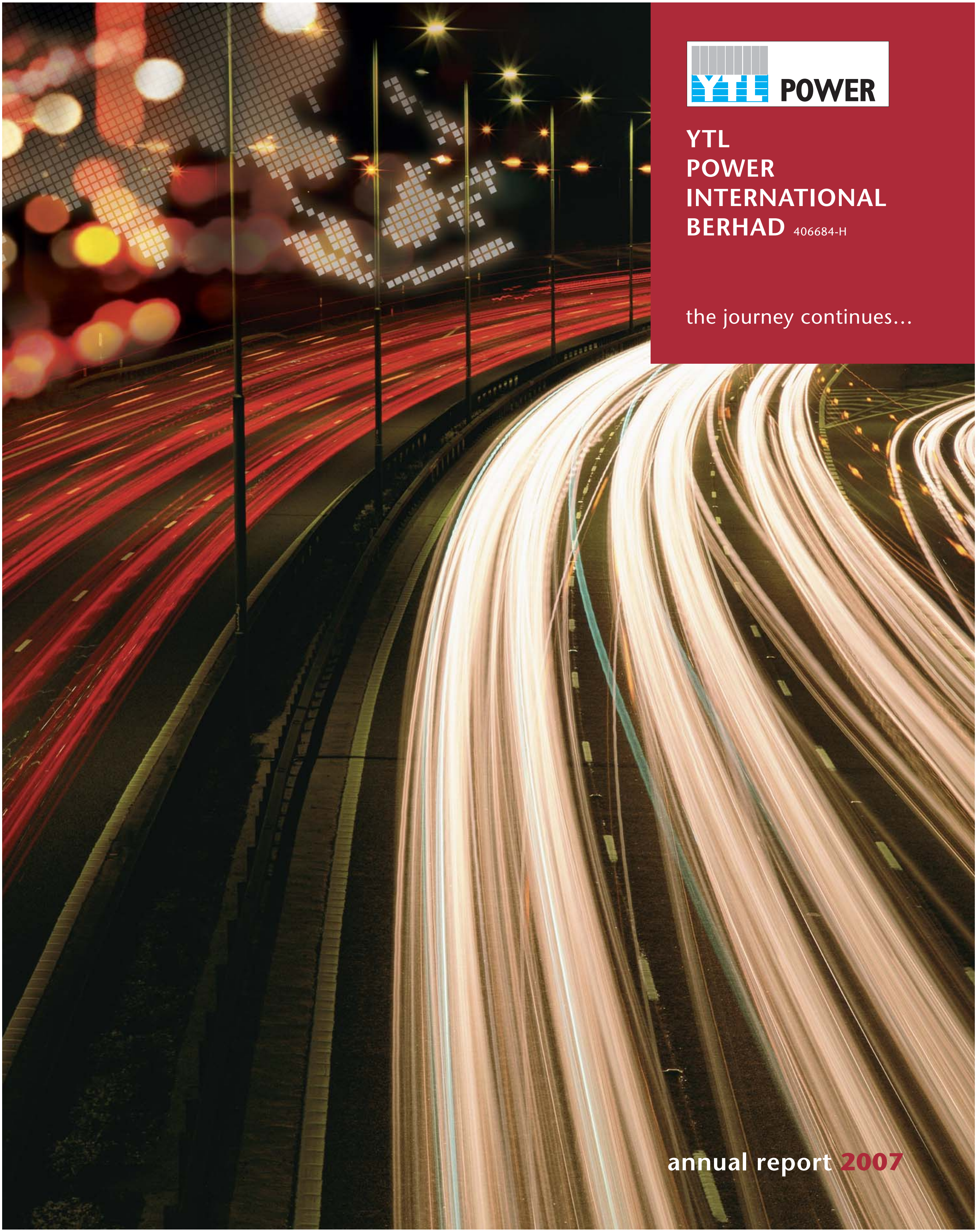


YTL POWER INTERNATIONAL BERHAD 406684-H

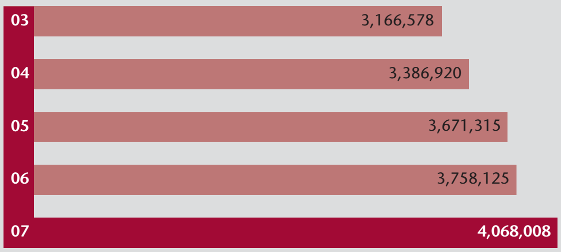
the journey continues...

annual report 2007

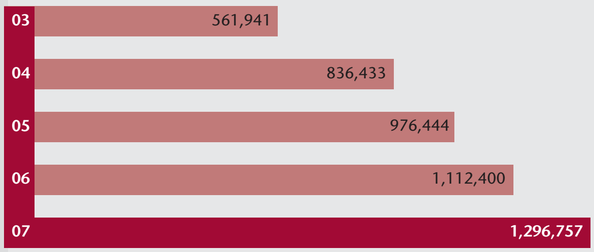
Contents

Financial Highlights

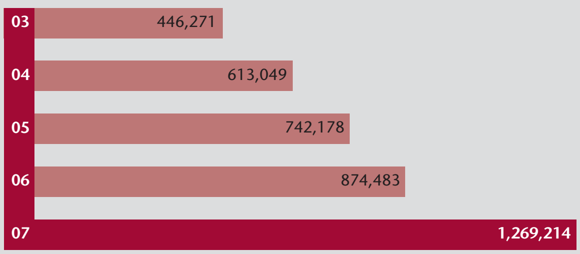
	2007	2006	2005	2004	2003
Revenue (RM'000)	**4,068,008**	3,758,125	3,671,315	3,386,920	3,166,578
Profit Before Taxation (RM'000)	**1,296,757**	1,112,400	976,444	836,433	561,941
Profit After Taxation (RM'000)	**1,269,214**	874,483	742,178	613,049	446,271
Profit After Taxation and Minority Interest (RM'000)	**1,269,214**	874,483	742,178	613,049	446,271
Shareholders' Funds (RM'000)	**6,127,143**	5,728,957	5,229,233	4,560,490	4,369,927
Earnings per Share (Sen)	**25.40**	17.89	15.84	13.63	9.87
Dividend per Share (Sen)	**17.50**	10.00	10.00	10.00	10.00
Total Assets (RM'000)	**24,002,890**	22,244,265	21,905,572	20,576,574	18,672,754
Net Assets per Share (RM)	**1.20**	1.16	1.08	1.02	0.97



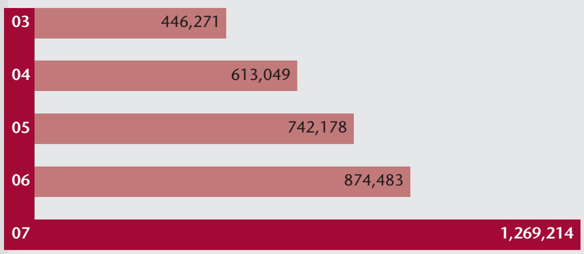
Revenue (RM'000)



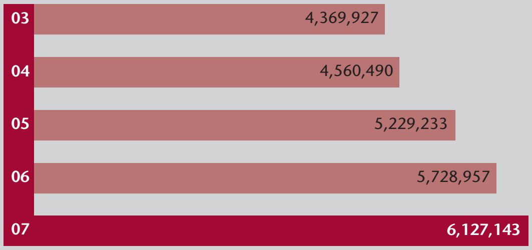
Profit Before Taxation (RM'000)



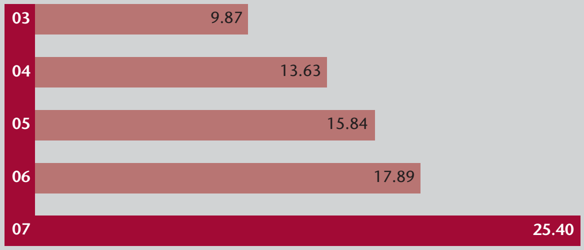
Profit After Taxation (RM'000)



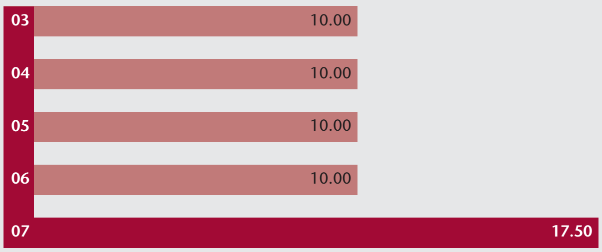
Profit After Taxation and Minority Interest (RM'000)



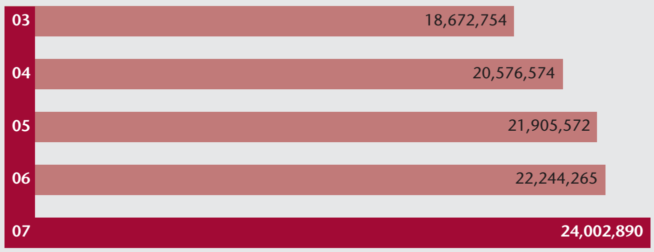
Shareholders' Funds (RM'000)



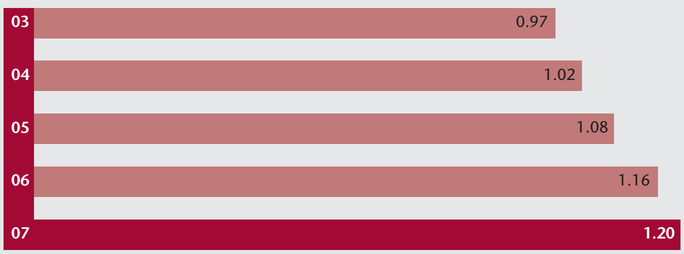
Earnings per Share (Sen)



Dividend per Share (Sen)



Total Assets (RM'000)



Net Assets per Share (RM)

Chairman's Statement

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 Company and its subsidiaries ("Group") for the financial year ended 30 June 2007.

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

OVERVIEW

YTL Power achieved excellent results for the financial year ended 30 June 2007, underpinned by the resilience of the Group's regulated businesses supported by long-term concessions or contracts in Malaysia, the United Kingdom ("UK"), Australia and Indonesia. With revenue streams stemming from activities in power generation, water and sewerage services and plant operations and maintenance ("O&M"), YTL Power's business profile is more robust than ever, enabling the Group to distribute record levels of dividends for the year under review in the form of a 1-for-25 share dividend distribution and 2 interim tax-exempt dividends of 7.5% each, in addition to the 10% final dividend recommended for shareholders' approval at the forthcoming annual general meeting.

The Group continues to remain largely insulated from both industry-specific and country-specific economic pressures owing to its level of operational diversification, resulting in exchange rate fluctuations continuing to be one of the more significant variables of performance as revenues from these businesses are denominated in different currencies. The Ringgit held its ground during the financial year, strengthening marginally by an average of 4.6% against the US dollar compared to last year, supported by strong economic fundamentals and ongoing market-friendly measures implemented by the Government.

Operations in the UK, Australia and Indonesia continue to be the greatest contributor to the Group's earnings with YTL Power's overseas operations accounting for approximately 71% of the Group's revenue for the 2007 financial year. Wessex Water Limited ("Wessex Water"), the Group's wholly-owned water and sewerage services provider in the UK, in particular, achieved excellent results this year, and in November 2006, was named the top water and sewerage company in the UK by the Office of Water Services (Ofwat), the UK water industry regulator, in its report on company performance across the last year.

FINANCIAL PERFORMANCE

The Group's turnover increased to RM4,068.01 million for the financial year ended 30 June 2007 compared to RM3,758.13 million in the preceding year ended 30 June 2006, representing year-on-year growth of RM309.9 million or 8.2%. Net profit registered a 45.1% increase to RM1,269.21 million from RM874.48 million last year.

The increase in Group profit after taxation for the financial year ended 30 June 2007 was principally due to better performance recorded by the Group's foreign operations.

For the year ended 30 June 2007, YTL Power's operations in Malaysia contributed 28.7% of revenue, whilst revenue contribution from overseas operations stood at 71.3%, increasing marginally compared to the financial year ended 30 June 2006.

DIVIDENDS

YTL Power increased returns to shareholders during the year under review with the distribution of 2 tax-exempt interim dividends of 7.5% each and a share dividend distribution of 1 treasury share for every 25 existing ordinary shares of RM0.50 each held in YTL Power.

The Board of Directors of YTL Power is pleased to recommend for shareholders' approval, a Final Dividend of 10% less Malaysian income tax for the year ended 30 June 2007.

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 10th consecutive year that YTL Power has declared dividends to shareholders.

