



Reports And  
Financial Statements



1,018.9	0
295.4	-
11.8	-
971.7	0

# Reports And Financial Statements For The Year Ended 30th June 2006

Directors' Report	52- 57
<hr/>	
Financial Statements	
<hr/>	
Principal Accounting Policies	58 -64
<hr/>	
Income Statements	65
<hr/>	
Balance Sheets	66
<hr/>	
Statements Of Changes In Equity	67
<hr/>	
Cash Flow Statements	68
<hr/>	
Notes On The Financial Statements	69 -112
<hr/>	
Statement By Directors And Statutory Declaration	113
<hr/>	
Auditors' Report	114
<hr/>	

# Directors' Report

The Directors present their Report together with the audited financial statements of the Group and of the Company for the year ended 30th June 2006.

## PRINCIPAL ACTIVITIES AND TRADING RESULTS

The principal activities of the Group are plantations, property, heavy equipment, motor vehicle, energy and utilities, and general trading and services.

The Company is a limited liability company, incorporated and domiciled in Malaysia. The Company is principally an investment holding company. It also engages in trading and marketing of commodities and provides management services to its subsidiary companies.

There has been no significant change in the principal activities of the Group and of the Company during the year. An analysis of the results for the year is shown in Note 36 on the financial statements.

## FINANCIAL RESULTS

The audited financial statements for the year ended 30th June 2006 submitted with this Report show:-

	Group RM million	Company RM million
Profit after taxation	1,203.1	509.8
Minority interests	(82.5)	–
<b>Net profit for the year attributable to shareholders</b>	<b>1,120.6</b>	<b>509.8</b>

## DIVIDENDS

The dividends paid and proposed by the Company since 30th June 2005 were as follows:-

	RM million
In respect of the year ended 30th June 2005	
Final dividend of 16.0 sen gross per share less Malaysian tax at 28% and 5.0 sen per share tax exempt, paid on 16th December 2005	<u>397.9</u>
In respect of the year ended 30th June 2006	
Interim dividend of 5.0 sen gross per share less Malaysian tax at 28%, paid on 19th May 2006	88.6
A gross final dividend of 25.0 sen per share, comprising 16.0 sen per share less Malaysian tax at 28%, 5.0 sen per share Malaysian tax exempt and 4.0 sen per share less Singapore tax at 20% has been recommended	486.2
	<u>574.8</u>

The Directors recommend the payment of a gross final dividend of 25.0 sen per share, comprising 16.0 sen per share less Malaysian tax at 28%, 5.0 sen per share Malaysian tax exempt and 4.0 sen per share less Singapore tax at 20% which, subject to the approval of members at the forthcoming Annual General Meeting of the Company, will be paid on 15th December 2006. The entitlement date for the dividend payment is 17th November 2006.

A depositor shall qualify for entitlement to the dividend only in respect of:-

- (i) shares deposited into the depositor's securities account before 12:30 p.m. on 15th November 2006 in respect of shares which are exempted from mandatory deposit;
- (ii) shares transferred into the depositor's securities account before 4:00 p.m. on 17th November 2006 in respect of transfers; and
- (iii) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

The proposed final dividend and the interim dividend paid on 19th May 2006 amount to a total distribution of 30.0 sen gross per share for the year.

## RESERVES AND PROVISIONS

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

### SHARE CAPITAL

During the year, the issued and paid-up share capital of the Company was increased from 2,390,227,074 ordinary shares of RM0.50 each to 2,465,520,674 ordinary shares of RM0.50 each by the issue of 5,525,000 new ordinary shares at RM4.90 per share, 4,795,000 new ordinary shares at RM5.08 per share, 442,000 new ordinary shares at RM5.09 per share, 6,514,000 new ordinary shares at RM5.47 per share and 16,878,000 new ordinary shares at RM5.28 per share for cash pursuant to the exercise of options under the Sime Darby Employees' Share Option Scheme. A further 41,139,600 new ordinary shares of RM0.50 each were issued under the terms of the privatisation of Tractors Malaysia Holdings Berhad. These new shares were issued as fully paid and rank pari passu in all respects with the then existing issued shares of the Company.

There was no change in the authorised capital of the Company during the year.

The shareholders of the Company had, at the Annual General Meeting held on 25th October 2005, granted a mandate for the Company to purchase, upon such terms and conditions as the Directors may deem fit, up to ten per centum (10%) of the issued and paid-up capital of the Company. The mandate will expire at the conclusion of the forthcoming Annual General Meeting and renewal of the mandate will be sought at the said Annual General Meeting. The Company has not made any purchase of Sime Darby Berhad shares during the year.

### SIME DARBY EMPLOYEES' SHARE OPTION SCHEME

During the year, 32,011,000 new options were granted to eligible employees to take up unissued shares of the Company pursuant to the Sime Darby Employees' Share Option Scheme ("the Scheme").

The salient features and other terms of the Scheme are disclosed in Note 9 (c) on the financial statements.

The Company has been granted an exemption by the Companies Commission of Malaysia from having to disclose the names of option holders granted less than 50,000 options each during the year pursuant to the Scheme. The names of option holders and the number of options granted to them during the year, being 50,000 or more, are set out below:-

<u>Names of option holders</u>	<u>At 1st July 2005</u>	<u>Granted*</u>	<u>Exercised</u>	<u>At 30th June 2006</u>
Dato' Ahmad Zubair @ Ahmad Zubir bin Haji Murshid	232,000	70,000	–	302,000
Martin Giles Manen	108,000	54,000	–	162,000
Datuk Syed Tamim Ansari bin Syed Mohamed	216,000	54,000	216,000	54,000
Yip Jon Khiam	196,000	54,000	88,000	162,000
Sekhar Krishnan	136,000	54,000	–	190,000
Dr Harikrishna a/l Kulaveerasingam	–	60,000	–	60,000
Harun bin Mohd Joned	–	52,000	–	52,000
Stephen Kenchington	–	52,000	–	52,000
* at an exercise price of RM5.41 per share				

During the year, none of the non-executive Directors were granted any options as they are not eligible to participate in the Scheme under the Bye-Laws of the Scheme.

