pension payment	2.80	2.50
Expected rate of salary increases	3.80	3.50
Price inflation	2.80	2.50

Notes to the Financial Statements

C Defined benefit plan - Indonesia

The Group operates a pension benefit plan for its employees in Indonesia. Employee benefits due from prevailing manpower law and regulations as well as the company's regulation are recognised when they accrue to the employee. In accordance with Labour Law No. 13/2003 ("Law 13") the company is required to provide pension benefits, with minimum benefits as stipulated in the Law. Pension benefits under the Law No. 13/2003 represent a defined benefits plan. An employee is entitled to this pension benefits if the employee enters pension age/retires under the company's employment. Further, as determined in the prevailing Collective Labour Agreement ("CLA") between the company and the employees, employees are entitled to certain amount of benefits upon voluntary resignation. As per the company's regulation, Indonesian national employees are also eligible to be paid a long leave service benefit, while expatriate employees are eligible to receive a foreign service benefits in accordance with a standard clause in all expatriate secondment agreements.

Contribution to the plan charged to the income statement amounted to RM1,550,257 (2005: RM157,161). The company's accumulated contribution to the plan has been accounted in the actuarial calculation for determining provision for Post-Employment Benefits. Based on this actuary calculation, provision for Post-Employment Benefits as at 30 June 2006 is RM2,632,764 (2005: RM1,990,959).

The latest actuarial valuation of the plan was undertaken on 10 March 2006.

18 DEFERRED INCOME

	Group	
	2006	2005
	RM	RM
At 1 July	149,212,894	145,320,482
Currency translation differences	(2,880,879)	(177,811)
Received during the financial year	6,637,733	10,018,797
Transfer to income statement	(5,767,239)	(5,948,574)
At 30 June	147,202,509	149,212,894

Deferred income represents government grants in respect of specific expenditure on non-infrastructure assets.

19 PAYABLES

	Group	
	2006	2005
	RM	RM
At 1 July	22,263,632	28,186,425
Currency translation differences	(528,370)	143,916
Refunded during the financial year	(5,602,599)	(6,066,709)
At 30 June	16,132,663	22,263,632

Payables comprise deposits received from developers of housing development in relation to the provision of water and sewerage infrastructure.

Notes to the Financial Statements

20 PROPERTY, PLANT AND EQUIPMENT

The details of property, plant and equipment are as follows:

Group	Land and buildings RM	Infrastructure assets RM	Plant and machinery RM
2006			
Cost			
At 1 July 2005	4,421,067,732	5,118,671,909	6,379,465,931
Currency translation differences	(67,846,006)	(99,356,949)	(71,256,612)
Additions	23,822,413	34,457,481	133,232,882
Disposals	(3,999,868)	–	(45,245,906)
Transfer on commissioning	13,716,038	9,584,582	25,374,794
Grants and contribution	–	(45,009,800)	–
At 30 June 2006	4,386,760,309	5,018,347,223	6,421,571,089
Accumulated depreciation			
At 1 July 2005	580,591,189	–	1,617,011,460
Charge for the financial year	104,692,940	–	387,183,679
Currency translation differences	(3,354,263)	–	(8,964,847)
Disposals	(1,667,004)	–	(32,619,102)
At 30 June 2006	680,262,862	–	1,962,611,190
Net book value			
30 June 2006	3,706,497,447	5,018,347,223	4,458,959,899

Notes to the Financial Statements

Mains and lines RM	Office equipment RM	Computers RM	Furniture and fittings RM	Motor vehicles and aircraft RM	Assets under construction RM	Total RM
22,699,942	331,499,825	9,878,899	779,832	56,405,581	318,134,538	16,658,604,189
-	(5,700,264)	(6,075)	-	(294,298)	155,691	(244,304,513)
-	19,792,906	386,682	2,283	14,461,333	426,390,667	652,546,647
-	-	(6,885)	-	(8,223,928)	-	(57,476,587)
-	9,282,249	-	-	-	(57,957,663)	-
-	-	-	-	-	-	(45,009,800)
22,699,942	354,874,716	10,252,621	782,115	62,348,688	686,723,233	16,964,359,936
11,917,469	127,033,769	9,005,612	633,346	16,637,569	-	2,362,830,414
1,134,997	30,200,159	470,525	44,934	8,462,505	-	532,189,739
-	(1,730,563)	(2,176)	-	(104,392)	-	(14,156,241)
-	-	(6,885)	-	(5,634,510)	-	(39,927,501)
13,052,466	155,503,365	9,467,076	678,280	19,361,172	-	2,840,936,411
9,647,476	199,371,351	785,545	103,835	42,987,516	686,723,233	14,123,423,525