SIGNIFICANT CORPORATE DEVELOPMENTS

- On 19 October 2006, YTL Power declared a distribution of 1 treasury share for every 25 existing ordinary shares of RM0.50 each held on 5 February 2007. The distribution was completed on 9 February 2007.
- On 15 January 2007, the Company announced that the Securities Commission ("SC") had approved the Company's proposed RM1.0 billion commercial paper/medium term notes issuance programme ("CP/MTN Programme") with a tenure of up to 7 years from the date of first issuance. On 7 May 2007, the Company announced that the SC had approved its application to increase the CP/MTN programme to an issuance size of up to RM2.0 billion. The first issue under the CP/MTN Programme took place on 8 June 2007 with the issue of RM750.0 million in commercial paper.

- Status of utilisation of proceeds raised from corporate proposals:

  The Company repaid its RM750 Million 7% Redeemable Non-Guaranteed Unsecured Bonds due 2007 in full on the maturity date of 11 January 2007.

  The net proceeds received from the issue of the 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 in Malaysia 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% stake in P.T. Jawa Power ("Jawa Power"), the owner of a 1,220 megawatt ("MW") coal-fired power station in Indonesia.

Paka & Pasir Gudang Power Stations, Malaysia

The Group's power stations continued to operate under optimal conditions, registering an overall average station availability of 92.29% for the year under review, decreasing marginally compared to 92.93% last year, due to scheduled maintenance.

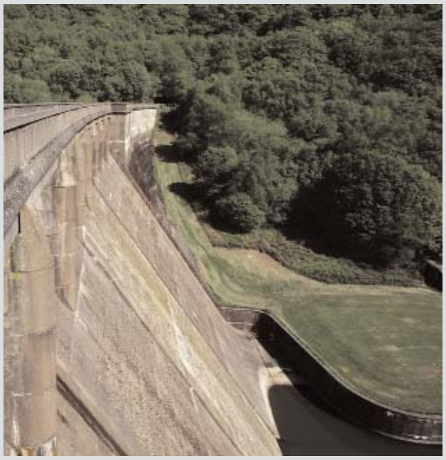
Paka Power Station recorded overall availability of 96.72% compared to 95.83% last year, with lower availability last year being due to the overhaul of one steam turbine and generator. During the 2007 financial year, two gas turbines at Paka Power Station became the first to undergo major inspections upon reaching 100,000 equivalent operating hours.

Meanwhile Pasir Gudang registered availability of 87.85% compared to 90.02% last year, due to the upgrading of its Distributed Control System (DCS) reported last year, which took place throughout June and July 2006, overlapping the beginning of the 2007 financial year. The DCS is the heart of the power station, controlling operation and monitoring of the station.

Located in Paka, Terengganu, and Pasir Gudang, Johor, YTLPG's two combined-cycle, gas-fired power stations have a combined capacity of 1,212 MW – 808 MW at Paka Power Station and 404 MW at Pasir Gudang Power Station. O&M for the Paka and Pasir Gudang power stations continues to be undertaken by YTL Power Services Sdn Bhd ("YTL Power Services"), a wholly-owned subsidiary of YTL Corporation Berhad, under an 8-year O&M agreement entered into in December 2001.

Jawa Power, Indonesia

Jawa Power continues to perform well to meet Indonesia's continued growth in demand for electricity. For its financial year ended 31 December 2006, Jawa Power posted its best operational performance since commencement of operations in 2000 – a record high availability of 94.75% compared to the 83% rate contracted under its power purchase agreement with P.T. Perusahaan Listrik Negara ("PLN"), and this enabled the station to generate 9,109 GWh of electricity or a dispatch factor of 85.23%.



Jawa Power is entitled to a bonus payment from PLN for dispatch in excess of 83% of contracted availability and the high dispatch rate in 2006 earned the company a bonus payment for the second year running, following the first bonus payment in 2005.

For the six months ended 30 June 2007, the plant posted an availability of 86.11% as a result of the shut down of one 610 MW unit for scheduled major overhaul in May and June 2007. As at 30 June 2007, the station had also achieved 1,650 days of operations without lost time resulting from accidents.

Jawa Power's plant comprises two electricity generation units, each having a net installed capacity of 610 MW, and commenced operations in 2000. The plant is located at the Paiton Power Generation Complex on Indonesia's most developed and populated island, Java, and supplies power to PLN, the Indonesian state-owned integrated utility, under 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. Bumipertiwi Tatapradipta, which owns the remaining 15%.

P.T. YTL Jawa Timur ("Jawa Timur") carries out O&M for Jawa Power under a 30-year agreement. Jawa Timur is a wholly-owned subsidiary of YTL Power and is responsible for co-ordinating, supervising and controlling all operations and maintenance, as well as supplying all services, goods and materials required to operate and maintain the power station. This investment continues to enable YTL Power to develop expertise in the operation 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 made an indirect investment of 33.5% in ElectraNet in 2000, together with a 33.5% investment in ElectraNet Transmission Services Pty Limited which manages ElectraNet's transmission assets.

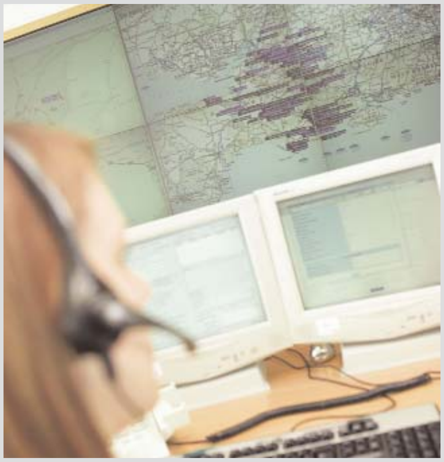
ElectraNet owns South Australia's high voltage electricity transmission network, which transports electricity from electricity generators to receiving end-users across the state. ElectraNet's network covers approximately 200,000 square kilometres of South Australia via more than 5,500 circuit kilometres of transmission lines and 76 high voltage substations. The company also provides the important network link from South Australia to the National Electricity Market (NEM), via two regulated interconnectors, one of which is owned by ElectraNet.

ElectraNet is subject to a revenue cap set by the Australian Competition and Consumer Commission (ACCC) (now handled by the Australian Energy Regulator (AER)) which 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 – Wessex Water, United Kingdom

In November 2006, Wessex Water was named the top water and sewerage company in the UK by Ofwat, in its report on company performance across the last year. Wessex Water achieved outstanding scores across the board and was the only business to receive the maximum seven stars (indicative of above-average performance) for customer services for the second successive year.

Chairman's Statement



Once again, Wessex Water's compliance with drinking water standards shows that the company has been supplying water of the highest possible quality with levels remaining at 99.9%, the same as last year.

Wessex Water continues to rise to the challenge of the last 5-year price review (for the 2005-2010 period) with ongoing efficiency improvements that are enabling the company to outperform against the financial assumptions made by Ofwat. Meanwhile, Wessex Water's customer satisfaction levels have improved to 96%, making it the best performing water and sewerage company for customer service.

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 regulated asset base ("RAB") increased by 8.34% to £1,987 million (RM13.91 billion, based on the average prevailing exchange rate of £1.00 : RM7.00) for its regulatory year ended 31 March 2007, from £1,834 million (RM12.84 billion) for its previous regulatory year. As at 30 June 2007, Wessex Water's RAB had grown to £2,013 million (RM14.09 billion).

CORPORATE SOCIAL RESPONSIBILITY

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.

Social responsibility and environmental sustainability are key values of the Group 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.

Environmental protection has been at the forefront of the Group's planning from its first foray into utilities businesses, working within the Malaysian Government's policy to use clean fuels such as natural gas. As the first Independent Power Producer in Malaysia, YTL Power endeavoured from the outset to adopt power station designs for its gas-fuelled combined cycle power plants that would minimise potentially damaging emissions.

The Group's statements on corporate governance and internal control, which elaborate further on its systems and controls, can be found as a separate section in this Annual Report.

Sustainability Developments

In September 2007, YTL Power scored highly in CLSA's Corporate Governance Watch 2007, its annual review of the corporate governance practices of Malaysian corporates. YTL Power was ranked No.1 in terms of Clean & Green scoring in Malaysia, with an overall score of 55%.

In the UK, Wessex Water took another step towards fulfilling its goal of becoming a truly sustainable water and sewerage company by being the first water company to fully integrate its regulatory annual report with its sustainability report in order to produce a holistic view on the company's financial results, service performance and corporate social responsibility. More than a decade ago, Wessex Water was also the first water company to take the step of producing a sustainability report and committing to a long term goal of becoming a sustainable operation.

Wessex Water compares annual emissions against a sustainable target level based on a reduction in carbon dioxide emissions of 60% between 1997 and 2050 (this is the figure that the UK's Royal Commission of Environmental Pollution believes necessary to avoid dangerous further human interference with the climate). Wessex Water operates under a stringent set of national and European environmental directives and regulations with a key long term goal of becoming a sustainable water company, and its 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.

In Indonesia, Jawa Power was, for the third consecutive time, awarded a Green rating by the Indonesian Ministry of Environment under its Environmental Rating Program (PROPER) for 2006-2007, remaining the only company in the Indonesian energy sector to have received 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.

Chairman's Statement

The Jawa Power station, which is operated by Jawa Timur, a wholly-owned subsidiary of YTL Power, continues to seek ways to reduce its carbon footprint. The station has a daily fuel consumption of approximately 12,000 tonnes of coal, which in turn generates about 400 tonnes of ash per day. The bulk of this is "fly ash" – smaller, lighter particles of ash that are separated from boiler exhaust gases in the electrostatic precipitators. With the consistency of very fine power, fly ash has the potential to pollute the air and groundwater as it contains traces of salts and metals, and the conventional method used to dispose of fly ash is to convert it into slurry and pump it into specially-built ash lagoons.

In 2002, however, Jawa Power embarked on efforts to find a safer and more environmentally-friendly use for the station's fly ash, and in 2003, the company began sending its fly ash to a nearby cement processing plant for testing. Fly ash reduces the cost of manufacturing concrete as it is only mixed with the cement in the final stages of production, making it an inexpensive replacement for cement used in concrete. In addition, fly ash actually improves the strength of the final product. After successful trials, the cement plant invested in additional facilities to enable it to use Jawa Power's fly ash, resulting in the utilisation rate increasing from only 26% in 2003 to approximately 78% in 2006.

ISO 14001 Certification

During the year under review, YTL Power Services commenced the certification process to obtain IS0 14001 certification for the Group's power stations in Paka and Pasir Gudang in Malaysia. On 13 September 2007, YTL Power Services, Paka Power Station and Pasir Gudang Power Station received IS0 14001:2004 certification for their Environmental Management Systems.

Mechanisms are also being implemented at the Paka and Pasir Gudang power stations for the management of power plant gaseous emissions, waste effluent, discharge cooling water and industrial scheduled waste. Recent modifications made to two of the Paka Power Station's gas turbines have reduced the amount of nitrogen dioxide in the gas turbines' exhaust gases by around 50%, and the same modifications are also planned for the stations' other gas turbines. Efforts have also been made to reduce the water consumption of the power stations by stopping blowdown on the heat-recovery boilers and reducing and eliminating, where possible, leaking valves on water-stream systems.

The Jawa Power station achieved ISO 14001:1996 Certification in 2001 for its Environmental Management Systems. 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, its Environmental Management Systems were upgraded to conform to the requirements of this new version.

FUTURE PROSPECTS

On the global front, the full impact of the US sub-prime mortgage crisis and the wider impact of any slowdown in the US economy on global expansion remain to be seen. The Malaysian economy, meanwhile, is expected to strengthen further in 2008, with GDP growing by a projected 6.0% - 6.5%. The roll-out of projects under the Ninth Malaysia Plan has begun and YTL Power will fully examine all initiatives that are within the Group's scope with regards to private finance initiatives (PFI) enabling the private sector to participate in the implementation of development projects.

YTL Power's financial and operational performance have strengthened based on a core business philosophy of ensuring operating stability, solid cash flows and a strong balance sheet. The Group maintains its financial profile as a result of stable and efficient operations, and the steady, long-term returns generated from its regulated assets. The acquisition of prime assets such as Wessex Water, and investments in ElectraNet and Jawa Power, ensure the Group's continuing stability and success in meeting these goals. The independent and transparent nature of the regulatory bodies overseeing the Group's assets, such as Ofwat in the UK and the AER in Australia, augur very well for the stability of YTL Power's earnings streams by reducing regulatory risk in particular.