### AL-MURABAHAH COMMERCIAL PAPER AND MEDIUM TERM NOTES PROGRAMME

On 21st December 2005, the Company issued RM500 million 4 years Al-Murabahah Medium Term Notes under the RM1,500 million Al-Murabahah Commercial Paper and Medium Term Notes Programme, at par with a profit rate of 4.30% per annum.

### AMERICAN DEPOSITORY RECEIPTS

A Sponsored Level 1 American Depository Receipts ("ADR") Programme for shares of the Company ("ADR Programme") was registered with the Securities and Exchange Commission of the United States of America on 27th August 1999.

Under the ADR Programme, a maximum of 20 million ordinary shares of the Company, representing approximately 0.81% of its total issued and paid-up capital, will be traded in ADRs in the United States of America, in the ratio of 1 (one) share to 1 (one) ADR. The Company's trading symbol on the over-the-counter market in the United States of America is SIDGY and its CUSIP number is 828617 308.

The Depository Bank for the ADR Programme is The Bank of New York and the sole Custodian of the Company's shares for the ADR Programme is Malayan Banking Berhad, Kuala Lumpur.

As at 29th August 2006, there were 1,165,979 shares of the Company deposited with Malayan Banking Berhad for the ADR Programme and there were 1,165,979 ADRs outstanding.

#### CHANGES IN GROUP ASSETS

The following acquisitions and disposals were made during the year:-

- (a) On 20th July 2005, Tractors Malaysia (1982) Sdn. Bhd. acquired the balance 5% equity interest in Columbia Chrome (Malaysia) Sdn. Bhd. which then became its wholly-owned subsidiary, for RM63,480.
- (b) On 9th August 2005, SD Holdings Berhad disposed the entire equity interest in Simex Chemical Sdn. Bhd. for RM1.3 million.
- (c) On 19th August 2005, Subang Jaya Medical Centre Sdn. Bhd. acquired the entire equity interest in Megah Medical Specialists Group Sdn. Bhd. for RM10.7 million.
- (d) On 1st September 2005, Sime Singapore Limited incorporated Sime Darby Motor Group (Australia) Pty Limited.
- (e) On 30th September 2005, Sime Malaysia Region Berhad ("SMRB") entered into a Sale and Purchase Agreement with Petra Foods Limited for the disposal of its entire 100% equity interest in Sime Darby Marketing Sdn. Bhd. ("SDM") for RM1.00. SMRB had on 12th December 2005 completed the disposal of 70% equity interest in SDM. The disposal of the remaining 30% equity interest in SDM was completed on 14th March 2006.
- (f) On 28th October 2005, Sime Darby Singapore Limited acquired the remaining 10% equity interest in Technochem Private Limited ("Technochem") for S\$596,300 and thereafter disposed the entire 100% equity interest in Technochem for S\$9.2 million.
- (g) On 11th November 2005, Bow Ma Motors (South China) Limited acquired the remaining 10% equity interest in Hainan Dejie Motors Limited for RMB1.5 million. As a result, Hainan Dejie Motors Limited became a wholly-owned subsidiary of Bow Ma Motors (South China) Limited.
- (h) On 18th November 2005, Sime Overseas Sdn. Bhd. entered into an agreement with Weifang Yintong Guoji Investment Co. Ltd. for the establishment of Weifang Sime Darby Investment and Management Co. Ltd. and the acquisition of 80% equity interest each in Weifang Sime Darby Port Co. Ltd and Weifang Sime Darby Water Co. Ltd for USD20 million and USD10 million respectively.
- (i) Sime LCP Power Company Limited was incorporated on 19th December 2005 in Thailand. The entire share capital of the company is held by Sime Darby Eastern Limited.
- (j) On 29th December 2005, Sime Singapore Limited entered into a Share Sale Agreement with F&NCC Beverages Sdn. Bhd. for the disposal of its entire 51.12% equity interest in Sime Oleander Sdn. Bhd. for RM8.6 million. The disposal was completed on 12th April 2006.
- (k) On 30th December 2005, Sime Darby Motors Sdn. Bhd. acquired Special Brand Sdn. Bhd. for RM1,700.
- (l) On 6th February 2006, AmMerchant Bank Berhad ("AmMerchant") announced on behalf of Sime Darby Berhad and Hyundai-Sime Darby Berhad ("HSD"), the proposed voluntary withdrawal of HSD from the Official List of Bursa Malaysia Securities Berhad ("Bursa Securities") pursuant to Paragraph 16.04 of the Listing Requirements of Bursa Securities ("Proposed Withdrawal"). The Proposed Withdrawal was approved by shareholders and warrant holders of HSD at the Extraordinary General Meeting and Warrant holders' Meeting held on 24th April 2006.

Pursuant to Section 12(2) of the Malaysian Code on Take-Overs and Mergers, 1998 a written notice of unconditional voluntary exit offer was served on the Board of HSD on 24th April 2006 ("Exit Offer"). The Exit Offer was issued by AmMerchant on behalf of Sime Darby Motors Sdn. Bhd. ("SDMSB") on 8th May 2006 and at the closing date on 7th July 2006, acceptances for more than 90% of the shares and warrants from HSD's minority shareholders and warrant holders have been received.