Notes to the Financial Statements

Group	Land and buildings RM	Infrastructure assets RM	Plant and machinery RM
2005			
Cost			
At 1 July 2004	4,166,416,296	4,742,595,697	5,838,281,840
Currency translation differences	(8,459,403)	(12,456,492)	(15,530,144)
Acquisition of subsidiaries	–	–	–
Additions	144,680,983	236,803,819	367,231,177
Disposals	(5,884,337)	–	(42,096,463)
Transfer on commissioning	124,314,193	245,327,317	231,579,521
Grants and contribution	–	(93,598,432)	–
At 30 June 2005	4,421,067,732	5,118,671,909	6,379,465,931
Accumulated depreciation			
At 1 July 2004	463,597,992	–	1,270,211,088
Charge for the financial year	120,700,171	–	388,733,872
Currency translation differences	(2,296,334)	–	(6,481,439)
Disposals	(1,410,640)	–	(35,452,061)
At 30 June 2005	580,591,189	–	1,617,011,460
Net book value			
30 June 2005	3,840,476,543	5,118,671,909	4,762,454,471

Notes to the Financial Statements

Mains and lines RM	Office equipment RM	Computers RM	Furniture and fittings RM	Motor vehicles and aircraft RM	Assets under construction RM	Total RM
22,699,942	269,714,804	9,424,998	779,832	51,031,739	728,211,478	15,829,156,626
-	(1,779,517)	-	-	(100,331)	10,585,762	(27,740,125)
-	33,201	161,424	-	850,242	-	1,044,867
-	28,353,472	292,477	-	9,731,479	215,786,137	1,002,879,544
-	(49,943)	-	-	(5,107,548)	-	(53,138,291)
-	35,227,808	-	-	-	(636,448,839)	-
-	-	-	-	-	-	(93,598,432)
22,699,942	331,499,825	9,878,899	779,832	56,405,581	318,134,538	16,658,604,189
10,782,472	88,485,172	8,523,015	571,350	11,442,702	-	1,853,613,791
1,134,997	39,658,843	482,597	61,996	8,343,369	-	559,115,845
-	(1,063,717)	-	-	(49,166)	-	(9,890,656)
-	(46,529)	-	-	(3,099,336)	-	(40,008,566)
11,917,469	127,033,769	9,005,612	633,346	16,637,569	-	2,362,830,414
10,782,473	204,466,056	873,287	146,486	39,768,012	318,134,538	14,295,773,775

Notes to the Financial Statements

Land and buildings of the Group are as follows:

	Short term leasehold land RM	Freehold Land RM	Buildings RM	Total RM
Cost				
At 1 July 2005	7,549,022	64,721,511	4,348,797,199	4,421,067,732
Currency translation differences	–	(1,178,314)	(66,667,692)	(67,846,006)
Additions	–	4,533,963	19,288,450	23,822,413
Disposals	–	(9,270)	(3,990,598)	(3,999,868)
Transfer on commissioning	–	–	13,716,038	13,716,038
At 30 June 2006	7,549,022	68,067,890	4,311,143,397	4,386,760,309
Accumulated depreciation				
At 1 July 2005	3,472,550	–	577,118,639	580,591,189
Charge for the financial year	301,961	–	104,390,979	104,692,940
Currency translation differences	–	–	(3,354,263)	(3,354,263)
Disposals	–	–	(1,667,004)	(1,667,004)
At 30 June 2006	3,774,511	–	676,488,351	680,262,862
Net book value				
30 June 2006	3,774,511	68,067,890	3,634,655,046	3,706,497,447
Cost				
At 1 July 2004	7,549,022	53,604,055	4,105,263,219	4,166,416,296
Currency translation differences	–	(321,503)	(8,137,901)	(8,459,404)
Additions	–	12,257,878	132,423,105	144,680,983
Disposals	–	(818,919)	(5,065,417)	(5,884,336)
Transfer on commissioning	–	–	124,314,193	124,314,193
At 30 June 2005	7,549,022	64,721,511	4,348,797,199	4,421,067,732
Accumulated depreciation				
At 1 July 2004	3,170,589	–	460,427,403	463,597,992
Charge for the financial year	301,961	–	120,398,210	120,700,171
Currency translation differences	–	–	(2,296,334)	(2,296,334)
Disposals	–	–	(1,410,640)	(1,410,640)
At 30 June 2005	3,472,550	–	577,118,639	580,591,189
Net book value				
30 June 2005	4,076,472	64,721,511	3,771,678,560	3,840,476,543

Notes to the Financial Statements

Company	Office equipment RM	Computers RM	Furniture and fittings RM	Motor Vehicles RM	Assets under construction RM	Total RM
2006						
Cost						
At 1 July 2005	34,815	24,742	20,525	964,052	–	1,044,134
Additions	–	–	–	243,571	132,586	376,157
At 30 June 2006	34,815	24,742	20,525	1,207,623	132,586	1,420,291
Accumulated depreciation						
At 1 July 2005	34,814	24,742	20,525	964,051	–	1,044,132
Charge for the financial year	–	–	–	8,119	–	8,119
At 30 June 2006	34,814	24,742	20,525	972,170	–	1,052,251
Net book value						
30 June 2006	1	–	–	235,453	132,586	368,040
2005						
Cost						
At 1 July 2004/At 30 June 2005	34,815	24,742	20,525	964,052	–	1,044,134
Accumulated depreciation						
At 1 July 2004/At 30 June 2005	34,814	24,742	20,525	964,051	–	1,044,132
Net book value						
30 June 2005	1	–	–	1	–	2