Future growth is expected to be driven largely through investments in economically viable, high quality, regulated assets with strong returns, and YTL Power will continue to seek opportunities to further develop its presence as a global multi-utility provider, by leveraging on its regulated asset experience in Australia and the UK, as well as the Group's pool of expertise and capabilities, to advance the business. Opportunities under consideration range from Indonesia and Singapore to South Africa and parts of Europe, and this focus on utility-type assets, both regionally and internationally, also provides the platform to further enhance shareholder value and boost returns to investors.

As the Group embarks on another year and strives to deliver stronger earnings growth and returns to shareholders, the Board of Directors of YTL Power would like to thank our investors, customers, business associates and the regulatory authorities, for their continued support. As always, we thank the management and staff for their continued dedication and commitment to the Group.

TAN SRI DATO' SERI (DR)
YEOH TIONG LAY
PSM, SPMS, DPMS, KMN, PPN, PJK

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT THE ELEVENTH 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 FRIDAY, THE 7TH DAY OF DECEMBER, 2007 AT 2.30 P.M. TO TRANSACT THE FOLLOWING BUSINESS:

AS ORDINARY BUSINESS

1 To receive the Audited Financial Statements for the financial year ended 30 June 2007 together with the Reports of the Directors and Auditors thereon; **Resolution 1**

2 To sanction the declaration of a Final Dividend of 10% gross less Malaysian Income Tax in respect of the financial year ended 30 June 2007; **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' Lau Yin Pin @ Lau Yen Beng **Resolution 3**
- ii Dato' Yeoh Seok Hong **Resolution 4**
- iii Syed Abdullah Bin Syed Abd. Kadir **Resolution 5**

4 To consider and if thought fit, to pass the following Ordinary Resolutions in accordance with Section 129(6) of the Companies Act, 1965:

i "THAT Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay, retiring pursuant to Section 129(6) of the Companies Act, 1965, be and is hereby re-appointed a Director of the Company to hold office until the next Annual General Meeting." **Resolution 6**

ii "THAT Dato' (Dr) Yahya Bin Ismail, retiring pursuant to Section 129(6) of the Companies Act, 1965, be and is hereby re-appointed a Director of the Company to hold office until the next Annual General Meeting." **Resolution 7**

iii "THAT Mej Jen (B) Dato' Haron Bin Mohd Taib, retiring pursuant to Section 129(6) of the Companies Act, 1965, be and is hereby re-appointed a Director of the Company to hold office until the next Annual General Meeting." **Resolution 8**

5 To approve the payment of Directors' fees amounting to RM375,000 for the financial year ended 30 June 2007; **Resolution 9**

6 To re-appoint the Auditors and to authorise the Directors to fix their remuneration. **Resolution 10**

AS SPECIAL BUSINESS

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

ORDINARY RESOLUTION 1

7 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 11**

ORDINARY RESOLUTION 2

8 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 7 December 2006, 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 2007, the audited Retained Profits and Share Premium Account of the Company were RM1,738,702,711.08 and RM1,944,120,191.96 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 12**

Notice of Annual General Meeting

ORDINARY RESOLUTION 3

9 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 2.1.2 of the Circular to Shareholders dated 15 November 2007 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 13**

SPECIAL RESOLUTION 1

10 PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION

"THAT the alterations, deletions, modifications and additions to the Articles of Association of the Company as set out in Appendix I of the Circular to Shareholders dated 15 November 2007 be and are hereby approved." **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 12 December 2007 for the entitlement of the following:

Proposed Final Dividend of ten percent (10%) gross less Malaysian Income Tax in respect of the financial year ended 30 June 2007 as recommended by the Directors on 23 August 2007.

A Depositor shall qualify for entitlement to the Proposed Final Dividend only in respect of:

a shares transferred into the Depositor's Securities Account before 4.00 p.m. on 12 December 2007 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 Final Dividend of ten percent (10%) gross less Malaysian Income Tax in respect of the financial year ended 30 June 2007, if approved by the shareholders at the forthcoming Eleventh Annual General Meeting, shall be on 31 December 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 30 November 2007 to qualify for the above dividend entitlement.

By Order of the Board,

HO SAY KENG
Company Secretary

KUALA LUMPUR
15 November 2007

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 2007. Only a depositor whose name appears on the General Meeting Record of Depositors as at 30 November 2007 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 11 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 12, further information on the Share Buy-Back is set out in the Share Buy-Back Statement dated 15 November 2007 which is despatched together with the Company's Annual Report 2007.

Resolution pertaining to the Recurrent Related Party Transactions

For Resolution 13, further information on the Recurrent Related Party Transactions is set out in the Circular to Shareholders dated 15 November 2007 which is despatched together with the Company's Annual Report 2007.

Proposed Amendments to Articles of Association

For Resolution 14, details of the Proposed Amendments to Articles of Association are set out in the Circular to Shareholders dated 15 November 2007 which is despatched together with the Company's Annual Report 2007.

Statement Accompanying Notice of Annual General Meeting

(Pursuant to Paragraph 8.28(2) of the Listing Requirements of Bursa Malaysia Securities Berhad)

DETAILS OF INDIVIDUALS WHO ARE STANDING FOR ELECTION AS DIRECTORS

No individual is seeking election as a Director at the Eleventh Annual General Meeting of the Company.

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, MCIOB, 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

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 • 603 2117 0088
603 2142 6633
Fax • 603 2141 2703

BUSINESS OFFICE

7th Floor, Yeoh Tiong Lay Plaza
55 Jalan Bukit Bintang
55100 Kuala Lumpur
Tel • 603 2117 0088
603 2142 6633
Fax • 603 2141 2703

REGISTRAR

YTL Corporation Berhad
11th Floor, Yeoh Tiong Lay Plaza
55 Jalan Bukit Bintang
55100 Kuala Lumpur
Tel • 603 2117 0088
603 2142 6633
Fax • 603 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

Barclays Bank Plc
Bayerische Landesbank
BNP Paribas
Calyon
CIMB Bank Berhad (formerly known as Bumiputra-Commerce Bank Berhad)
Citibank Berhad
Citibank Malaysia (L) Limited
DBS Bank Ltd
European Investment Bank
HSBC Bank Plc
ING Bank N.V.
KBC Bank N.V.
Mega International Commercial Bank Co Ltd
Mizuho Corporate Bank Ltd
National Australia Bank Limited
Oversea-Chinese Banking Corporation Limited
Societe Generale
Standard Chartered Bank Malaysia Berhad
The Bank of East Asia Limited
The Bank of Tokyo-Mitsubishi UFJ, 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 77, 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 for 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 also the Executive Chairman of YTL Corporation Berhad and YTL Cement Berhad, both listed on the Main Board of the Bursa Malaysia Securities Berhad and a board member of other public companies such as 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 63, was appointed to the Board on 12 June 2006 as an Independent Non-Executive Director. He is also a member of the Audit Committee. 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, AmInvestment Bank Berhad, AmInvestment Group Berhad and YTL Foundation. He is also the Chairman of Malaysia Design and Innovation Centre.

TAN SRI DATO' (DR) FRANCIS YEOH SOCK PING, Malaysian, aged 53, was appointed to the Board on 18 October 1996 as an Executive Director and has been the Managing Director since then. Tan Sri Francis studied at Kingston University, UK, where he obtained a Bachelor of Science (Hons) in Civil Engineering and was conferred an Honorary Doctorate of Engineering in 2004. He became the Managing Director of YTL Corporation Berhad Group in 1988 which under his stewardship, has grown from a single listed entity into a force comprising six listed entities ie. YTL Corporation Berhad, YTL Power International Berhad, YTL Cement Berhad, YTL Land & Development Berhad, YTL e-Solutions Berhad and Starhill Real Estate Investment Trust. He is presently Managing Director of YTL Corporation Berhad, YTL Cement Berhad and YTL Land & Development Berhad, all listed on the Main Board of Bursa Malaysia Securities Berhad. Tan Sri Francis is also the Executive Chairman of YTL e-Solutions Berhad, which is listed on the MESDAQ Market of Bursa Malaysia Securities Berhad. Besides the listed entities in YTL Group, Tan Sri Francis also sits on the board of several public companies such as 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.

He is a Founder Member of the Malaysian Business Council and The Capital Markets Advisory Council. He is also a member of The Nature Conservancy Asia Pacific Council, the Asia Business Council and Trustee of the Asia Society. He is also a member of the Advisory Council of London Business School, Wharton School and Insead.

He was ranked by both Fortune Magazine and Business Week Magazine as Asia's 25 Most Powerful and Influential Business Personalities. He won the inaugural Ernst & Young's Master Entrepreneur in Malaysia and CNBC Asia Pacific recently named him Malaysia CEO of the Year.

He was appointed as member of Barclays Asia-Pacific Advisory Committee in 2005. He also sits on the IBLF International Advisory Board, which is chaired by James Wolfensohn, Former President of the World Bank.

In 2006, he was awarded the Commander of the Most Excellent Order of the British Empire (CBE) by Her Majesty Queen Elizabeth II.

Profile of the Board of Directors

DATO' YEOH SEOK KIAN, Malaysian, aged 50, 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 Executive Director of YTL Cement Berhad and YTL Land & Development Berhad, all listed on the Main Board of Bursa Malaysia Securities Berhad. Dato' Yeoh Seok Kian also serves on the board of several other public companies such as YTL Industries Berhad, The Kuala Lumpur Performing Arts Centre, YTL Vacation Club Berhad and private utilities company, Wessex Water Limited. He is also a director of Pintar Projek Sdn Bhd, the Manager of Starhill Real Estate Investment Trust.

DATO' (DR) YAHYA BIN ISMAIL, Malaysian, aged 79, was appointed to the Board on 31 October 1996 as an Independent, Non-Executive Director. He is also a member of the Audit Committee. 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 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 a Director of YTL Corporation Berhad, a company listed on the Main Board of Bursa Malaysia Securities Berhad and several other public companies including YTL Industries 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 72, 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 58, was appointed to the Board on 18 February 1997 as an Independent Non-Executive Director. He is also the Chairman of the Audit Committee. 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 is the Chairman of Star Publications (Malaysia) Berhad and Institute of Strategic Analysis & Policy Research and a board member of Nanyang Press Holdings Berhad and Chang Ming Thien Foundation.

DATO' YEOH SOO MIN, Malaysian, aged 51, 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, a company listed on the Main Board of Bursa Malaysia Securities Berhad, YTL Industries Berhad and YTL Vacation Club Berhad.

DATO' YEOH SEOK HONG, Malaysian, aged 48, was appointed to the Board on 18 October 1996 as an Executive Director. He is also a member of the Audit Committee. 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 Cement Berhad, YTL Land & Development Berhad, all listed on the Main Board of Bursa Malaysia Securities Berhad and YTL e-Solutions Berhad, a company listed on the MESDAQ Market of Bursa Malaysia Securities Berhad. Dato' Yeoh Seok Hong also sits on the board of other public companies such as YTL Industries Berhad, YTL Foundation, Wessex Water Limited and Wessex Water Services Limited.

DATO' MICHAEL YEOH SOCK SIONG, Malaysian, aged 47, 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, all listed on the Main Board of Bursa Malaysia Securities Berhad and YTL e-Solutions Berhad, a company listed on the MESDAQ Market of Bursa Malaysia Securities Berhad. He also sits on the board of other public companies such as YTL Industries Berhad, Sentul Raya Golf Club Berhad and private utilities company, Wessex Water Limited.

DATO' YEOH SOO KENG, Malaysian, aged 44, 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, all listed on the Main Board of Bursa Malaysia Securities Berhad.

DATO' MARK YEOH SEOK KAH, Malaysian, aged 42, 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 Cement Berhad, YTL Land & Development Berhad, all listed on the Main Board of the Bursa Malaysia Securities Berhad and YTL e-Solutions Berhad, a company listed on the MESDAQ Market of Bursa Malaysia Securities Berhad. He is also a board member of YTL Vacation Club Berhad and private utilities company, Wessex Water Limited.

Profile of the Board of Directors

SYED ABDULLAH BIN SYED ABD. KADIR, Malaysian, aged 53, 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, 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 6 Board meetings 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	6
Tan Sri Datuk Dr. Aris Bin Osman @ Othman	6
Dato' Yeoh Seok Kian	4
Dato' (Dr) Yahya Bin Ismail	6
Mej Jen (B) Dato' Haron Bin Mohd Taib	4
Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng	6
Dato' Yeoh Soo Min	6
Dato' Yeoh Seok Hong	6
Dato' Michael Yeoh Sock Siong	5
Dato' Yeoh Soo Keng	6
Dato' Mark Yeoh Seok Kah	6
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 2007, 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.