SDMSB had on 26th July 2006 invoked the provisions of Section 34 of the Securities Commission Act, 1993 to compulsory acquire the remaining shares for which acceptance have not been received under the Exit Offer. The entire issued and paid-up share capital and warrants of HSD were delisted from the Official List of Bursa Securities with effect from 26th July 2006.

- (m) On 18th February 2006, Dunlopillo Holdings Sdn. Bhd. incorporated Dunlopillo (Middle East) FZE.



- (n) The privatisation of Tractors Malaysia Holdings Berhad was completed on 24th February 2006. The consideration was settled by the issuance of 41,139,600 new ordinary shares of RM0.50 each in Sime Darby Berhad and RM75.3 million in cash.
- (o) On 20th March 2006, Dunlopillo (Singapore) Pte Ltd (formerly known as Conquip (Private) Limited) and PT Dunlopillo Indonesia set up a 70:30 joint venture company known as PT Sime Dunlopillo Indonesia.
- (p) On 30th March 2006, B.M.W. Concessionaires (H.K.) Limited acquired the entire equity interest in Shenzhen Bow Chuang Vehicle Trading Company Limited for RMB10 million.
- (q) On 12th April 2006, Tractors Malaysia (1982) Sdn. Bhd. acquired the entire equity interest in Tractors Material Handling Sdn Bhd (formerly known as Grand Valuations Sdn Bhd) for RM2.00.
- (r) On 18th April 2006, The China Engineers (BVI) Limited incorporated Xiamen CEL Heavy Equipment Company Limited.
- (s) On 28th April 2006, Sime UEP Development Sdn. Bhd. and Sime Darby Property Development Sdn. Bhd. subscribed for shares representing 40% and 30% of the equity interest in Sime UEP Brunfield Properties Sdn Bhd respectively.
- (t) On 15th May 2006, Tractors Malaysia Holdings Berhad acquired 70% equity interest in CICA Limited for USD1.4 million.
- (u) On 18th May 2006, Sime Darby Property Development Sdn Bhd subscribed for shares representing 60% of the equity interest in Sime Darby Brunfield Holding Sdn Bhd (formerly known as Sime Darby Brunfield Development Sdn Bhd).
- (v) On 12th June 2006, Sime Darby Energy & Utilities Sdn Bhd (formerly known as Aspry Ventures Sdn Bhd) subscribed for shares representing 60% of the equity interest in Sime Darby Brunfield Engineering Sdn Bhd.

#### **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.) Ahmad Sarji bin Abdul Hamid (Chairman)  
Tunku Tan Sri Dato' Seri Ahmad bin Tunku Yahaya (Deputy Chairman)  
Dato' Ahmad Zubair @ Ahmad Zubir bin Haji Murshid (Group Chief Executive)  
Tan Sri Abu Talib bin Othman  
Tan Sri Datuk Dr. Ahmad Tajuddin bin Ali  
Datuk Khatijah binti Ahmad  
Raja Tan Sri Muhammad Alias bin Raja Muhammad Ali  
Michael Wong Pakshong  
Dato' Mohamed bin Sulaiman (appointed on 26th October 2005)  
Datuk Seri Panglima Andrew Sheng Len Tao (appointed on 1st March 2006)  
Dr. David Li Kwok Po (retired on 25th October 2005)

YM Tunku Tan Sri Dato' Seri Ahmad bin Tunku Yahaya, Mr. Michael Wong Pakshong and YM Raja Tan Sri Muhammad Alias bin Raja Muhammad Ali, being over seventy years of age, retire in accordance with Section 129 of the Companies Act, 1965 and offer themselves for re-appointment in accordance with Section 129(6) of the Act to hold office until the conclusion of the next Annual General Meeting of the Company.

YBhg. Dato' Mohamed bin Sulaiman and YBhg. Datuk Seri Panglima Andrew Sheng Len Tao, who were appointed on 26th October 2005 and 1st March 2006 respectively, retire in accordance with the Articles of Association of the Company, and they, being eligible, offer themselves for election.

The Directors retiring by rotation this year are YBhg Datuk Khatijah binti Ahmad and YBhg Tan Sri Dato' Seri (Dr.) Ahmad Sarji bin Abdul Hamid who being eligible, offer themselves for re-election.

None of the Directors retiring and offering themselves for re-appointment, election or re-election, has a contract of service with the Company.

## DIRECTORS' BENEFITS

During and at the end of the year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate except for options over shares granted by the Company pursuant to the Sime Darby Employees' Share Option Scheme.

Since the end of the previous year, no Director has received or become entitled to receive a benefit (other than benefits disclosed as Director's remuneration and benefits-in-kind in Note 2 on 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.