The property, plant and equipment of a subsidiary company have been pledged as security for its bonds by way of fixed and floating charges as follows:

	Group	
	2006 RM	2005 RM
Net book values of assets pledged as security for bonds [Note 15(A)]		
- Short term leasehold land	3,774,511	4,076,472
- Buildings	522,785,952	550,279,190
- Plant and machinery	1,554,720,254	1,666,968,390
- Mains and lines	9,647,476	10,782,473
- Office equipment	613,477	819,469
- Computers	677,381	749,450
- Furniture and fittings	103,836	146,485
- Motor vehicles and aircraft	23,804,134	26,041,112
	2,116,127,021	2,259,863,041

Notes to the Financial Statements

The net book value of plant and machinery of the Group held under finance leases amounted to RM563,736,240 (2005: RM618,851,850). During the financial year, the Company and one of its subsidiary company acquired motor vehicles amounting to RM1,095,305 (2005: RM937,101) by means of hire purchase. The net book value of motor vehicles under hire purchases at the balance sheet date was RM2,329,736 (2005: RM1,872,844).

21 INTANGIBLE ASSETS

	Group	
	2006	2005
	RM	RM
Goodwill on consolidation:		
At 1 July 2005	441,333,424	440,699,862
Acquisition of subsidiary company	–	633,562
At 30 June 2006	441,333,424	441,333,424

22 DEVELOPMENT EXPENDITURE

	Group and Company	
	2006	2005
	RM	RM
At 1 July	857,511	8,332,350
Amounts recovered from related companies	–	(8,329,087)
Capitalised during the financial year	–	854,248
Written off during the financial year	(223,736)	–
At 30 June	633,775	857,511

Development expenditure principally comprises expenditure directly attributable to an investment project where it is reasonably anticipated that the costs will be recovered through future commercial activity.

23 SUBSIDIARY COMPANIES

	Company	
	2006	2005
	RM	RM
Unquoted shares, at cost:		
Ordinary shares	5,774,859,530	4,910,159,628
Preference shares	477,463,690	349,142,500
	6,252,323,220	5,259,302,128

Notes to the Financial Statements

Preference shares

The rights attaching to the preference shares are as follows:

- a 140,000,000 preference shares of 20 sen each in YTL Power Generation Sdn Bhd, a wholly-owned subsidiary company of the Company.
 - i Each preference share shall confer on the holder thereof the right to receive a preferential dividend on the nominal amount paid up thereon at the rate which is four (4) times the rate of dividend payable on each ordinary share; and
 - ii The redemption terms of these preference shares are set out in the Articles of Association of the subsidiary company.

- b 845,000 preference shares of USD0.01 each in YTL Power Australia Limited, a wholly-owned subsidiary company of the Company.
 - i The redeemable preference shareholders shall be entitled to 99% of all dividends declared and paid by the company in priority to the holders of any other issued shares in the capital of the company. The preference shares shall rank for dividends pari passu amongst each other.
 - ii The preference shares are redeemable at the option of the holders at any time on terms as agreed between the company and the holders thereof at the time of the exercise of such option.

The subsidiary companies are as follows:

Name of company	Country of incorporation	Group's effective interest		Principal activities
		2006 %	2005 %	
YTL Power Generation Sdn Bhd	Malaysia	100	100	Developing, constructing, completing, maintaining and operating power plants
YTL Power International Holdings Limited ⁽¹⁾	Cayman Islands	100	100	Investment holding
YTL Power Australia Limited ⁽¹⁾	Cayman Islands	100	100	Investment holding
YTL Power Finance (Cayman) Limited ⁽¹⁾	Cayman Islands	100	100	Investment holding
YTL-CPI Power Limited ⁽²⁾	Hong Kong	51	51	Dormant
YTL Utilities Limited ⁽¹⁾	Cayman Islands	100	100	Investment holding
YTL Utilities Finance Limited ⁽¹⁾	Cayman Islands	100	100	Investment holding

Notes to the Financial Statements

Name of company	Country of incorporation	Group's effective interest		Principal activities
		2006 %	2005 %	
YTL Utilities Finance 2 Limited ⁽¹⁾	Cayman Islands	100	100	Investment holding
YTL Utilities Finance 3 Limited ⁽¹⁾	Cayman Islands	100	–	Investment holding
YTL Utilities Holdings Limited ⁽¹⁾	Cayman Islands	100	–	Investment holding
YTL Utilities (UK) Limited ⁽¹⁾	England and Wales	100	100	Investment holding
YTL Events Limited ⁽¹⁾	England and Wales	100	100	Providing public entertainment, events and public relations services
Wessex Water Limited ⁽¹⁾	England and Wales	100	100	Investment holding
Wessex Water Services Limited ⁽¹⁾⁽³⁾	England and Wales	100	100	Water supply and waste water services
SC Technology GmbH ⁽¹⁾⁽³⁾	Switzerland	100	100	Waste treatment processes
SC Technology Nederlands B.V. ⁽³⁾	Netherlands	100	100	Waste treatment processes
SC Technology Deutschland GmbH ⁽¹⁾⁽³⁾	Germany	100	100	Waste treatment processes
S.A. SC Technology France ⁽¹⁾⁽³⁾	France	100	100	Waste treatment processes
SC Technology Denmark ApS ⁽¹⁾⁽³⁾	Denmark	100	100	Waste treatment processes
Wessex Water Services Finance Plc ⁽¹⁾⁽³⁾	England and Wales	100	100	Issue of bonds
Wessex Water Enterprises Limited ⁽¹⁾⁽³⁾	England and Wales	100	100	Water supply and waste water services
Wessex Water Commercial Limited ⁽¹⁾⁽³⁾	England and Wales	100	100	Dormant
Wessex Property Services Limited ⁽¹⁾⁽³⁾	England and Wales	100	100	Dormant
Wessex Water Trustee Company Limited ⁽¹⁾⁽³⁾	England and Wales	100	100	Dormant
Wessex Water Engineering Services Limited ⁽¹⁾⁽³⁾	England and Wales	100	100	Dormant