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.

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.

Audit Committee Report

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.

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 2007 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 audit reports presented by internal auditors on findings and recommendations and management's responses thereto and ensure that material findings are adequately addressed by management.

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, in particular the quarterly and year end financial statements, 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.

8 Review of the related party transactions entered into by the Group.

NUMBER OF MEETINGS HELD AND DETAILS OF ATTENDANCE

During the financial year, a total of 5 Audit Committee Meetings 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	5
Dato' (Dr) Yahya Bin Ismail	5
Dato' Yeoh Seok Hong	5

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.

BOARD STRUCTURE

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 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 and shareholders.

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. During the financial year under review, the Directors attended various other conferences and programmes, including speaking engagements, 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 & ACCESS TO INFORMATION

The Board met five times during the financial year ended 30 June 2007. 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. Directors do not participate in decisions regarding their own remuneration packages and Directors' fees must be approved by shareholders at the AGM.

Details of the aggregate remuneration of Directors categorised into appropriate components and the range of remuneration of each Director can be found in Note 8 of the Notes to the Financial Statements in this Annual Report (for security reasons, details are not shown with reference to Directors individually).

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 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.

Statement on Corporate Governance

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 met five times during the financial year ended 30 June 2007. 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 to present 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.

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 formal arrangements for maintaining an appropriate relationship with the Company's auditors, Messrs. PricewaterhouseCoopers.

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 2007.

This statement was approved by the Board of Directors on 25 October 2007.

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 which formed part 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 certain 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 arranged 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:** The in-house internal audit department is 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 effective 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 dealt with promptly. The members of this meeting comprise at least 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.

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 YTL Power Generation Sdn Bhd and Wessex Water Limited, which are wholly-owned subsidiaries of YTL Power, an indirect investment of 33.5% in ElectraNet Pty Ltd, and a 35% equity interest in 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 25 October 2007.

Disclosure of Recurrent Related Party Transactions

for financial year ended 30 June 2007

At the last Annual General Meeting of YTL Power International Berhad ("YTL Power") held on 7 December 2006, 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) of Bursa Malaysia Securities Berhad Listing Requirements, details of the Recurrent Transactions conducted during the financial year ended 30 June 2007 pursuant to the said shareholders' mandate are as follows:

Company 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]	85,151
			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, and 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 5 October 2007

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	3,506	11.56	144,471	0.00
100 – 1,000	5,014	16.53	2,339,582	0.05
1,001 – 10,000	17,215	56.74	58,697,342	1.15
10,001 – 100,000	4,021	13.25	101,621,011	2.00
100,001 to less than 5% of issued shares	582	1.92	1,716,442,294	33.76
5% and above of issued shares	2	0.00	3,205,329,081	63.04
Total	30,340	100.00	5,084,573,781	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	2,790,595,003	54.88
2	Employees Provident Fund Board	414,734,078	8.16
3	Kumpulan Wang Persaraan (Diperbadankan)	161,897,683	3.18
4	Valuecap Sdn Bhd	122,950,580	2.42
5	YTL Corporation Berhad	120,717,078	2.37
6	Bara Aktif Sdn Bhd	107,189,922	2.11
7	Amanah Raya Nominees (Tempatan) Sdn Bhd - Skim Amanah Saham Bumiputera	106,930,526	2.10
8	Lembaga Tabung Haji	104,113,299	2.05
9	Mayban Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Yeoh Tiong Lay & Sons Holdings Sdn Bhd (414011602106)	104,000,000	2.05
10	Yeoh Tiong Lay & Sons Holdings Sdn Bhd	92,283,611	1.81
11	Mayban Nominees (Tempatan) Sdn Bhd - Mayban Investment Management Sdn Bhd for Malayan Banking Berhad (N14011200618)	62,603,339	1.23
12	Amanah Raya Nominees (Tempatan) Sdn Bhd - Amanah Saham Wawasan 2020	52,778,068	1.04
13	Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	40,124,004	0.79
14	Citigroup Nominees (Asing) Sdn Bhd - Exempt An for American International Assurance Company Limited	32,132,620	0.63
15	Amanah Raya Nominees (Tempatan) Sdn Bhd - Amanah Saham Didik	28,361,444	0.56
16	Cartaban Nominees (Asing) Sdn Bhd - Nomura Trust and Banking Company Limited Tokyo for Asia Attractive Dividend Stock Fund Mother Fund	23,959,800	0.47

Analysis of Share/Warrant Holdings

as at 5 October 2007

	Name	No. of Shares	% #
17	HSBC Nominees (Asing) Sdn Bhd - Kredietbank S.A. Luxemburgeoise for Clariden-Lux Infrastructure Fund	22,657,300	0.45
18	DB (Malaysia) Nominee (Asing) Sdn Bhd - Exempt An for Deutsche Bank Ag Singapore (PWM Asing)	20,947,857	0.41
19	Permodalan Nasional Berhad	20,854,959	0.41
20	HSBC Nominees (Asing) Sdn Bhd - TNTC for Saudi Arabian Monetary Agency	18,538,368	0.36
21	Amanah Raya Nominees (Tempatan) Sdn Bhd - Amanah Saham Malaysia	17,564,506	0.35
22	HSBC Nominees (Tempatan) Sdn Bhd - Nomura Asset Mgmt Malaysia for Employees Provident Fund	14,727,675	0.29
23	Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE	11,813,676	0.23
24	Alliancegroup Nominees (Tempatan) Sdn Bhd - Pheim Asset Management Sdn Bhd for Employees Provident Fund	10,881,717	0.21
25	HSBC Nominees (Asing) Sdn Bhd - Exempt An for JPMorgan Chase Bank, National Association (U.K.)	10,038,606	0.20
26	Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	8,945,040	0.18
27	Citigroup Nominees (Asing) Sdn Bhd - Exempt An for Merrill Lynch Pierce Fenner & Smith Incorporated (Foreign)	8,624,470	0.17
28	Malaysian Assurance Alliance Berhad - As Beneficial Owner	8,511,900	0.17
29	Cartaban Nominees (Tempatan) Sdn Bhd - MIDF Amanah Asset Nominees (Tempatan) Sdn Bhd for Employees Provident Fund Board (JF404)	7,912,300	0.16
30	TM Asia Life Malaysia Bhd - As Beneficial Owner (PF)	7,550,000	0.15
	Total	**4,554,939,429**	**89.59**

SUBSTANTIAL SHAREHOLDERS (as per register of substantial shareholders)

	No. of Shares Held			
Name	Direct	% #	Indirect	% #
Yeoh Tiong Lay & Sons Holdings Sdn Bhd	206,921,750	4.07	2,916,969,712 (1)	57.37
YTL Corporation Berhad	2,916,670,645	57.36	299,067 (2)	0.01
Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	8,945,040	0.16	3,123,891,462 (3)	61.44
Employees Provident Fund Board	452,730,370	8.90	–	–

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

(3) Deemed interested by virtue of his interests 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 RM2,655,789,378.00 comprising 5,311,578,756 ordinary shares after deduction of 227,004,975 treasury shares retained by the Company as per Record of Depositors.

Type of Securities : Warrants 2000/2010

Voting rights : One vote per warrant 2000/2010 holder on a show of hands or one vote per warrant 2000/2010 on a poll in respect of meeting of warrant 2000/2010 holders

DISTRIBUTION OF WARRANT 2000/2010 HOLDINGS

Size of holding	No. of Warrant 2000/2010 Holders	%	No. of Warrants 2000/2010	%
Less than 100	75	1.07	3,214	0.00
100 – 1,000	754	10.78	503,684	0.06
1,001 – 10,000	5,295	75.69	17,963,632	2.03
10,001 – 100,000	777	11.11	23,190,362	2.62
100,001 to less than 5% of issued warrants 2000/2010	94	1.34	118,661,136	13.39
5% and above of issued warrants 2000/2010	1	0.01	725,597,846	81.90
Total	**6,996**	**100.00**	**885,919,874**	**100.00**

THIRTY LARGEST WARRANT 2000/2010 HOLDERS

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

	Name	No. of Warrants 2000/2010	%
1	YTL Corporation Berhad	725,597,846	81.90
2	Khazanah Nasional Berhad	37,037,036	4.18
3	Tenaga Nasional Berhad	35,337,000	3.99
4	Tenaga Nasional Berhad	15,000,000	1.69
5	Mayban Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Sow Cheng Kow	2,548,200	0.29
6	DB (Malaysia) Nominee (Asing) Sdn Bhd - Deutsche Bank Ag Singapore for Pangolin Asia Fund	1,505,600	0.17
7	Tang Ling Tung	1,488,600	0.17
8	Lee King Hong	1,184,900	0.13
9	Ke-Zan Nominees (Asing) Sdn Bhd - Kim Eng Securities Pte Ltd for Lim Chuan Seng	1,100,000	0.12
10	AMMB Nominees (Tempatan) Sdn Bhd - KAF Fund Management Sdn Bhd (7/862-1)	1,000,000	0.11
11	Chiaw Chik Sang	900,000	0.10
12	AMSEC Nominees (Asing) Sdn Bhd - James Hugh Alexander Hay (GZ0116)	864,000	0.10
13	CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB Bank for Sow Cheng Kow (MY0248)	778,900	0.09
14	Ma Kai Foo	749,000	0.08

Analysis of Share/Warrant Holdings

as at 5 October 2007

	Name	No. of Warrants 2000/2010	%
15	Citigroup Nominees (Tempatan) Sdn Bhd - Pledged Securities A/c for Lim Chee Tat (471531)	745,200	0.08
16	Chua Yih Tan	745,000	0.08
17	AMSEC Nominees (Asing) Sdn Bhd - James Hugh Alexander Hay (GZ0115)	668,000	0.08
18	Kho Boon Lian	579,500	0.07
19	Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Ding Lian Cheon	540,000	0.06
20	Pua Kok Sang	536,000	0.06
21	Public Nominees (Tempatan) Sdn Bhd - Pledged Securities A/c for Toh Dee Kong (E-JCL)	475,700	0.05
22	HLG Nominee (Tempatan) Sdn Bhd - Pledged Securities Account for Yim Kam Moon (CCTS)	436,000	0.05
23	Ng Seong Hoong	433,000	0.05
24	KAF Trustee Berhad - KAF Fund Management Sdn Bhd for Malaysia Assurance Alliance Berhad	397,000	0.04
25	HDM Nominees (Tempatan) Sdn Bhd - UOB Kay Hian Pte Ltd for Chen Joon Lee (Margin)	394,200	0.04
26	Chan Paik Hoon	348,000	0.04
27	Mah Yoke Lian	347,000	0.04
28	YTL Corporation Berhad	320,200	0.04
29	Irene Yap Yin Fei	313,400	0.04
30	Ee Wee Hee	308,200	0.03
	Total	**832,677,482**	**93.97**

Statement of Directors' Interests

in the company and related corporations as at 5 October 2007

THE COMPANY
YTL POWER INTERNATIONAL BERHAD

		No. of Shares Held			No. of Share
Name	Direct	%	Indirect	%	Options
Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	8,945,040	0.18	3,124,769,222 (1)	61.46	7,000,000
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE	13,109,251	0.26	–	–	7,000,000
Dato' Yeoh Seok Kian	4,369,367	0.09	1,050,436 (2)	0.02	3,000,000
Dato' (Dr) Yahya Bin Ismail	576,999	0.01	32,240 (2)	*	–
Mej Jen (R) Dato' Haron Bin Mohd Taib	–	–	105,909 (2)	*	–
Dato' Yeoh Soo Min	4,383,875	0.09	383,890 (2)	0.01	3,000,000
Dato' Yeoh Seok Hong	6,540,529	0.13	2,100,362 (2)	0.04	5,000,000
Dato' Michael Yeoh Sock Siong	4,023,374	0.08	700,424 (2)	0.01	3,000,000
Dato' Yeoh Soo Keng	4,251,239	0.08	100,894 (2)	*	3,000,000
Dato' Mark Yeoh Seok Kah	5,218,469	0.10	734,966 (2)	0.01	3,000,000
Syed Abdullah Bin Syed Abd Kadir	2,045,990	0.04	305 (2)	*	3,000,000
Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng	27,009	*	–	–	–

		No. of Warrants 2000/2010 Held		
Name	Direct	%	Indirect	%
Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	–	–	726,210,046 (1)	81.97
Dato' Yeoh Seok Kian	–	–	86,000 (2)	0.01
Dato' (Dr) Yahya Bin Ismail	136,000	0.02	6,000 (2)	*
Mej Jen (R) Dato' Haron Bin Mohd Taib	–	–	24,000 (2)	*
Dato' Yeoh Soo Min	–	–	58,960 (2)	0.01
Dato' Michael Yeoh Sock Siong	–	–	100,000 (2)	0.01
Dato' Yeoh Soo Keng	–	–	21,240 (2)	*
Syed Abdullah Bin Syed Abd Kadir	87,000	0.01	–	–