## 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 during the year covered by the financial statements were as follows:-

<u>Sime Darby Berhad</u>	<u>At 1st July 2005</u>	<u>Number of ordinary shares of RM0.50 each</u>		
		<u>Acquired</u>	<u>Disposed</u>	<u>At 30th June 2006</u>
Datuk Khatijah binti Ahmad	10,000	–	–	10,000
Michael Wong Pakshong	65,000	–	–	65,000
		<u>Options over ordinary shares of RM0.50 each</u>		
<u>Sime Darby Berhad</u>	<u>At 1st July 2005</u>	<u>Granted</u>	<u>Exercised</u>	<u>At 30th June 2006</u>
Dato' Ahmad Zubair @ Ahmad Zubir bin Haji Murshid	232,000	70,000	–	302,000

According to the Register of Directors' Shareholdings, particulars of interests of Directors who held office at the end of the financial year in shares in, and participatory interests made available by, subsidiaries of the Company during the year covered by the financial statements were as follows:-

<u>Sime Engineering Services Berhad</u>	<u>At 1st July 2005</u>	<u>Number of ordinary shares of RM0.50 each</u>		
		<u>Acquired</u>	<u>Disposed</u>	<u>At 30th June 2006</u>
Michael Wong Pakshong	10,000	–	–	10,000

## Kuala Lumpur Golf & Country Club Berhad

### Participatory interest

	<u>Type of membership</u>
Tan Sri Dato' Seri (Dr.) Ahmad Sarji bin Abdul Hamid	Honorary
Tunku Tan Sri Dato' Seri Ahmad bin Tunku Yahaya	Honorary
Tan Sri Abu Talib bin Othman	Honorary
Tan Sri Datuk Dr. Ahmad Tajuddin bin Ali	Honorary
Datuk Khatijah binti Ahmad	Honorary
Raja Tan Sri Muhammad Alias bin Raja Muhammad Ali	Honorary

No other Director in office at the end of the year held any shares in the Company or shares in, debentures of or participatory interest made available by its subsidiaries during the year.

**STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS**

- (a) Before the Income Statement and Balance Sheet of the Group and of the Company were made out, the Directors took reasonable steps:-
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
  - (ii) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records of the Group and of the Company, have been written down to amounts which they might be expected to so realise.
- (b) At the date of this Report, the Directors are not aware of any circumstances:-
- (i) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
  - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
  - (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (c) As at the date of this Report:-
- (i) there are no charges on the assets of the Group and of the Company which have arisen since the end of the year to secure the liability of any other person; and
  - (ii) there are no contingent liabilities in the Group and in the Company which have arisen since the end of the year other than those arising in the ordinary course of business.
- (d) At the date of this Report, the Directors are not aware of any circumstances not otherwise dealt with in the Report or financial statements which would render any amount stated in the financial statements misleading.
- (e) 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 year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

**OTHER STATUTORY INFORMATION**

In the opinion of the Directors:-

- (a) the results of the operations of the Group and of the Company during the year were not substantially affected by any item, transaction or event of a material and unusual nature except as disclosed in Note 4 on the financial statements; and
- (b) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the year and the date of this Report which is likely to affect substantially the results of the operations of the Group and of the Company for the year in which this Report is made except as disclosed in Note 39 on the financial statements.

**AUDITORS**

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

In accordance with a resolution of the Board of Directors  
dated 29th August 2006

Tan Sri Dato' Seri (Dr.) Ahmad Sarji bin Abdul Hamid  
Chairman

Dato' Ahmad Zubair @ Ahmad Zubir bin Haji Murshid  
Group Chief Executive

Kuala Lumpur  
29th August 2006

# Principal Accounting Policies

## For The Year Ended 30th June 2006

The principal accounting policies of the Group are summarised below:

### 1 Basis of preparation

The financial statements are prepared under the historical cost convention except as disclosed in this summary of principal accounting policies and comply with the provisions of the Companies Act, 1965.

The financial statements have been prepared in accordance with the Malaysian Accounting Standards Board ("MASB") approved accounting standards in Malaysia, which include Standards issued by MASB as well as International Accounting Standards adopted by MASB.

#### (a) New accounting standards

During the financial year, MASB issued a new set of accounting standards known as Financial Reporting Standards ("FRS") for entities other than private entities. All FRS are applicable to the Group with effect from next financial year except for the following FRS, which are applied in accounting for business combinations, where the agreement date is on or after 1st January 2006, and in accounting for goodwill and intangible assets arising therefrom.

- FRS 3 - Business Combinations
- FRS 136 - Impairment of Assets
- FRS 138 - Intangible Assets

With the adoption of FRS 3, the excess of cost of acquisition over the fair value of identifiable assets, liabilities and contingent liabilities acquired is retained in the balance sheet as goodwill, while the shortfall is credited to income statement in the year of acquisition. Goodwill is tested for impairment annually. Goodwill is also tested for impairment when indication of impairment exists.

The existing policy of writing off goodwill against retained profits will still be applied on completion of those acquisitions where the agreements were signed but pending fulfilment of conditions precedent as at 31st December 2005.

There is no change to existing accounting policies following the adoption of FRS 136 and FRS 138.

The standards are applied prospectively. Accordingly, there is no change to the opening balance of retained profits of the prior and current year, or the comparatives.

#### (b) Reclassification

Certain changes have been made to the segment information presented in Note 36 on the financial statements, principally the transfer of engineering and systems integration companies from General Trading, Services and Others to Energy and Utilities Division, to more closely reflect the composition of and conform to the Group's management reporting structure.

The comparative figures on the segment information presented in the note to the financial statements have also been reclassified accordingly.

### 2 Basis of consolidation

#### (a) Subsidiaries

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to the end of the year. Subsidiaries are entities in which the Group has the power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Subsidiaries are consolidated using the acquisition method of accounting. On acquisition, identifiable assets, liabilities and contingent liabilities of the subsidiaries are measured at their fair value. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date of their acquisition or up to the date of their disposal, where appropriate.

All intercompany transactions, balances and unrealised gains on transactions with and between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Minority interests in the consolidated balance sheet consist of the minorities' share of the net assets of the subsidiaries.