Notes to the Financial Statements

Name of company	Country of incorporation	Group's effective interest		Principal activities
		2006 %	2005 %	
YTL Services Limited ⁽¹⁾⁽³⁾	England and Wales	100	100	Dormant
Wessex Spring Water Limited ⁽¹⁾⁽³⁾	England and Wales	100	100	Dormant
Wessex Logistics Limited ⁽¹⁾⁽³⁾	England and Wales	100	100	Dormant
YTL Engineering Limited ⁽¹⁾⁽³⁾	England and Wales	100	100	Dormant
Wessex Water Pension Scheme Trustee Limited ⁽¹⁾⁽³⁾	England and Wales	100	100	Dormant
Wessex Engineering & Construction Services Limited ⁽¹⁾⁽³⁾	England and Wales	100	100	Engineering and Construction Services
Wessex Promotions Limited ⁽¹⁾⁽³⁾	England and Wales	100	100	Entertainment promotion.
YTL Jawa Power Holdings Limited ⁽¹⁾	Cyprus	100	100	Investment holding
YTL Jawa Power Holdings B.V. ⁽¹⁾⁽⁵⁾	Netherlands	100	100	Investment holding
YTL Jawa Power Finance Limited. ⁽¹⁾⁽⁵⁾	Cayman Island	100	–	Investment holding
YTL Jawa Power B.V. ⁽¹⁾⁽⁵⁾	Netherlands	100	100	Investment holding
YTL Jawa O & M Holdings Limited ⁽¹⁾	Cyprus	100	100	Investment holding
YTL Jawa O & M Holdings B.V. ⁽¹⁾⁽⁴⁾	Netherlands	100	100	Investment holding
YTL Jawa Power Services B.V. ⁽¹⁾⁽⁴⁾	Netherlands	100	100	Investment holding
P.T. YTL Jawa Timur ⁽²⁾⁽⁴⁾	Indonesia	100	100	Construction management, consultancy services and power station operation services

⁽¹⁾ Audited by a firm other than member firm of PricewaterhouseCoopers International Limited

⁽²⁾ Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers, Malaysia

⁽³⁾ Subsidiary companies of Wessex Water Limited

⁽⁴⁾ Subsidiary companies of YTL Jawa O & M Holdings Limited

⁽⁵⁾ Subsidiary companies of YTL Jawa Power Holdings Limited

Notes to the Financial Statements

In compliance with the licence requirement, additional financial information to that contained in its statutory accounts have been prepared by Wessex Water Services Limited for its water and waste water business in accordance with guidance issued by the Director General of Water Services in the United Kingdom. These accounts measure profitability on the basis of real financial capital maintenance in the context of assets which are valued at the current cost value to the business. Specifically modern equivalent asset values arising from the latest periodic review are incorporated into the regulatory financial statements. Assets acquired and in operational use are valued at the replacement cost of their operating capability. Therefore, the tangible fixed asset value as at 31 March 2006 as disclosed in the current cost balance sheet of Wessex Water Services Limited was RM68,692 million (GBP10,199 million) [2005: RM69,017 million (GBP10,048 million)].

24 JOINT VENTURES

The joint ventures mentioned below are held by a subsidiary company, Wessex Water Limited

a Jointly controlled operations

The Group has a 50% interest in a joint arrangement, Bristol Wessex Billing Services Limited, which was incorporated in England and Wales. On 28 June 2001, Wessex Water Limited and Wessex Water Services Limited entered into a joint arrangement with a third party, under which the billing and customer services of both groups were transferred to Bristol Wessex Billing Services Limited.

The Group's share of the assets, liabilities and expenses of the jointly controlled operations has been accounted for in the book of the relevant subsidiary company as follows:

	Group	
	2006	2005
	RM	RM
Current assets	16,164,480	20,605,500
Current liabilities	(18,858,560)	(23,352,900)
Net liabilities	(2,694,080)	(2,747,400)
Expenses	68,200,420	69,109,600

25 AMOUNTS OWING BY/(TO) SUBSIDIARY COMPANIES

The amounts owing by/(to) subsidiary companies within 12 months are unsecured and interest free. The amounts receivable within 12 months are in respect of interests receivable on advances and operational expense payments made on behalf of a subsidiary company.