HOLDING COMPANY
YTL CORPORATION BERHAD

		No. of Shares Held			No. of Share
Name	Direct	%	Indirect	%	Options
Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	8,200,894	0.55	794,890,767 (3)	52.94	5,000,000
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE	14,203,652	0.95	–	–	5,000,000
Dato' Yeoh Seok Kian	5,321,210	0.35	510,683 (2)	0.03	3,500,000
Dato' (Dr) Yahya Bin Ismail	236,738	0.02	101,261 (2)	0.01	–
Dato' Yeoh Soo Min	6,371,573	0.42	189,471 (2)	0.01	3,000,000
Dato' Yeoh Seok Hong	5,036,490	0.34	3,228,126 (4)	0.22	3,000,000
Dato' Michael Yeoh Sock Siong	4,577,997	0.30	2,526,451 (2)	0.17	3,000,000
Dato' Yeoh Soo Keng	5,048,166	0.34	68,899 (2)	*	3,000,000
Dato' Mark Yeoh Seok Kah	3,246,248	0.22	611,133 (2)	0.04	3,000,000
Syed Abdullah Bin Syed Abd Kadir	752,611	0.05	2,937 (2)	*	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 5 October 2007

Name	Direct	No. of Warrants 1999/2009 Held %	Indirect	%
Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	1,117,350	0.41	187,090,897 (3)	68.56
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE	2,285,472	0.84	–	–
Dato' Yeoh Seok Kian	655,866	0.24	–	–
Dato' (Dr) Yahya Bin Ismail	40,950	0.02	2,000 (2)	*
Dato' Yeoh Seok Hong	648,372	0.24	–	–
Dato' Michael Yeoh Sock Siong	550,110	0.20	547,180 (2)	0.20
Dato' Yeoh Soo Keng	654,600	0.24	14,400 (2)	0.01
Dato' Mark Yeoh Seok Kah	271,800	0.10	–	–
Syed Abdullah Bin Syed Abd Kadir	600	*	674 (2)	*

ULTIMATE HOLDING COMPANY
YEOH TIONG LAY & SONS HOLDINGS SDN BHD

Name	Direct	No. of Shares Held %	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	–	–

RELATED CORPORATIONS
YTL CEMENT BERHAD

Name	Direct	No. of Shares Held %	Indirect	%	No. of Share Options
Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	1,681,634	0.35	238,825,990 (5)	50.83	1,400,000
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE	2,042,923	0.43	–	–	1,400,000
Dato' Yeoh Seok Kian	618,754	0.13	83,200 (2)	0.02	350,000
Dato' (Dr) Yahya Bin Ismail	45,136	0.01	–	–	–
Mej Jen (R) Dato' Haron Bin Mohd Taib	–	–	44,428 (2)	0.01	–
Dato' Yeoh Soo Min	225,634	0.05	138,357 (2)	0.03	–
Dato' Yeoh Seok Hong	225,634	0.05	45,123 (2)	0.01	–
Dato' Michael Yeoh Sock Siong	1,265,634	0.27	1,109,388 (2)	0.24	1,000,000
Dato' Yeoh Soo Keng	918,251	0.20	90,251 (2)	0.02	700,000
Dato' Mark Yeoh Seok Kah	187,200	0.04	135,200 (2)	0.03	–

Name	Direct	%	Indirect	%
	No. of Irredeemable Convertible Unsecured Loan Stocks 2005/2015 Held			
Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	1,681,634	0.35	451,415,984 (5)	93.56
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE	1,727,423	0.36	–	–
Dato' Yeoh Seok Kian	618,754	0.13	100,000 (2)	0.02
Dato' Yeoh Soo Min	225,634	0.05	–	–
Dato' Yeoh Seok Hong	225,634	0.05	45,123 (2)	0.01
Dato' Michael Yeoh Sock Siong	1,265,634	0.26	1,109,388 (2)	0.23
Dato' Yeoh Soo Keng	818,251	0.17	–	–
Dato' Mark Yeoh Seok Kah	187,200	0.04	135,200 (2)	0.03

YTL E-SOLUTIONS BERHAD

Name	Direct	%	Indirect	%
		No. of Shares Held		
Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	–	–	1,002,081,700 (6)	74.22
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	–	–

YTL LAND & DEVELOPMENT BERHAD

Name	Direct	%	Indirect	%
		No. of Shares Held		
Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	–	–	217,964,800 (6)	57.25
Dato' Yeoh Soo Min	–	–	106,000 (2)	0.03

Name	Direct	%	Indirect	%
	No. of Irredeemable Convertible Preference Shares 2001/2011 Held			
Dato' Yeoh Seok Kian	240,000	0.12	–	–
Dato' Yeoh Soo Min	–	–	200,000 (2)	0.10

Statement of Directors' Interests

in the company and related corporations as at 5 October 2007

Name	No. of Irredeemable Convertible Preference Shares 2003/2008 Held Direct	%	Indirect	%
Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	–	–	370,285,058 (7)	69.43

* Negligible

(1) Deemed interested by virtue of his interests in Yeoh Tiong Lay & Sons Holdings Sdn Bhd, YTL Corporation Berhad and YTL Power Services Sdn Bhd, and Shares/Warrants held by his spouse.

(2) Deemed interested by virtue of Shares/ICULS/Warrants/ICPS held by their respective spouses.

(3) Deemed interested by virtue of his interests in Yeoh Tiong Lay & Sons Holdings Sdn Bhd and Shares/Warrants held by his spouse.

(4) Deemed interested by virtue of Shares held by his spouse and children.

(5) Deemed interested by virtue of his interests in Yeoh Tiong Lay & Sons Holdings Sdn Bhd, YTL Corporation Berhad, YTL Power International Berhad and YTL Industries Berhad, and Shares/ICULS held by his spouse and children.

(6) Deemed interested by virtue of his interests in Yeoh Tiong Lay & Sons Holdings Sdn Bhd and YTL Corporation Berhad.

(7) Deemed interested by virtue of his interests in YTL Corporation Berhad.

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 2007

Monthly Breakdown	No. of Shares Purchased And Retained As Treasury Shares	Purchase Price Per Share (RM) Lowest	Purchase Price Per Share (RM) Highest	Average Cost Per Share (RM)	Total Cost (RM)
July 2006	7,025,600	1.87	1.94	1.90127	13,357,585.34
August 2006	924,500	1.90	1.93	1.91924	1,774,334.46
September 2006	6,063,100	1.90	1.95	1.92893	11,695,294.96
October 2006	7,547,400	1.93	2.30	2.11185	15,938,952.24
November 2006	28,286,500	2.20	2.33	2.26587	64,093,552.60
December 2006	16,552,800	2.05	2.33	2.14800	35,555,393.78
January 2007	23,639,100	2.09	2.32	2.23316	52,789,858.98
February 2007	39,408,800	2.11	2.41	2.31561	91,255,424.78
March 2007	12,787,400	2.11	2.39	2.34200	29,948,125.63
April 2007	2,560,100	2.21	2.32	2.24449	5,746,119.22
May 2007	3,712,100	2.39	2.50	2.44623	9,080,662.42
June 2007	1,036,100	2.37	2.45	2.41183	2,498,900.08
Total	**149,543,500**			**2,23169**	**333,734,204.49**

During the financial year, all the shares purchased by the Company were retained as treasury shares. On 9 February 2007, a total of 198,110,281 treasury shares were distributed as share dividend to the shareholders on the basis of one (1) treasury share for every twenty-five (25) ordinary shares held on 5 February 2007. As at 30 June 2007, the number of treasury shares is 190,054,875. None of the treasury shares were resold or cancelled during the financial year.

List of Properties
as at 30 June 2007

Location	Tenure	Land Area	Description and Existing Use	Built up Area (sq.m.)	Approximate Age of Building (years)	Lease Expiry Date	Net Book Value RM'000	Date of Acquisition
Lot No. PT 2467 HS(D)340 Mukim of Kuala Paka Terengganu	Leasehold	16.187 hectare	Power plant	–	12	Year 2018	1,294,133	3.12.1995
Lot No. PT 64062 HS(D) 69515 Mukim of Plentong Johor	Leasehold	2.0577 hectare	Power plant	–	12	Year 2018	684,443	3.12.1995
Avonmouth STW Kings Weston Lane Avonmouth Bristol BS11 OYS	Freehold	394,600 sq.m.	Sewerage treatment works	–	–	–	367,429	21.5.2002
Poole STW Cabot Lane Poole, Dorset BH17 7BX	Freehold	91,800 sq.m.	Sewerage treatment works	–	–	–	253,498	21.5.2002
Claverton Down Road Bath BA2 7WW	Freehold	27,100 sq.m.	Head office, Operation Centre	5,640	7	–	194,585	21.5.2002
W-S-Mare STW Accomodation Road Bleadon, Weston Super Mare BS24 OAP	Freehold	157,500 sq.m.	Sewerage treatment works	–	–	–	154,348	21.5.2002

Location	Tenure	Land Area	Description and Existing Use	Built up Area (sq.m.)	Approximate Age of Building (years)	Lease Expiry Date	Net Book Value RM'000	Date of Acquisition
Holdenhurst STW Riverside Ave Castle Lane East Bournemouth Dorset BH7 7ES	Freehold	102,000 sq.m.	Sewerage treatment works	–	–	–	93,934	21.5.2002
Ham Lane STW Creech St. Michael Taunton Somerset TA3 5NU	Freehold	120,000 sq.m.	Sewerage treatment works	–	–	–	79,097	21.5.2002
Minehead STW Lower Marsh Dunster Minehead Somerset TA24 6P	Freehold	43,700 sq.m.	Sewerage treatment works	–	–	–	71,142	21.5.2002
Chilton Trinity STW Wylds Road Bridgwater Somerset TA6 3JS	Freehold	34,600 sq.m.	Sewerage treatment works	–	–	–	66,238	21.5.2002

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Financial Statements

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 2007.

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 24 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit attributable to equity holders of the Company for the financial year ended 30 June 2007	1,269,214	577,363

DIVIDEND

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

	RM'000
In respect of the financial year ended 30 June 2006:	
• A first and final gross dividend of 20% gross less Malaysian Income Tax of 27%, paid on 5 January 2007	363,933
In respect of the financial year ended 30 June 2007:	
• First interim tax exempt dividend of 7.5% per RM0.50 ordinary share declared on 8 February 2007 and paid on 18 April 2007	191,256
• Second interim tax exempt dividend of 7.5% per RM0.50 ordinary share declared on 24 May 2007 and paid on 25 June 2007	191,499
	746,688

The Directors now recommend the payment of a final gross dividend of 10% per RM0.50 ordinary share less income tax for the financial year ended 30 June 2007 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.

SHARE CAPITAL

The issued and fully paid up share capital of the Company was increased from RM2,581,535,295 to RM2,648,157,803 following the exercise of 5,821,000 ESOS at exercise prices ranging from RM1.32 to RM1.70 per share and the exercise of 116,409,526 Warrants of 50 sen each at exercise prices ranging from RM1.39 to RM1.45 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 2007 amounted to 889,593,874.

The number of ordinary shares issued during the year pursuant to the conversion of USD6,600,000 of the USD250,000,000 Zero Coupon Exchangeable Guaranteed Bonds into 11,014,491 new ordinary shares of 50 sen at an exercise price of RM2.277 per ordinary share.

TREASURY SHARES

The shareholders of the Company, by a resolution passed in the 10th Annual General Meeting held on 7 December 2006, approved the Company's plan to repurchase its own shares. The Directors of the Company are committed to enhance 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 149,543,500 of its issued share capital from the open market. The average price paid for the shares repurchased was RM2.23 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.

On 9 February 2007, a total of 198,110,281 treasury shares amounted to RM400,539,366 were distributed as share dividend to shareholders on the basis of one (1) treasury share for every twenty-five (25) ordinary shares held on 5 February 2007.

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.

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.

vii The person whom the option has been granted has no right to participate by virtue of the option in any share issue of any other company.

The movements during the financial year in the number of options over the shares of the Company are set out in Note 13(b) 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. No person has been granted in excess of 500,000 number of options during the year.