## 2 Basis of consolidation (continued)

### (b) Associates

Associates are entities in which the Group is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions, but not control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. The consolidated income statement and consolidated statement of changes in equity include the Group's share of profits less losses of associates based on the management accounts of the companies concerned. In the consolidated balance sheet, the Group's interest in associates is recorded at cost inclusive of goodwill and adjusted thereafter for accumulated impairment loss and the post acquisition change in the Group's share of net assets of the associates.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless cost cannot be recovered.

### (c) Jointly controlled entities

Jointly controlled entities are corporations, partnerships or other entities over which there is a 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 using the equity method of accounting.

Equity accounting involves recognising in the consolidated income statement the Group's share of the results of jointly controlled entities for the period. The Group's investments in jointly controlled entities are carried in the consolidated balance sheet at an amount that reflects its share of the net assets of the jointly controlled entities.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities. Unrealised losses are also eliminated unless cost cannot be recovered.

### (d) Goodwill

Goodwill/(negative goodwill) represents the excess/(deficit) of cost of acquisition over the fair value of identifiable assets, liabilities and contingent liabilities acquired, and is treated differently depending on the agreement date of the acquisition.

#### Acquisitions where the agreement date is before 1st January 2006

Goodwill is written off against retained profits in the year of acquisition.

#### Acquisitions where the agreement date is on or after 1st January 2006

Goodwill on acquisition of subsidiaries is included in intangible assets while negative goodwill is credited to the income statement in the year of acquisition. Goodwill on acquisition of associates and jointly controlled entities is included as part of cost of investments in associates and jointly controlled entities while negative goodwill is added thereon and credited to income statement in the year of acquisition.

Goodwill is allocated to cash generating units and is stated at cost less accumulated impairment losses, if any. Impairment test is performed annually. Goodwill is also tested for impairment when indication of impairment exists. Impairment losses recognised are not reversed in subsequent periods.

## 3 Currency translation

The financial statements are stated in Ringgit Malaysia (RM).

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 items are translated into Ringgit Malaysia 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 items are included in the income statement.

### 3 Currency translation (continued)

Income statements of foreign subsidiaries and associates are translated into Ringgit Malaysia at average exchange rates for the year and assets and liabilities, both monetary and non-monetary, at exchange rates ruling at the year end. All resulting translation differences are taken to reserves. On disposal of the foreign entity, such translation differences are recognised in the income statement as part of the gain or loss on disposal.

The principal exchange rates used for each respective unit of foreign currency in the Group are:

	Year end rates		Average rates	
	2006	2005	2006	2005
	RM	RM	RM	RM
Australian dollar	<b>2.69</b>	2.90	<b>2.79</b>	2.85
Chinese renminbi	<b>0.46</b>	0.46	<b>0.46</b>	0.46
Euro	<b>4.63</b>	4.59	<b>4.54</b>	4.81
Hong Kong dollar	<b>0.48</b>	0.49	<b>0.48</b>	0.49
Singapore dollar	<b>2.31</b>	2.25	<b>2.27</b>	2.28
Thai baht	<b>0.10</b>	0.09	<b>0.09</b>	0.09
United States dollar	<b>3.69</b>	3.80	<b>3.73</b>	3.80

### 4 Property, plant and equipment

Property, plant and equipment are stated at cost modified by the revaluation of certain land and buildings less accumulated depreciation and impairment losses. Property, plant and equipment stated at valuation relate mainly to revaluations made in 1978 on a continuing agricultural use basis of the land and buildings of the Group's plantations in Malaysia based on valuations by professional firms of surveyors and valuers. In accordance with the transitional provisions issued by MASB on adoption of FRS No. 116 (formerly known as MASB Standard No. 15) Property, Plant and Equipment, the valuation of these assets has not been updated, and they continue to be stated at their existing carrying amounts less depreciation and impairment losses.

Surpluses arising on revaluation are credited to a revaluation reserve. Any deficit arising from revaluation is charged against the revaluation reserve to the extent of a previous surplus held in the revaluation reserve for the same asset. In all other cases, a decrease in the carrying amount is charged to the income statement. On the disposal of revalued assets, amounts in revaluation reserve relating to those assets are transferred to retained profits.

Freehold land is not depreciated. Leasehold land is depreciated on a straight line basis, over the period of the respective leases ranging from 30 years to 999 years. Assets in the course of construction are shown as capital work in progress. Depreciation on these assets commences when they are ready for use. Other property, plant and equipment are depreciated on a straight line basis to write down the cost or valuation of each asset to their residual values over their estimated useful lives. The principal annual depreciation rates are:

Buildings	2% to 5%
Plant, machinery, vehicles, equipment and fixtures	5% to 33 1/3%

Interest incurred on external borrowings related to property under construction is capitalised until the assets are ready for their intended use.

### 5 Intangible assets

Expenditure on acquired rights and trademarks with a finite useful life is capitalised and amortised using the straight line method over their estimated useful lives not exceeding 20 years whilst those with indefinite useful lives are capitalised and subject to annual impairment review. Intangible asset is also tested for impairment when indication of impairment exists.

### 6 Research expenditure

Research expenditure relating to agricultural studies is charged to the income statement in the year in which the expenditure is incurred.

### 7 New planting expenditure and replanting expenditure

New planting expenditure incurred on land clearing and upkeep of trees to maturity is capitalised under land cost and is not amortised. Replanting expenditure is charged to the income statement in the year in which the expenditure is incurred.

**8 Land held for property development**

Land held for property development consists of land on which no significant development work has been undertaken or where development activities are not expected to be completed within the normal operating cycle. Land held for property development is classified as non-current asset and carried at cost less any accumulated impairment losses.

Land held for property development is transferred to property development costs (under current assets) when development activities have commenced and are expected to be completed within the normal operating cycle.