The amounts payable within 12 months are in respect of advances and operational expense payments made by subsidiary companies on behalf of the Company.

Notes to the Financial Statements

26 ASSOCIATED COMPANIES

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Unquoted shares, at cost	649,992,267	672,959,809	4,930	4,930
Group's share of post-acquisition reserves	166,200,639	101,999,851	–	–
Group's share of net assets	816,192,906	774,959,660	4,930	4,930

a The Group's share of the assets and liabilities of the associated companies are as follows:

	Group	
	2006 RM	2005 RM
Non-current assets	1,799,952,633	1,934,314,019
Current assets	519,605,886	510,233,458
Current liabilities	(115,950,522)	(114,642,711)
Non-current liabilities	(1,387,415,091)	(1,554,945,106)
Net assets	816,192,906	774,959,660

b The associated companies are as follows:

Name of company	Country of incorporation	Group's effective interest		Principal activities
		2006 %	2005 %	
Jimah Power Generation Sdn Bhd	Malaysia	49.0	49.0	Developing, constructing, completing, maintaining and operating power plants. The company has not commenced operations
Teknologi Tenaga Perlis (Overseas) Consortium Sdn Bhd	Malaysia	30.0	30.0	Dormant
ElectraNet Transmission Services Pty Ltd	Australia	33.5	33.5	Principal electricity transmission network service provider
Aquator Services Limited	England and Wales	10.0	10.0	Marketing membrane technology
P.T. Jawa Power	Indonesia	35.0	35.0	To construct, commission and operate a coal-fired thermal power station

Notes to the Financial Statements

27 INVESTMENTS

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
At cost:				
Shares quoted in Malaysia	283,857,031	26,984,269	277,161,542	20,288,780
Shares in unquoted corporations - preference shares	550,050,000	550,050,000	-	-
Shares quoted outside Malaysia	7,231	-	-	-
Unquoted loan notes outside Malaysia	20,653,500	13,756,000	-	-
	854,567,762	590,790,269	277,161,542	20,288,780
At market value:				
Shares quoted in Malaysia	280,819,758	32,450,283	273,905,717	26,494,927

The Directors are of the opinion that it is not practicable within the constraints of cost to estimate the fair value of shares in unquoted corporations reliably. However, it is the Directors' view that the carrying value of investment in unquoted corporations approximated its fair value at balance sheet date as the investee company is profitable and is in a net tangible asset position.

Included here is an investment in 201,991,181 units of Irredeemable Convertible Unsecured Loan Stocks ("ICULS") of RM1.00 each in a related company, YTL Cement Berhad.

These are ten (10) years ICULS issued on 10 November 2005. These ICULS bear a step-up coupon rate ranging from 4% to 6% per annum until its maturity date. The interest is payable semi annually. The conversion price of the ICULS is fixed at a step down basis, in the first four (4) years, the conversion price is at RM2.72 for one (1) ordinary shares in YTL Cement Berhad, after which it is at RM2.04 in the next three (3) years and at RM1.82 for the remaining three (3) years.

28 INVENTORIES

Inventories comprise:

	Group	
	2006 RM	2005 RM
At cost:		
Spare parts	118,439,770	118,903,055
Raw materials	10,020,119	6,964,659
Work in progress	24,851,520	12,341,547
	153,311,409	138,209,261

Notes to the Financial Statements

29 RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Trade receivables	541,475,796	535,395,064	–	–
Less: Allowance for doubtful debts	(121,125,837)	(124,944,884)	–	–
	420,349,959	410,450,180	–	–
Amounts recoverable from a supplier #	156,042,215	156,042,215	–	–
Other receivables	177,162,034	243,823,138	39,006,201	37,795,748
Accrued income	206,065,316	187,299,036	–	–
Fixed deposit interest receivable	3,058,336	3,761,922	1,395,396	1,124,006
Deposits	384,022	422,670	4,500	4,500
Amount receivable from a related company	6,310	2,120	2,121	2,120
Prepayments *	108,449,459	110,594,237	3,304,752	9,805,989
	1,071,517,651	1,112,395,518	43,712,970	48,732,363

Credit terms of trade receivables range averages at 30 days (2005: 30 days).

The Group has no significant concentration of credit risk other than that related to its power generation business whereby it supplies to a single customer and acquires gas supply from a single supplier, both of which are credit worthy entities. As at 30 June 2006, 27% (2005: 30%) of trade receivables was due from a customer in relation to the sale of electricity. The amount was fully settled after the financial year end. Concentration of credit risk also exists in respect of an amount recoverable from a supplier described below.

A subsidiary of the Company entered into a Gas Supply Agreement ('GSA') on 15 March 1993. Under this agreement, the price of gas to be supplied is calculated by reference to a market price-related formula. However, since 1 May 1997, the Government of Malaysia has fixed the price of gas. Accordingly, the market price-related formula applicable under the GSA has not been used. As a consequence, a dispute existed over whether a discount provided for under the market price-related formula is applicable under the GSA. The Government has informed the subsidiary company that with effect from 1 January 2002, the discount has been reinstated.