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
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

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 2006	Acquired	Disposed	At 30 June 2007
Direct interest				
Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	7,780,278	1,164,762	–	**8,945,040**
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE	10,905,834	2,203,417	–	**13,109,251**
Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng	25,459	1,550	–	**27,009**
Dato' Yeoh Seok Kian	3,669,194	700,173	–	**4,369,367**
Dato' (Dr) Yahya bin Ismail	549,767	27,232	–	**576,999**
Mej. Jen. (B) Dato' Haron bin Mohd Taib	101,836	–	(101,836)	–
Dato' Yeoh Soo Min	3,578,108	805,767	–	**4,383,875**
Dato' Yeoh Seok Hong	5,485,322	1,055,207	–	**6,540,529**
Dato' Michael Yeoh Sock Siong	3,410,829	612,545	–	**4,023,374**
Dato' Yeoh Soo Keng	3,582,913	668,326	–	**4,251,239**
Dato' Mark Yeoh Seok Kah	4,693,134	525,335	–	**5,218,469**
Syed Abdullah bin Syed Abd. Kadir	1,892,038	153,952	–	**2,045,990**

	Number of ordinary shares of RM0.50 each in the Company			
	At 1 July 2006	Acquired	Disposed	At 30 June 2007
Deemed interest				
Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	2,956,045,044 [(1)]	317,116,415	(149,269,997)	**3,123,891,462** [(1)]

	Number of Warrants 2000/2010 in the Company			
	At 1 July 2006	Granted	Exercised/ Disposed	At 30 June 2007
Direct interest				
Dato' (Dr) Yahya bin Ismail	136,000	–	–	**136,000**
Mej. Jen. (B) Dato' Haron bin Mohd Taib	24,000	–	(24,000)	–
Syed Abdullah bin Syed Abd. Kadir	87,000	–	–	**87,000**
Deemed interest				
Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	748,920,488 [(1)]	–	(22,710,442)	**726,210,046** [(1)(a)]

Directors' Report

	Number of options over ordinary shares of RM0.50 each in the Company			
	At 1 July 2006	Granted	Exercised	At 30 June 2007
Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	7,000,000	–	–	**7,000,000**
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE	7,000,000	–	–	**7,000,000**
Dato' Yeoh Seok Kian	3,000,000	–	–	**3,000,000**
Dato' Yeoh Soo Min	3,000,000	–	–	**3,000,000**
Dato' Yeoh Seok Hong	5,000,000	–	–	**5,000,000**
Dato' Michael Yeoh Sock Siong	3,000,000	–	–	**3,000,000**
Dato' Yeoh Soo Keng	3,000,000	–	–	**3,000,000**
Dato' Mark Yeoh Seok Kah	3,000,000	–	–	**3,000,000**
Syed Abdullah Bin Syed Abd Kadir	3,000,000	–	–	**3,000,000**

	Number of ordinary shares of RM0.50 each			
	At 1 July 2006	Acquired	Disposed	At 30 June 2007
HOLDING COMPANY				
YTL CORPORATION BERHAD				
Direct interest				
Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	7,901,974	298,920	–	**8,200,894**
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE	12,387,447	1,816,205	–	**14,203,652**
Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng	5,120	–	–	**5,120**
Dato' Yeoh Seok Kian	5,146,010	175,200	–	**5,321,210**
Dato' (Dr) Yahya bin Ismail	186,818	34,800	–	**221,618**
Dato' Yeoh Soo Min	5,416,475	955,098	–	**6,371,573**
Dato' Yeoh Seok Hong	4,863,690	172,800	–	**5,036,490**
Dato' Michael Yeoh Sock Siong	4,433,997	144,000	–	**4,577,997**
Dato' Yeoh Soo Keng	4,892,166	156,000	–	**5,048,166**
Dato' Mark Yeoh Seok Kah	3,246,248	–	–	**3,246,248**
Syed Abdullah bin Syed Abd. Kadir	752,611	–	–	**752,611**
Deemed interest				
Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	733,437,926 (2)	56,882,985	–	**790,320,911** (2)

	Number of Warrants			
	At 1 July 2006	Acquired	Exercised/ Disposed	At 30 June 2007
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	206,000	(779,600)	–
-Warrants 1999/2009	2,147,472	138,000	–	**2,285,472**
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	22,320	–	(7,200)	**15,120**
-Warrants 1999/2009	68,550	–	(27,600)	**40,950**
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**
Deemed interest				
Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay				
-Warrants 1997/2007	56,882,985 (2)	–	(56,882,985)	–
-Warrants 1999/2009	186,355,397 (2)	165,700	–	**186,521,097** (2)

Directors' Report

	Number of options over ordinary shares of RM0.50 each			
	At 1 July 2006	Granted	Exercised	At 30 June 2007
HOLDING COMPANY				
YTL CORPORATION BERHAD				
Direct interest				
Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	5,000,000	–	–	**5,000,000**
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE	5,000,000	–	–	**5,000,000**
Dato' Yeoh Seok Kian	3,500,000	–	–	**3,500,000**
Dato' Yeoh Soo Min	3,000,000	–	–	**3,000,000**
Dato' Yeoh Seok Hong	3,000,000	–	–	**3,000,000**
Dato' Michael Yeoh Sock Siong	3,000,000	–	–	**3,000,000**
Dato' Yeoh Soo Keng	3,000,000	–	–	**3,000,000**
Dato' Mark Yeoh Seok Kah	3,000,000	–	–	**3,000,000**
Syed Abdullah Bin Syed Abd Kadir	3,000,000	–	–	**3,000,000**

	Number of ordinary shares of RM0.50 each			
	At 1 July 2006	Acquired	Disposed	At 30 June 2007
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**

	Number of ordinary shares of RM0.50 each			
	At 1 July 2006	Acquired	Disposed	At 30 June 2007
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	361,289	–	**2,042,923**
Dato' Yeoh Seok Kian	618,754	–	–	**618,754**
Dato' (Dr) Yahya bin Ismail	45,136	–	–	**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	918,251	–	–	**918,251**
Dato' Mark Yeoh Seok Kah	187,200	–	–	**187,200**
Deemed interest				
Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	250,124,222 (3)	8,314,983	(20,000,000)	**238,439,205** (3)

	Number of Irredeemable Convertible Unsecured Loan Stock			
	At 1 July 2006	Acquired	Converted/ Disposed	At 30 June 2007
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	45,789	–	**1,727,423**
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**
Deemed interest				
Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	451,100,099(3)	185,000,000	(185,000,000)	**451,100,099** (3)

	Number of options over ordinary shares of RM0.50 each			
	At 1 July 2006	Granted	Exercised	At 30 June 2007
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 1 July 2006	Acquired	Disposed	At 30 June 2007
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	292,000	–	–	**292,000**
Syed Abdullah bin Syed Abd Kadir	300,000	–	–	**300,000**
Deemed interest				
Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	1,000,520,500 (4)	–	–	**1,000,520,500** (4)

	Number of ordinary shares of RM0.50 each			
	At 1 July 2006	Acquired	Disposed	At 30 June 2007
RELATED COMPANY				
YTL LAND & DEVELOPMENT BERHAD				
Deemed interest				
Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	217,964,800 (4)	–	–	**217,964,800** (4)

	Number of Irredeemable Convertible Preference shares 2001/2011 of RM0.50 each			
	At 1 July 2006	Acquired	Exercised/ Disposed	At 30 June 2007
RELATED COMPANY				
YTL LAND & DEVELOPMENT BERHAD				
Direct interest				
Dato' Yeoh Seok Kian	240,000	–	–	**240,000**

	Number of Irredeemable Convertible Preference shares 2003/2008 of RM0.50 each			
	At 1 July 2006	Addition	Exercised/ Disposal	At 30 June 2007
RELATED COMPANY				
YTL LAND & DEVELOPMENT BERHAD				
Deemed interest				
Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	370,285,058 (5)	–	–	**370,285,058** (5)

	Number of ordinary shares of RM1.00 each			
	At 1 July 2006	Acquired	Disposed	At 30 June 2007
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**

	Number of ordinary shares of £0.01 each			
	At 1 July 2006	Acquired	Disposed	At 30 June 2007
RELATED COMPANY				
***INFOSCREEN NETWORKS PLC**				
Direct interest				
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE	100	–	–	**100**

Directors' Report

	Number of ordinary shares of £0.25 each			
	At 1 July 2006	Acquired	Disposed	At 30 June 2007
RELATED COMPANY				
***YTL CORPORATION (UK) PLC**				
Direct interest				
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE	1	–	–	**1**

	Number of ordinary shares of SGD1.00 each			
	At 1 July 2006	Acquired	Disposed	At 30 June 2007
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 United Kingdom
# 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.

(1)(a) Deemed interests by virtue of his interests in 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 interests in shares, warrants, options over shares and debentures in the Company or its related companies during the financial year.

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 8 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
25 October 2007.

Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay
Director

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

Income Statements

for the financial year ended 30 June 2007

		Group		Company	
		2007	**2006**	**2007**	**2006**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue	6	**4,068,008**	3,758,125	**682,663**	572,150
Cost of sales		**(2,013,519)**	(1,912,258)	**–**	–
Gross profit		**2,054,489**	1,845,867	**682,663**	572,150
Other operating income		**215,471**	39,914	**124,933**	7,049
Administrative expenses		**(172,961)**	(210,283)	**(26,791)**	(31,185)
Other operating expenses		**(245,692)**	(68,200)	**(33,955)**	(11,230)
Profit from operation	8	**1,851,307**	1,607,298	**746,850**	536,784
Finance cost	9	**(739,684)**	(661,103)	**(59,044)**	(52,503)
Share of results of associated companies	27	**185,134**	166,205	**–**	–
Profit before taxation		**1,296,757**	1,112,400	**687,806**	484,281
Taxation	10	**(27,543)**	(237,917)	**(110,443)**	(118,187)
Profit for the financial year		**1,269,214**	874,483	**577,363**	366,094
Attributable to:					
- Equity holders of the Company		**1,269,214**	874,483	**577,363**	366,094
Earnings per share for profit attributable to the equity holders of the Company:					
- Basic (sen)	11	**25.40**	17.89		
- Diluted (sen)	11	**23.84**	16.67		
Dividend per ordinary share (sen)					
- RM0.50 each	12	17.5	10.0		

The above income statements are to be read in conjunction with the notes to the financial statements on pages 68 to 140.
Auditors' report - Page 142.

Consolidated Balance Sheet

as at 30 June 2007

	Note	Group 2007 RM'000	2006 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	21	**14,885,751**	14,123,424
Intangible assets	22	**441,333**	441,333
Development expenditure	23	**–**	634
Associated companies	27	**863,140**	816,193
Investments	28	**668,284**	854,568
		16,858,508	16,236,152
Current assets			
Inventories	29	**160,850**	153,311
Receivables, deposits and prepayments	30	**909,200**	1,071,517
Short term investments	32	**44,507**	43,137
Fixed deposits	33	**6,010,357**	4,732,408
Cash and bank balances	34	**19,468**	7,740
		7,144,382	6,008,113
TOTAL ASSETS		**24,002,890**	22,244,265
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	13	**2,648,158**	2,581,535
Reserves	14	**3,478,985**	3,147,422
TOTAL EQUITY		**6,127,143**	5,728,957
LIABILITIES			
Non-current liabilities			
Deferred taxation	15	**2,214,317**	2,327,501
Bonds	16	**9,255,414**	7,141,296
Borrowings	17	**3,766,565**	4,400,577
Post-employment benefit obligations	18	**382,853**	406,644
Deferred income	19	**147,363**	147,203
Payables	20	**12,308**	16,133
		15,778,820	14,439,354
Current liabilities			
Payables and accrued expenses	35	**898,954**	824,197
Provision for liabilities and charges	36	**28,023**	37,171
Post-employment benefit obligations	18	**338**	371
Amount owing to immediate and penultimate holding company	37	**372**	6,640
Amounts owing to related companies	31	**86,964**	71,060
Taxation		**49,263**	71,768
Bonds	16	**125,000**	874,509
Borrowings	17	**908,013**	190,238
		2,096,927	2,075,954
TOTAL LIABILITIES		**17,875,747**	16,515,308
TOTAL EQUITY AND LIABILITIES		**24,002,890**	22,244,265

The above balance sheet is to be read in conjunction with the notes to the financial statements on pages 68 to 140.
Auditors' report - Page 142.