**9 Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost includes, where relevant, an appropriate proportion of overheads. The inventories are determined on a weighted average basis except for the following:

Heavy equipment, motor vehicles and completed development units - specific identification basis  
Replacement parts - first in first out basis.

Net realisable value is the estimate of the selling price in the ordinary course of business, less cost to completion and selling expenses.

**10 Property development costs**

The cost of land under development, related development costs common to whole projects and direct building costs less amounts recognised as expense in the income statement are carried forward in the balance sheet as property development costs. Revenue and expense recognised in the income statement is determined by reference to the stage of completion of the development activity in respect of the development units sold. Any expected loss on development projects, is recognised as an expense immediately.

Where revenue recognised on the development units sold exceeds the billings to purchasers, the balance is shown as accrued billings, under trade and other receivables. Where the billings to purchasers exceed revenue recognised on the development units sold, the balance is shown as progress billings, under trade and other payables.

**11 Trade and other receivables**

Trade and other receivables are carried at anticipated realisable value. Specific allowances are made for debts which have been identified as bad or doubtful. In addition, estimates are made for doubtful debts based on a review of all outstanding amounts at year end.

When assets are sold under a finance lease, the present value of the lease payments is recognised as receivables. The difference between the gross receivables and the present value of the receivables is recognised as unearned finance income.

**12 Investments**

The Company's investments in subsidiaries, associates and jointly controlled entities are shown at cost less accumulated impairment losses. Quoted and unquoted investments and marketable securities that are held for long term, are stated at cost (adjusted for amortisation of premium or accretion of discounts to maturity, where appropriate) less accumulated impairment losses. Cost directly attributable to an acquisition, is included as part of the cost of investment.

Short term investments are stated at lower of cost and market value determined on an individual investment basis. Market value is calculated by reference to quoted selling prices at the close of business on the balance sheet date.

Profits and losses from disposal of investments, impairment losses of investments held for long term and any reductions to market value of short term investments as well as any reversals of such reductions are included in the income statement.

**13 Taxation**

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the "liability method", on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised.



### 13 Taxation (continued)

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in reserve, in which case the deferred tax is also recognised directly in reserve.

### 14 Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals on operating leases are charged to the income statement on a straight line basis over the lease term.

### 15 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, where 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.

#### (a) Maintenance and warranty

The Group recognises the estimated liability to repair or replace products still under warranty at the balance sheet date. This provision is calculated based on past history of the level of repairs and replacements.

#### (b) Property development

Cost provisions for property development are recognised based on commitments made on enhancements to infrastructure facilities of township developments.

#### (c) Provision for future obligations

Provision for future obligations is recognised in respect of the Group's commitments in a joint venture project.

### 16 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, investment in money market instruments and demand deposits, net of bank overdrafts. In the balance sheet, investment in money market instruments held for short term and bank overdrafts are included in the short term investments and the short term borrowings respectively.

### 17 Construction contracts

The profit on a construction contract is recognised as soon as the outcome of the contract can be estimated reliably. The percentage of completion method is used to determine the appropriate amount of revenue and costs to be recognised in a given period, by reference to the proportion of costs incurred to date to the total estimated costs or the completion of a physical proportion of contract work to-date. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that is probably recoverable. When it is probable that contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The aggregate costs incurred and the profits or losses recognised on a contract are compared against the progress billings up to the year end. Where costs incurred and recognised profits/(losses) exceed progress billings, the balance is shown as amounts due from customers on construction contracts, under trade and other receivables. Where progress billings exceed costs incurred and recognised profits/(losses), the balance is shown as amounts due to customers on construction contracts, under trade and other payables.

### 18 Revenue recognition

Revenue is recognised upon delivery of goods or performance of services, net of discounts, allowances and indirect taxes. Revenue for the Group is stated after eliminating sales within the Group. Revenue from property development is recognised by reference to the stage of completion of the development activity in respect of the development units sold. Revenue from construction contracts is recognised on the percentage of completion method by reference to the proportion of costs incurred to date to the total estimated costs or the completion of a physical proportion of contract work to-date.

Other revenues earned by the Group are recognised on the following bases:

(a) **Finance charges from leasing and hire purchase financing** - recognised on an accrual basis over the period of the leasing and hire purchase contracts using the "sum-of-digits" method.

(b) **Interest income** - recognised as it accrues.



## 18 Revenue recognition (continued)

- (c) **Dividend income** - recognised when the right to receive payment is established. In this respect it is Group policy to recognise interim dividends from a subsidiary when they are declared and final dividends when they are approved by shareholders in general meeting.

## 19 Impairment of assets

At each balance sheet date, the Group assesses whether there is any indication that an asset may be impaired. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it is charged to the revaluation reserve. Any subsequent increase in recoverable amount of the asset, other than goodwill, is recognised in the income statement unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation reserve.

## 20 Employee benefits

### (a) 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.

### (b) Defined contribution plans

The Group has various defined contribution plans in accordance with local conditions and practices in the countries in which it operates. The Group's contributions to defined contribution plans are charged to the income statement in the year in which they relate.

### (c) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of a proposal to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

### (d) Equity compensation benefits

Details of the Group's Employees' Share Option Scheme are set out in Note 9 on the financial statements. The Group does not make a charge to the income statement in connection with share options granted. When the share options are exercised, the proceeds received net of any transaction costs, are credited to share capital and share premium.

## 21 Financial instruments

### (a) Financial instruments recognised on the balance sheet

The particular recognition method adopted for the financial instruments recognised on the balance sheet is disclosed in the individual policy statements associated with each item.