* Included in prepayments are:

- i An amount of RM3,169,417 (2005: RM9,508,250) being prepaid interest in relation to the interest rate swap for the RM750,000,000 7% Redeemable Non-Guaranteed Unsecured Bonds. The amount is amortised over a period of 7 years commencing from January 2000 (Note 40(a)).
- ii An amount of RM57,533,341 (2005: RM63,803,704) being prepayment of gas costs representing price differential between the gas price calculated by reference to a market price-related formula as stipulated in the GSA and the gas price fixed by the Government on 1 May 1997 to 31 December 2001. This prepayment will be amortised to match with the benefits to be received from the discount over the remaining period of the GSA.

Notes to the Financial Statements

30 AMOUNTS OWING TO RELATED COMPANIES

The amounts owing to related companies are unsecured, interest free and have no fixed terms of repayment. The amounts owing to related companies principally relate to operation and maintenance expenses of power plant of a subsidiary company and expenses paid on behalf of the Company.

31 SHORT TERM INVESTMENTS

	Group and Company	
	2006	2005
	RM	RM
Unquoted debt securities of corporations in Malaysia		
At cost	43,137,427	41,963,903

Short term investments comprise commercial papers which would mature within the next financial year or are renewable on a monthly basis.

32 FIXED DEPOSITS

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Deposits with licensed banks	4,705,745,321	4,487,193,023	981,477,237	1,148,286,442
Deposit with discount houses	26,662,181	300,000	4,612,181	–
	4,732,407,502	4,487,493,023	986,089,418	1,148,286,442

The range of interest rates of deposits that was effective as at the balance sheet date are as follows:

	Group		Company	
	2006	2005	2006	2005
	%	%	%	%
Deposits with licensed bank	3.28 - 3.60	1.05 - 4.80	3.28 - 3.60	2.63 - 2.74
Deposits with discount house	3.35 - 3.51	2.70	3.35	–

Deposits of the Group and the Company have an average maturity of 30 days (2005: 30 days). Bank balances are deposits held at call with banks.

Notes to the Financial Statements

33 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statements of the Group and the Company comprise the following:

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Fixed deposits (Note 32)	4,732,407,502	4,487,493,023	986,089,418	1,148,286,442
Cash and bank balances	7,739,737	21,795,753	1,174,236	1,413,978
Bank overdrafts (Note 16)	(63,923,783)	(62,414,060)	-	-
	4,676,223,456	4,446,874,716	987,263,654	1,149,700,420

Included in the fixed deposits of the Group of RM687,515,745 (2005: RM785,204,824) are fixed deposits pledged to a licensed bank in respect of a revolving credit facility drawn down by YTL Utilities Finance Limited (Note 16(A)).

34 PAYABLES AND ACCRUED EXPENSES

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Trade payables	50,551,802	74,453,720	-	-
Duties and taxes payable	14,873,910	14,233,708	-	-
Accrued expenses	476,996,727	467,254,643	2,924,921	2,846,632
Receipts in advance	199,964,222	187,080,947	-	-
Other payables	81,809,868	94,362,104	1,429,938	2,808,829
	824,196,529	837,385,122	4,354,859	5,655,461

Credit terms of trade payables granted to the Group range from 30 to 60 days (2005: 30 to 60 days).

35 PROVISION FOR LIABILITIES AND CHARGES

	Group	
	2006 RM	2005 RM
At 1 July	31,017,981	28,388,729
- Currency translation differences	(487,840)	(84,665)
- Charge to income statement	9,001,905	4,936,400
- Payment	(2,360,767)	(2,222,483)
At 30 June	37,171,279	31,017,981

The provision for liabilities and charges relate to the scaling down of operations of certain subsidiary companies of the Group.

Notes to the Financial Statements

36 AMOUNT OWING TO IMMEDIATE HOLDING COMPANY

The amount owing to the immediate holding company relates to expenses paid on the Group's behalf and is unsecured, has no fixed terms of repayment and is interest free.

37 COMMITMENT

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Contracted, but not provided for	715,740,349	341,985,477	–	–
Authorised, not contracted for	565,500,862	764,464,050	–	–

The above commitments comprise purchase of spare parts and property, plant and equipment.

38 CONTINGENT LIABILITIES - UNSECURED

A subsidiary company has provided performance guarantees on behalf of its subsidiary in respect of tender for contracts. The maximum liability as at 30 June 2006 amounted to RM7,981,771 (2005: RM8,808,566).

Also, there is a joint and several shareholders' contingent support with Siemens Financial Services to invest up to a further equity which amounted to RM42,850,500.

As at 30 June 2006, the Company has given the following guarantee:

- The USD250,000,000 (RM950,000,000) Zero Coupon Guaranteed Exchangeable Bonds due 2010 issued on 9 May 2005 are guaranteed irrevocably by the Company.