Balance Sheet
as at 30 June 2007

	Note	Company 2007 RM'000	2006 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	21	**340**	368
Development expenditure	23	**–**	634
Subsidiary companies	24	**6,252,323**	6,252,323
Associated companies	27	**5**	5
Investments	28	**90,867**	277,162
		6,343,535	6,530,492
Current assets			
Receivables, deposits and prepayments	30	**37,218**	43,713
Amounts owing by subsidiary companies	26	**83,346**	15,350
Short term investments	32	**44,507**	43,137
Fixed deposits	33	**776,029**	986,090
Cash and bank balances	34	**1,767**	1,174
		942,867	1,089,464
TOTAL ASSETS		**7,286,402**	7,619,956
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	13	**2,648,158**	2,581,535
Reserves	14	**3,282,186**	3,649,852
TOTAL EQUITY		**5,930,344**	6,231,387
LIABILITIES			
Non-current liabilities			
Deferred taxation	15	**20**	–
Borrowings	17	**585,029**	622,898
		585,049	622,898
Current liabilities			
Payables and accrued expenses	35	**2,817**	4,355
Amount owing to immediate holding company	37	**69**	–
Amounts owing to subsidiary companies	26	**17,765**	11,695
Amounts owing to related companies	31	**285**	43
Bonds	16	**–**	749,509
Borrowings	17	**750,073**	69
		771,009	765,671
TOTAL LIABILITIES		**1,356,058**	1,388,569
TOTAL EQUITY AND LIABILITIES		**7,286,402**	7,619,956

The above balance sheet is to be read in conjunction with the notes to the financial statements on pages 68 to 140.
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Consolidated Statement of Changes in Equity

for the financial year ended 30 June 2007

		Attributable to equity holders of the Company					
		Non-distributable			Distributable		
Group	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Merger and other reserves RM'000**	**Treasury shares RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
As at 1 July 2005		2,498,398	2,072,127	(2,058,302)	(301,499)	3,018,509	5,229,233
Loss not recognised in the income statement:							
- Foreign currency translation differences		–	–	(73,770)	–	–	(73,770)
Net Profit for the financial year		–	–	–	–	874,483	874,483
Exercise of Share Warrants		46,201	84,111	–	–	–	130,312
Exercise of ESOS		36,936	55,154	–	–	–	92,090
Dividends paid for financial year ended 30 June 2005	12	–	–	–	–	(355,322)	(355,322)
Shares repurchased	14(b)	–	–	–	(168,069)	–	(168,069)
Statutory reserves transfer from retained earnings	14(a)	–	–	15,762	–	(15,762)	–
At 30 June 2006		2,581,535	2,211,392	(2,116,310)	(469,568)	3,521,908	5,728,957
As at 1 July 2006		2,581,535	2,211,392	(2,116,310)	(469,568)	3,521,908	5,728,957
Gains not recognised in the income statement:							
- Foreign currency translation differences		–	–	**8,308**	–	–	**8,308**
Net Profit for the financial year		–	–	–	–	**1,269,214**	**1,269,214**
Exercise of Share Warrants		**58,205**	**108,090**	–	–	–	**166,295**
Exercise of ESOS		**2,911**	**5,605**	–	–	–	**8,516**
Conversion of Bonds		**5,507**	**19,572**	–	–	–	**25,079**
Dividends paid for financial year ended 30 June 2006	12	–	–	–	–	**(363,933)**	**(363,933)**
Dividends paid for financial year ended 30 June 2007	12	–	–	–	–	**(382,755)**	**(382,755)**
Shares repurchased	14(b)	–	–	–	**(333,734)**	–	**(333,734)**
Share Dividend distributed on 9 February 2007	14(b)	–	**(400,539)**	–	**400,539**	–	–
Equity Component of Exchangeable Bond		–	–	**(930)**	–	–	**(930)**
Statutory reserves transfer from retained earnings	14(a)	–	–	**17,793**	–	**(17,793)**	–
Share options granted	14(a)	–	–	**2,126**	–	–	**2,126**
At 30 June 2007		**2,648,158**	**1,944,120**	**(2,089,013)**	**(402,763)**	**4,026,641**	**6,127,143**

The above consolidated statement of changes in equity is to be read in conjunction with the notes to the financial statements on pages 68 to 140.
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Statement of Changes in Equity

for the financial year ended 30 June 2007

Company	Note	Non-distributable Share capital (Note 13) RM'000	Share premium RM'000	Other reserve RM'000	Distributable Treasury shares (Note 14b) RM'000	Retained earnings (Note 14c) RM'000	Total RM'000
At 1 July 2005		2,498,398	2,072,127	–	(301,499)	1,897,256	6,166,282
Net Profit for the financial year		–	–	–	–	366,094	366,094
Exercise of share Warrants		46,201	84,111	–	–	–	130,312
Exercise of ESOS		36,936	55,154	–	–	–	92,090
Dividends paid for financial year ended 30 June 2005	12	–	–	–	–	(355,322)	(355,322)
Shares repurchased	14(b)	–	–	–	(168,069)	–	(168,069)
At 30 June 2006		2,581,535	2,211,392	–	(469,568)	1,908,028	6,231,387
As at 1 July 2006		**2,581,535**	**2,211,392**	–	**(469,568)**	**1,908,028**	**6,231,387**
Net Profit for the financial year		–	–	–	–	**577,363**	**577,363**
Exercise of Share Warrants		**58,205**	**108,090**	–	–	–	**166,295**
Exercise of ESOS		**2,911**	**5,605**	–	–	–	**8,516**
Conversion of Bonds		**5,507**	**19,572**	–	–	–	**25,079**
Dividends paid for financial year ended 30 June 2006	12	–	–	–	–	**(363,933)**	**(363,933)**
Dividends paid for financial year ended 30 June 2007	12	–	–	–	–	**(382,755)**	**(382,755)**
Shares repurchased	14(b)	–	–	–	**(333,734)**	–	**(333,734)**
Share Dividend distributed on 9 February 2007	14(b)	–	**(400,539)**	–	**400,539**	–	–
Share options granted	14(a)	–	–	**2,126**	–	–	**2,126**
At 30 June 2007		**2,648,158**	**1,944,120**	**2,126**	**(402,763)**	**1,738,703**	**5,930,344**

The above statement of changes in equity is to be read in conjunction with the notes to the financial statements on pages 68 to 140.
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Consolidated Cash Flow Statement

for the financial year ended 30 June 2007

	2007 RM'000	2006 RM'000
Cash flows from operating activities		
Net profit attributable to shareholders	**1,269,214**	874,483
Adjustments for:		
Taxation	**27,543**	237,917
Depreciation of property, plant and equipment	**588,505**	532,189
(Gain)/loss on disposal of property, plant and equipment	**(8,440)**	12,191
Unrealised gain on foreign exchange	**(37,735)**	(7,722)
Unrealised loss on foreign exchange	**1,715**	773
Share of results of associated companies	**(185,134)**	(166,205)
Interest expense	**739,684**	661,103
Interest income	**(302,013)**	(206,481)
Dividend income	**(39,984)**	(17,001)
Gain on disposal of investments	**(88,941)**	–
Amortisation of grant	**(6,240)**	(5,767)
Provision for liabilities and charges	**–**	9,002
Development expenditure written off	**634**	7,978
Defined contribution plan	**1,616**	1,311
Provision for retirement benefits	**43,045**	49,787
Share option expense	**2,119**	–
Allowance for doubtful debts / (written back)	**155,547**	(1,371)
Property, plant and equipment written off	**181**	–
	2,161,316	1,982,187
Changes in working capital:		
Receivables, deposits and prepayments	**51,858**	33,790
Payables and accrued expenses	**15,260**	41,256
Amount owing to immediate holding company	**(6,268)**	6,635
Amounts owing to related companies	**15,839**	36,214
Inventories	**(6,658)**	(15,208)
Cash generated from operations	**2,231,347**	2,084,874
Payment to retirement benefits schemes	**(88,615)**	(73,668)
Taxation paid	**(209,426)**	(293,138)
Interest paid	**(626,224)**	(574,880)
Net cash flow from operating activities	**1,307,082**	1,143,188

	Note	2007 RM'000	2006 RM'000
Cash flows from investing activities			
Development expenditure incurred		**(30,123)**	(7,627)
Purchase of property, plant and equipment		**(1,097,598)**	(651,451)
Proceeds from sale of property, plant and equipment		**32,419**	5,358
Grants received in respect of infrastructure assets		**48,012**	51,299
Interest received		**277,099**	206,824
Purchase of investments		**(1,051)**	(264,333)
Proceeds from sale of investments		**279,232**	–
Dividends received		**93,323**	86,968
Net cash flow used in investing activities		**(398,687)**	(572,962)
Cash flows from financing activities			
Proceeds from issue of commercial papers		**750,000**	–
Proceeds from issue of shares		**174,811**	222,402
Proceeds from issue of bonds		**2,063,940**	–
Repayment of bonds		**(125,000)**	(125,000)
Redemption of bonds		**(750,000)**	–
Dividends paid to shareholders		**(746,688)**	(355,322)
Drawdown of term loan and borrowings		**932,011**	1,064,517
Repayment of term loan and borrowings		**(1,519,639)**	(913,316)
Finance lease creditors paid		**(11,749)**	(18,992)
Repurchase of own shares		**(333,734)**	(168,069)
Net cash flow from/(used in) financing activities		**433,952**	(293,780)
Net increase in cash and cash equivalents		**1,342,347**	276,446
Currency translation differences		**(5,346)**	(47,098)
Cash and cash equivalents			
- at start of financial year		**4,676,223**	4,446,875
- at end of financial year	34	**6,013,224**	4,676,223

The above consolidated cash flow statement is to be read in conjunction with the notes to the financial statements on pages 68 to 140.
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Cash Flow Statement

for the financial year ended 30 June 2007

	2007 RM'000	2006 RM'000
Cash flows from operating activities		
Net profit attributable to shareholders	**577,363**	366,094
Adjustments for:		
Taxation	**110,443**	118,187
Depreciation of property, plant and equipment	**87**	8
Unrealised gain on foreign exchange	**(37,730)**	(7,722)
Unrealised loss on foreign exchange	**1,715**	671
Finance cost	**59,044**	52,503
Interest income	**(36,592)**	(48,648)
Dividend income	**(618,766)**	(495,170)
Gain on disposal of investments	**(88,941)**	–
Share-based payment	**950**	–
Development expenditure written off	**634**	7,978
	(31,793)	(6,099)
Changes in working capital:		
Receivables, deposits and prepayments	**33,098**	4,892
Payables and accrued expenses	**1,346**	(7,730)
Amount owing to immediate holding company	**69**	–
Amounts owing to related companies	**241**	(129)
Amounts owing by subsidiary companies	**(37,224)**	975,719
Cash (used in)/generated from operations	**(34,263)**	966,653
Taxation paid	**(553)**	(328)
Interest paid	**(58,591)**	(5,449)
Net cash flow (used in)/from operating activities	**(93,407)**	960,876
Cash flows from investing activities		
Development expenditure incurred	**(30,123)**	(7,627)
Dividends received	**506,488**	376,517
Repayment from a subsidiary company	–	300,000
Interest received	**38,077**	50,226
Proceeds from sale of investment	**275,236**	–
Investments in subsidiary companies	–	(993,021)
Purchase of investments	–	(256,872)
Purchase of property, plant and equipment	**(59)**	(157)
Net cash flow from/(used in) investing activities	**789,619**	(530,934)

	Note	2007 RM'000	2006 RM'000
Cash flow from financing activities			
Increase in share capital		**174,811**	222,402
Dividends paid to shareholders		**(746,688)**	(355,322)
Repurchase of own shares		**(333,734)**	(168,069)
Repayment of term loan		–	(291,384)
Proceeds from issue of commercial papers		**750,000**	–
Repayment of bonds		**(750,000)**	–
Repayment of hire purchase creditors		**(69)**	(5)
Net cash flow used in financing activities		**(905,680)**	(592,378)
Net decrease in cash and cash equivalents		**(209,468)**	(162,436)
Cash and cash equivalents			
- at start of financial year		**987,264**	1,149,700
- at end of financial year	34	**777,796**	987,264

The above cash flow statement is to be read in conjunction with the notes to the financial statements on pages 68 to 140.
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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 24 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

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.

a 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.

b 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.

c 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.

d 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 off taker, 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.

e 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 have been prepared in accordance with Financial Reporting Standards ('FRS'), the Malaysian Accounting Standards Board ('MASB') Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and the provisions of the Companies Act, 1965. During the year, the Group and the Company had adopted new and revised FRSs which are mandatory for financial year beginning on or after 1 July 2006 as described in (a) below.