### (b) Financial instruments not recognised on the balance sheet

The Group is a party to financial instruments which comprise forward foreign exchange contracts, interest rate and currency swap contracts. These instruments are not recognised in the financial statements on inception.

#### Forward foreign exchange contracts

The Group enters into forward foreign exchange contracts to protect the Group from movements in exchange rates by establishing the rate at which a foreign currency asset or liability will be settled. Exchange gains and losses arising on contracts entered into as hedges of anticipated future transactions are deferred until the date of such transactions, at which time they are included in the measurement of such transactions. All other exchange gains and losses relating to hedge instruments are recognised in the income statement in the same period as the exchange differences on the underlying hedged items.

## 21 Financial instruments (continued)

### (b) Financial instruments not recognised on the balance sheet (continued)

#### Interest rate and currency swap contracts

Interest rate and currency swap, collar and cap contracts are designed to protect the Group from movements in interest rates. The notional principal of these contracts are recorded off balance sheet. Any differential to be paid or received on an interest rate and currency 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 and currency swap contracts or on repayment of the borrowing are taken to the income statement.

## 22 Segment reporting

Segment revenue, expense, assets and liabilities are those amounts resulting from 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.

# Income Statements

## For The Year Ended 30th June 2006

Amounts in RM million unless otherwise stated

	Note	Group		Company	
		2006	2005	2006	2005
Revenue	1	20,162.1	18,645.7	796.4	726.4
Operating expenses	2	(18,838.5)	(17,648.8)	(92.2)	(86.6)
Other operating income	3	258.6	409.2	5.8	20.0
Operating profit		1,582.2	1,406.1	710.0	659.8
Share of results of jointly controlled entities		1.5	(74.4)	-	-
Share of results of associates		90.8	40.0	-	-
Profit before interest		1,674.5	1,371.7	710.0	659.8
Investment and interest income	5	89.5	88.3	32.7	26.9
Finance costs		(121.8)	(95.2)	(33.3)	(21.9)
Profit before taxation		1,642.2	1,364.8	709.4	664.8
Taxation:	6				
- Company and subsidiaries		(429.4)	(423.9)	(199.6)	(171.4)
- Associates		(9.7)	(7.5)	-	-
		<u>(439.1)</u>	<u>(431.4)</u>	<u>(199.6)</u>	<u>(171.4)</u>
Profit after taxation		1,203.1	933.4	509.8	493.4
Minority interests		(82.5)	(132.2)	-	-
Net profit for the year		1,120.6	801.2	509.8	493.4
		Sen	Sen		
Earnings per share	7				
- Basic		46.1	33.7		
- Diluted		45.9	33.6		

The accounting policies set out on pages 58 to 64 and the notes on pages 69 to 112 are to be read as part of these financial statements.

# Balance Sheets

## As At 30th June 2006

Amounts in RM million unless otherwise stated

	Note	Group		Company	
		2006	2005	2006	2005
SHARE CAPITAL	9	1,232.8	1,195.1	1,232.8	1,195.1
RESERVES	10	7,571.0	6,810.0	4,386.0	3,980.3
SHAREHOLDERS' FUNDS		8,803.8	8,005.1	5,618.8	5,175.4
MINORITY INTERESTS		990.2	1,179.1	-	-
		9,794.0	9,184.2	5,618.8	5,175.4
NON-CURRENT LIABILITIES					
Loans and financing	11	2,083.2	1,854.0	1,000.0	500.0
Deferred tax liabilities	13	234.8	233.0	-	-
		2,318.0	2,087.0	1,000.0	500.0
		12,112.0	11,271.2	6,618.8	5,675.4
CURRENT ASSETS					
Inventories	14	3,381.3	3,306.1	2.5	1.9
Property development costs	15	787.3	765.4	-	-
Trade and other receivables	16	3,318.6	2,856.0	12.0	19.6
Tax recoverable		134.9	105.6	-	-
Short term investments	22	-	26.8	-	-
Cash held under Housing Development Accounts	18	280.2	409.7	-	-
Bank balances, deposits and cash	19	2,932.2	2,181.5	285.7	162.5
		10,834.5	9,651.1	300.2	184.0
CURRENT LIABILITIES					
Trade and other payables	20	3,794.6	3,752.7	40.1	28.8
Provisions	21	130.1	130.6	-	-
Short term borrowings	11	1,256.6	837.0	-	-
Current taxation		244.5	243.5	1.8	4.9
		5,425.8	4,963.8	41.9	33.7
NET CURRENT ASSETS		5,408.7	4,687.3	258.3	150.3
NON-CURRENT ASSETS					
Trade and other receivables	16	454.1	465.7	-	-
Deferred tax assets	13	364.9	368.0	2.3	1.1
Investments	22	348.4	155.8	194.5	2.9
Associates	23	545.2	815.7	1.8	193.3
Jointly controlled entities	24	1.1	(0.3)	-	-
Subsidiaries	25	-	-	6,146.4	5,314.8
Land held for property development	26	262.5	309.6	-	-
Property, plant and equipment	27	4,655.6	4,396.8	15.5	13.0
Goodwill	28	3.0	-	-	-
Intangible assets	29	68.5	72.6	-	-
		6,703.3	6,583.9	6,360.5	5,525.1
		12,112.0	11,271.2	6,618.8	5,675.4
		Sen	Sen		
NET ASSETS PER SHARE	7	357	335		

The accounting policies set out on pages 58 to 64 and the notes on pages 69 to 112 are to be read as part of these financial statements.