39 SEGMENTAL INFORMATION

The Group is organised into three main business segments:

- Investment holding
- Power generation
- Sales of water and disposal of waste water

Notes to the Financial Statements

a Primary reporting business segments

Financial year ended 30 June 2006	Investment holding RM	Power generation RM	Sales of water and disposal of waste water RM	Group RM
Revenue	177,869,204	1,211,517,316	2,368,738,209	3,758,124,729
Results				
Segment result (external)	78,330,171	523,150,328	1,005,817,156	1,607,297,655
Unallocated income				–
Profit from operations				<u>1,607,297,655</u>
Finance cost				(661,103,082)
Share of results of associated companies	784,515	249,168,927	–	<u>249,953,442</u>
Profit from ordinary activities before tax				1,196,148,015
Tax				<u>(321,665,434)</u>
Profit from ordinary activities after tax				<u>874,482,581</u>
At 30 June 2006				
Other information				
Segment assets	5,359,522,976	3,638,291,009	13,246,451,134	22,244,265,119
Segment liabilities	9,784,786	699,881,298	3,199,021,944	3,908,688,028
Unallocated liabilities				<u>12,606,620,237</u>
Total liabilities				<u>16,515,308,265</u>
Capital expenditure	548,314	2,452,544	649,545,789	652,546,647
Depreciation	269,653	146,030,482	385,889,604	532,189,739

Notes to the Financial Statements

Financial year ended 30 June 2005	Investment holding RM	Power generation RM	Sales of water and disposal of waste water RM	Group RM
Revenue	184,850,830	1,158,463,059	2,328,000,799	3,671,314,688
Results				
Segment result (external)	104,124,679	523,814,988	919,843,442	1,547,783,109
Unallocated income				13,448,534
Profit from operations				1,561,231,643
Finance cost				(694,655,066)
Share of results of associated companies	869,479	160,455,200	-	161,324,679
Profit from ordinary activities before tax				1,027,901,256
Tax				(285,723,226)
Profit from ordinary activities after tax				742,178,030
At 30 June 2005				
Other information				
Segment assets	4,904,358,956	3,737,548,257	13,263,664,884	21,905,572,097
Segment liabilities	13,819,605	659,719,332	3,234,983,250	3,908,522,187
Unallocated liabilities				12,767,816,653
Total liabilities				16,676,338,840
Capital expenditure	-	23,178,653	979,700,891	1,002,879,544
Depreciation	235,578	151,751,615	407,128,651	559,115,844

b Secondary reporting format - geographical segments

Although the Group's business segments are managed on a worldwide basis, they operate in two main geographical areas:

- Malaysia - power generation activity
- United Kingdom - sale of water and disposal of waste water activities

	Sales		Total assets		Capital expenditure	
	2006 RM	2005 RM	2006 RM	2005 RM	2006 RM	2005 RM
Malaysia	1,197,845,351	1,180,305,081	4,126,576,317	4,147,736,876	2,026,179	23,000,408
United Kingdom	2,368,738,209	2,328,000,799	13,246,451,134	13,263,664,885	649,545,789	979,700,891
Other countries	191,541,169	163,008,808	4,871,237,668	4,494,170,336	974,679	178,245
	3,758,124,729	3,671,314,688	22,244,265,119	21,905,572,097	652,546,647	1,002,879,544

Notes to the Financial Statements

40 FINANCIAL INSTRUMENTS

Interest rate swaps

Under the interest rate swaps, the Group and the Company agree with other parties to exchange, the differences between interest amounts calculated by reference to the agreed notional principal amounts and payment terms.

The interest rate swap contracts outstanding as at 30 June 2006 are as follows:

- a In respect of the 7% RNGU Bonds Note 15(B), the Company entered into an associated interest rate swap agreement with a financial institution to reduce the annual coupon rate of 7% per annum to an annual coupon rate of 0.725% per annum.
- b In respect of certain term loans in Note 16(B), a subsidiary company entered into interest rate swap agreements with financial institutions for a total notional principal amount of GBP10,800,000 (2005: GBP70,800,000) and with expiry periods ranging from 1 to 5 years. Average floating interest rates ranged from 4.48% to 4.76% (2005: 4.69% to 4.89%) per annum receivable quarterly as compared to fixed interest rates of 5.95% (2005: 5.37% to 5.95%) per annum payable semi-annually as a result of the swap agreements.

	Contract or notional principal amount RM	Unfavourable RM
Interest rate swaps		
- At 30 June 2006	72,740,160	(2,562,901)
- At 30 June 2005	486,289,800	(6,975,523)

41 COMPARATIVES

The interest cost attributable to post-employment benefit obligations of a foreign subsidiary company included in cost of sales in the previous year have been reclassified to finance cost to conform with current financial statement presentation as follows:

	As previously reported RM	Reclassification RM	As restated RM
Group Income Statement			
Cost of sales	(1,900,203,712)	14,104,000	(1,886,099,712)
Finance cost	(680,551,066)	(14,104,000)	(694,655,066)

42 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 19 October 2006.

Statement by Directors

pursuant to Section 169(15) of the Companies Act, 1965

We, Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE and Dato' Yeoh Seok Hong, two of the Directors of YTL Power International Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 61 to 125 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 30 June 2006 and of the results and the cash flows of the Group and the Company for the financial year ended on that date in accordance with the MASB approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

Signed on behalf of the Board of Directors in accordance with their resolution dated 19 October 2006

Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE
Director

Dato' Yeoh Seok Hong
Director

Statutory Declaration

pursuant to Section 169(16) of the Companies Act, 1965

I, Dato' Yeoh Seok Hong, the Director primarily responsible for the financial management of YTL Power International Berhad, do solemnly and sincerely declare that the financial statements set out on pages 61 to 125 are, in my opinion, 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.

Dato' Yeoh Seok Hong
Director

Subscribed and solemnly declared by the abovenamed Dato' Yeoh Seok Hong, at Kuala Lumpur on 19 October 2006, before me.

Soh Ah Kau, AMN
Commissioner for Oaths

Report of the Auditors

to the members of YTL Power International Berhad

We have audited the financial statements set out on pages 61 to 125. These financial statements are the responsibility of the Company's Directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved auditing standards in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- a the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and the MASB approved accounting standards in Malaysia so as to give a true and fair view of:
 - i the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
 - ii the state of affairs of the Group and the Company as at 30 June 2006 and of the results and cash flows of the Group and the Company for the financial year ended on that date;

and

- b the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

The names of the subsidiary companies of which we have not acted as auditors are indicated in Note 23 to the financial statements. We have considered the financial statements of these subsidiary companies and the auditors' reports thereon.

We are satisfied that the financial statements of the subsidiary companies 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 consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

PricewaterhouseCoopers

(AF: 1146)

Chartered Accountants

Dato' Ahmad Johan Bin Mohammad Raslan

(1867/09/08 (J))

Partner

Kuala Lumpur

19 October 2006

Notes

Notes

Notes

Form of Proxy



I/We (full name as per NRIC/company name in block capitals)

NRIC/Company No. (new and old NRIC Nos.)

CDS Account No. (for nominee companies only)

of (full address)

being a member of **YTL Power International Berhad** hereby appoint (full name as per NRIC in block capitals)

NRIC No. (new and old NRIC Nos.)

of (full address)

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the 10th Annual General Meeting of the Company to be held at Starhill 2, Level 4, JW Marriott Hotel Kuala Lumpur, 183 Jalan Bukit Bintang, 55100 Kuala Lumpur on Thursday, 7 December 2006 at 2.00 p.m. and at any adjournment thereof.

My/Our proxy is to vote as indicated below:

NO.	RESOLUTIONS	FOR	AGAINST	Dated this	day of	2006
1	Receipt of Reports and Audited Financial Statements			<p>Signature of shareholder</p> <hr/> <p>No. of shares held</p> <hr/> <p>Notes:</p> <p>1 A member entitled to attend and vote at the meeting may appoint a proxy to vote in his stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. A member other than an Authorised Nominee shall not be entitled to appoint more than one proxy to attend and vote at the same meeting and where such member appoints more than one proxy to attend and vote at the same meeting, such appointment shall be invalid.</p> <p>2 This form of proxy and the Power of Attorney or other authority (if any) under which it is signed or notarially certified copy thereof must be lodged at the Registered Office, 11th Floor, Yeoh Tiong Lay Plaza, 55 Jalan Bukit Bintang, 55100 Kuala Lumpur not less than 48 hours before the time appointed for the Meeting.</p> <p>3 In the case of a corporation, this proxy should be executed under its Common Seal or under the hand of some officer of the corporation duly authorised in writing on its behalf.</p> <p>4 Unless voting instructions are indicated in the spaces provided above, the proxy may vote as he thinks fit.</p> <p>5 For the purpose of determining a member who shall be entitled to attend the Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd, in accordance with Article 60(2) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 30 November 2006. Only a depositor whose name appears on the General Meeting Record of Depositors as at 30 November 2006 shall be entitled to attend the said meeting or appoint proxy to attend and/or vote in his stead.</p>		
2	Declaration of First and Final Dividend					
3	Re-election of Tan Sri Dato' (Dr) Francis Yeoh Sock Ping					
4	Re-election of Dato' Yeoh Soo Min					
5	Re-election of Dato' Yeoh Soo Keng					
6	Re-election of Tan Sri Datuk Dr. Aris Bin Osman @ Othman					
7	Re-appointment of Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay					
8	Re-appointment of Dato' (Dr) Yahya Bin Ismail					
9	Re-appointment of Mej Jen (B) Dato' Haron Bin Mohd Taib					
10	Approval of the payment of Directors' fees					
11	Re-appointment of Messrs. PricewaterhouseCoopers as Company Auditors					
12	Authorisation for Directors to Allot and Issue Shares					
13	Proposed Renewal of Share Buy-Back Authority					
14	Proposed Renewal of Shareholders' Mandate and New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature					

The Company Secretary

YTL POWER INTERNATIONAL BERHAD

11th Floor
Yeoh Tiong Lay Plaza
55 Jalan Bukit Bintang
55100 Kuala Lumpur
Malaysia

affix stamp here



A photograph of high-voltage electrical equipment, likely a circuit breaker or isolator, at a power station. The equipment consists of a metal frame supporting a large, cylindrical insulator with many horizontal discs. The scene is illuminated by a warm, golden light, suggesting a sunset or sunrise, with a bright orange and yellow sky in the background. The metal structures are silhouetted against the bright light.

www.ytlcommunity.com

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