# Statements Of Changes In Equity For The Year Ended 30th June 2006

Amounts in RM million unless otherwise stated

	Group			Company		
	Share capital	Reserves	Total	Share capital	Reserves	Total
<b>2006</b>						
At 1st July 2005	1,195.1	6,810.0	8,005.1	1,195.1	3,980.3	5,175.4
Currency translation differences	-	(75.8)	(75.8)	-	-	-
Effect of dilution of interest in associates	-	4.1	4.1	-	-	-
Goodwill written off	-	(183.8)	(183.8)	-	-	-
Net loss not recognised in income statement	-	(255.5)	(255.5)	-	-	-
Net profit for the year	-	1,120.6	1,120.6	-	509.8	509.8
Dividends						
- Final dividend (30th June 2005)	-	(397.9)	(397.9)	-	(397.9)	(397.9)
- Interim dividend (30th June 2006)	-	(88.6)	(88.6)	-	(88.6)	(88.6)
Issue of shares	37.7	382.4	420.1	37.7	382.4	420.1
<b>At 30th June 2006</b>	<b>1,232.8</b>	<b>7,571.0</b>	<b>8,803.8</b>	<b>1,232.8</b>	<b>4,386.0</b>	<b>5,618.8</b>
<b>2005</b>						
At 1st July 2004	1,177.9	7,246.8	8,424.7	1,177.9	3,808.4	4,986.3
Currency translation differences	-	128.6	128.6	-	-	-
Effect of dilution of interest in an associate	-	1.2	1.2	-	-	-
Goodwill written off	-	(1,046.3)	(1,046.3)	-	-	-
Net loss not recognised in income statement	-	(916.5)	(916.5)	-	-	-
Net profit for the year	-	801.2	801.2	-	493.4	493.4
Dividends						
- Final dividend (30th June 2004)	-	(391.0)	(391.0)	-	(391.0)	(391.0)
- Interim dividend (30th June 2005)	-	(86.0)	(86.0)	-	(86.0)	(86.0)
Issue of shares	17.2	155.5	172.7	17.2	155.5	172.7
<b>At 30th June 2005</b>	<b>1,195.1</b>	<b>6,810.0</b>	<b>8,005.1</b>	<b>1,195.1</b>	<b>3,980.3</b>	<b>5,175.4</b>

An analysis of the movements in each category within reserves is set out in Note 10.

The accounting policies set out on pages 58 to 64 and the notes on pages 69 to 112 are to be read as part of these financial statements.

# Cash Flow Statements

## For The Year Ended 30th June 2006

Amounts in RM million unless otherwise stated

	Note	Group		Company	
		2006	2005	2006	2005
Profit after taxation		<b>1,203.1</b>	933.4	<b>509.8</b>	493.4
Adjustments for :					
Dividends from subsidiaries and associates		–	–	<b>(716.6)</b>	(637.1)
Unusual items	<b>4</b>	<b>7.8</b>	122.0	–	(15.9)
Surplus on disposal of machinery, equipment and vehicles		<b>(28.0)</b>	(13.1)	<b>(0.4)</b>	(0.3)
Share of profits less losses of jointly controlled entities and associates		<b>(92.3)</b>	34.4	–	–
Unrealised exchange (gain)/loss		<b>(3.8)</b>	3.3	<b>1.3</b>	0.8
Investment income		<b>(10.8)</b>	(19.7)	<b>(3.7)</b>	(0.9)
Interest income		<b>(78.7)</b>	(68.6)	<b>(29.0)</b>	(26.0)
Finance costs		<b>121.8</b>	95.2	<b>33.3</b>	21.9
Depreciation		<b>376.7</b>	360.6	<b>5.1</b>	3.9
Taxation		<b>439.1</b>	431.4	<b>199.6</b>	171.4
Other non-cash items	<b>31</b>	<b>10.7</b>	86.8	–	(0.2)
		<b>1,945.6</b>	1,965.7	<b>(0.6)</b>	11.0
Changes in working capital:					
Inventories		<b>(153.4)</b>	(797.0)	<b>(0.6)</b>	(0.9)
Property development costs		<b>43.8</b>	(13.4)	–	–
Trade and other receivables		<b>(448.2)</b>	(346.9)	<b>8.1</b>	64.2
Cash held under Housing Development Accounts		<b>129.5</b>	(120.9)	–	–
Trade and other payables and provisions		<b>30.3</b>	431.2	<b>10.8</b>	(1.5)
<b>Cash generated from operations</b>		<b>1,547.6</b>	1,118.7	<b>17.7</b>	72.8
Tax paid		<b>(455.2)</b>	(439.9)	<b>(5.5)</b>	(5.5)
Dividends from subsidiaries		–	–	<b>510.1</b>	461.8
Dividends from associates		<b>67.4</b>	44.2	<b>8.1</b>	10.7
<b>Net cash inflow from operating activities</b>		<b>1,159.8</b>	723.0	<b>530.4</b>	539.8
<b>Net cash outflow from investing activities</b>	<b>32</b>	<b>(581.5)</b>	(817.3)	<b>(566.6)</b>	(349.7)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>33</b>	<b>194.6</b>	(308.4)	<b>159.4</b>	(326.2)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>772.9</b>	(402.7)	<b>123.2</b>	(136.1)
Foreign exchange differences		<b>(5.9)</b>	14.1	–	–
Cash and cash equivalents at beginning of the year		<b>2,153.4</b>	2,542.0	<b>162.5</b>	298.6
<b>Cash and cash equivalents at end of the year</b>	<b>19</b>	<b>2,920.4</b>	2,153.4	<b>285.7</b>	162.5

The accounting policies set out on pages 58 to 64 and the notes on pages 69 to 112 are to be read as part of these financial statements.