The preparation of financial statements in conformity with Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and the provisions of the Companies Act 1965 requires the use of certain critical accounting estimates and judgements 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 period. It also required the Directors to exercise their judgements in the process of applying the Company's accounting policies. Although these estimates and judgements are based on Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgements or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

a Standards, amendments to published standards and Interpretation Committee ('IC') interpretations that are effective

The new accounting standards, amendments to published standards and IC Interpretations to the existing standards effective for the Group's financial year beginning on 1 July 2006 are as follows:

- FRS 1 First-time Adoption of Financial Reporting Standards
- FRS 2 Share-based Payment
- FRS 3 Business Combinations
- FRS 5 Non-current Assets Held for Sale and Presentation of Discontinued Operations
- FRS 101 Presentation of Financial Statements
- FRS 102 Inventories
- FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors
- FRS 110 Events After the Balance Sheet Date
- FRS 116 Property, Plant and Equipment
- FRS 121 The Effect of Changes in Foreign Exchange Rates
- FRS 127 Consolidated and Separate Financial Statements
- FRS 128 Investments in Associates
- FRS 131 Interests in Joint Ventures
- FRS 132 Financial Instruments: Disclosure and Presentation
- FRS 133 Earnings Per Share
- FRS 136 Impairment of Assets
- FRS 138 Intangible Assets
- FRS 140 Investment Property
- Amendment to FRS 119 Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures – in relation to the 'asset ceiling' test
- IC 107 Introduction of the Euro
- IC 110 Government Assistance – No Specific Relation to Operating Activities
- IC 112 Consolidation – Special Purpose Entities
- IC 113 Jointly Controlled Entities – Non-Monetary Contributions by Venturers
- IC 115 Operating Leases - Incentives
- IC 121 Income Taxes - Recovery of Revalued Non-Depreciable Assets
- IC 125 Income Taxes - Changes in the Tax Status of an Entity or its Shareholders
- IC 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease
- IC 129 Disclosure – Service Concession Arrangements
- IC 131 Revenue – Barter Transactions Involving Advertising Services
- IC 132 Intangible Assets – Web Site Costs

All changes in accounting policies have been made in accordance with the transition provisions in the respective standards, amendments to published standards and interpretations. All standards, amendments and interpretations adopted by the Group require retrospective application other than:

- FRS 2 retrospective application for all equity instruments granted after 31 December 2004 and not vested at 1 July 2006;
- FRS 3 prospectively for business combinations for which the agreement date is on or after 1 January 2006;
- FRS 5 prospectively for non-current assets (or disposal groups) that meet the criteria to be classified as held for sale and to operations that meet the criteria to be classified as discontinued on or after 1 July 2006;
- FRS 116 the exchange of property, plant and equipment is accounted at fair value prospectively;
- FRS 121 prospective accounting for goodwill and fair value adjustments as part of foreign operations;
- FRS 140 prospective accounting for investment properties at fair value.

b Standards, amendments to published standards and IC interpretations to existing standards that are not yet effective and have not been early adopted

The new standards, amendments to published standards and interpretations that are mandatory for the Group's financial periods beginning on or after 1 July 2007 or later periods, but which the Group has not early adopted, are as follows:

- FRS 117 Leases (effective for accounting periods beginning on or after 1 October 2006). This standard requires the classification of leasehold land as prepaid lease payments. The Group will apply this standard from financial periods beginning on 1 July 2007.

- FRS 124 Related Party Disclosures (effective for accounting periods beginning on or after 1 October 2006). This standard will affect the identification of related parties and some other related party disclosures. The Group will apply this standard from financial periods beginning 1 July 2007.

- FRS 139 Financial Instruments: Recognition and Measurement (effective date yet to be determined by Malaysian Accounting Standards Board). This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted only under strict circumstances. The Group will apply this standard when effective.

- Amendment to FRS 119_{2004} Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures (effective for accounting periods beginning on or after 1 January 2007). This amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. The Group will apply this amendment for financial year beginning 1 July 2007, where applicable.

c Standards that are not yet effective and not relevant for the Group's operations

- FRS 6 Exploration for and Evaluation of Mineral Resources (effective for accounting periods beginning on or after 1 January 2007). FRS 6 is not relevant to the Group's operations as the Group does not carry out exploration for and evaluation of mineral resources.

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.

a Subsidiaries

Subsidiaries are those corporations, partnerships or other entities in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding if more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated using the purchase method of accounting except for certain business combinations which were accounted for using the merger method as follows:

- Subsidiaries that were consolidated prior to 1 July 2002 in accordance with Malaysian Accounting Standard 2 'Accounting for Acquisitions and Mergers', the generally accepted accounting principles prevailing at that time.

The Group has taken advantage of the exemption provided by FRS 3 to apply this Standard prospectively. Accordingly, business combinations entered prior to the respective effective dates have not been restated to comply with this Standard.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences that relate to the subsidiary in the consolidated income statement.

i Purchase method

Under the purchase method of accounting, subsidiaries are fully consolidated from the date of which control is transferred to the Group and are de-consolidated from the date that control ceased. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the subsidiary companies' identifiable net assets acquired is reflected as goodwill. Goodwill is retained in the consolidated balance sheet at cost. Where an indication of impairment exists, the carrying amount of the net asset 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 recognised directly in the income statement.

Minority interest represents that portion of the profit and loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since that date. Separate disclosure is made for minority interest.

ii 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 subsidiaries are presented as if the merger had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. 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.

On consolidation, the cost of the merger is cancelled with the value of shares received. Any resulting credit difference is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the merged enterprises, to the extent that they have not be capitalised by a debit difference, are reclassified and presented as movement in other capital reserves.

Intragroup transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

iii Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the Group. For purchases from minority interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. Gains or losses on disposals to minority interests are also recorded in equity. For disposals to minority interests, differences between any proceeds received and the relevant share of minority interests are also recorded in equity.

b Joint ventures

i 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 where the strategic financial and operating decisions relating to the entities require unanimous consent of the parties sharing control. 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 interest in the jointly controlled entities; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, adjustments have been made to the financial statements of jointly controlled entities to ensure consistency of accounting policies with those of the Group.

ii 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.

c Associated companies

Associated companies are companies in which the Group exercises significant influence, but which it does not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the associated companies but not control over those policies.

Investments in associates are accounted for in the consolidated financial statements by using the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying value of investment. When the Group's share of losses in the associate equals or exceeds its interest in the associates, including any other unsecured obligations, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

The results of associates are taken from the most recent financial statements of the associates concerned, made up to dates not more than three months prior to the end of the financial year of the Group.

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 the transaction provides evidence of an impairment of the asset transferred. Where necessary, in applying the purchase method, adjustments are made to the financial statements of associates to ensure consistency of accounting policies with those of the Group.

d Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. The cost of certain property, plant and equipment include the costs of dismantling, removal and restoration, the obligation which was incurred as a consequence of installing the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the period in which they are incurred.

Infrastructure assets and short term leasehold land are amortised in equal instalments over a period of one hundred and ten (110) years and twenty-five (25) years respectively. All other property, plant and equipment are depreciated on a straight line basis to write off the cost of each asset to its residual value over its estimated years of useful lives, summarised as follows:

	Years
Buildings	10 to 40
Plant and machinery	5 to 25
Mains and lines	20
Office equipment	5 to 10
Computers	5
Furniture and fittings	10
Motor vehicles and aircraft	5 to 10
Gas turbine major overhaul cost	4

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

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

Residual values and useful lives of asset are reviewed and adjusted as appropriate, at each balance sheet date. 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. In the previous years, no depreciation is charged to the income statement in relation to the use of the infrastructure assets due to its immateriality. The Group revised the useful lives of infrastructure assets to 110 years at the balance sheet date. The revision was accounted for as a change in accounting estimate and as a result, the depreciation charge for current and future periods will increase by RM23,560,188.

The Group revised the residual value of motor vehicles from 5 years to 8 years at the balance sheet date. The revision was accounted for as a change in accounting estimate and as a result, the depreciation charge for current and future periods will be reduced by RM227,181.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit or loss from operations.

e 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 is 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. When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset. Lease income is recognised over the term of the lease on a straight-line basis. 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.

f 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 benefit will flow to the enterprise.

g Intangible assets - Goodwill

Goodwill arises on the acquisitions of subsidiaries and it represents the excess of the cost of the acquisition over the Group's interest in the fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree at the date of acquisition.

Goodwill is measured at cost less any accumulated impairment losses. When the excess is negative (negative goodwill), it is recognised immediately in the income statement.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing and is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. See accounting policy Note 4(i) on impairment of assets.

h Investments

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

Investments in other non-current investments are shown at cost and an allowance for diminution in value is made where, in the opinion of the Directors, there is a decline other than temporary in the value of such investments. Where there has been a decline other than temporary in the value of an investment, such a decline is recognised as an expense in the period in which the decline is identified.

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.

i Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or as and when events or circumstances occur indicating that an impairment may exist. Assets that are subject to amortisation, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An 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 fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

j Grant and contributions

Grants and contributions in respect of specific expenditure on non infrastructure fixed assets are treated as deferred income and recognised in the income statement account over the expected useful economic lives of the related assets. Grants and contributions relating to infrastructure assets have been deducted from the cost of those assets.

k Provisions

The Group recognises provisions when it has a present legal or constructive obligation arising as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. The recording of provisions requires the application of judgements about the ultimate resolution of these obligations. As a result, provisions are reviewed at each balance sheet date and adjusted to reflect the Group's current best estimate. 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.

l 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. Future operating costs are not provided for. 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.

m Foreign currencies

i Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

ii Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

iii ***Group companies***

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity 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 on or after 1 July 2006 are treated as assets and liabilities of the foreign entity and translated at the closing rate. For acquisition of foreign entities completed prior to 1 July 2006, goodwill and fair value adjustments continued to be recorded at the exchange rate at the respective date of acquisitions.

iv ***Closing rates***

The principal closing rates (units of Malaysian Ringgit per foreign currency) used in translation of foreign currency amounts at year end are as follows:

Foreign currency	30 June 2007 RM	30 June 2006 RM
1 Hong Kong Dollar	**0.4420**	0.4732
1 Australian Dollar	**2.9249**	2.7219
1 US Dollar	**3.4545**	3.6750
1 Euro	**4.6425**	4.6698
1 Great Britain Pound	**6.9171**	6.7352

n 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 related overheads. It excludes borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and applicable variable selling expenses.

o 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) derived from the provision of goods and services to third party customers. The Group has chosen not to recognise as turnover the bills raised for customers who have a record of two years non payment.

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 fees	- when services are rendered and invoiced.

p Income taxes

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profits, including withholding taxes payable by foreign subsidiaries, associates 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. However deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at that time of the transaction affects neither accounting nor taxable profit or loss.

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.

The Group's share of income taxes of jointly controlled entities and associates are included in the Group's share of results of jointly controlled entities and associates.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or deferred tax liability is settled.

q 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.

r Dividends to shareholders of the Company

Dividends on ordinary shares are recognised as a liability in the period in which they are declared.

s Employee benefits

i 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.

ii 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.

iii 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.

iv 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.

v ***Share-based compensation***

The Group has applied the provision of FRS 2 to all equity instruments granted after 31 December 2004 but not yet vested as at 1 July 2006, the effective date the Group adopted this FRS. Details of the Group's Employee Share Option Scheme are set out in Note 13(b) to the financial statements.

The Group operates an equity-settled, share-based compensation plan for the employees of the Group. The fair value of the employee services received in exchange for the grant of the share options is recognised as an expense in the income statement over the vesting periods of the grant with a corresponding increase in equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted and the number of share options to be vested by vesting date. At each balance sheet date, the Group revises its estimates of the number of share options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity. For options granted to subsidiaries, the expense will be recognised in the subsidiaries' financial statements over the vesting periods of the grant.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

t Bonds and borrowings

Bonds and borrowings are initially recognised based on the proceeds received, net of transaction costs incurred. 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.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

u 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_{2004} '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.

i ***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.

ii 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.

v 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 segment 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.

w 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 with original maturities of three months or less and bank overdrafts. 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.

x 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 are 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, reissued or disposed of, 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.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group and Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

a Impairment test on goodwill

The Group tests goodwill for impairment annually, in accordance with its accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates as set out in Note 22 to the financial statements.

b Estimated useful lives of property, plant and equipment

The residual value and the useful life of the assets are reviewed at each financial year end. The review is based on factors such as business plans and strategies, expected level of usage and future regulatory changes.

c Allowance for doubtful debts

The Group assesses at each balance sheet date whether there is objective evidence that trade receivables have been impaired. Impairment loss is calculated based on a review of the current status of existing receivables and historical collections experience. Such provisions are adjusted periodically to reflect the actual and anticipated impairment.

d Taxation

i Income taxes

The Group is subject to income tax in several jurisdictions. Judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for tax matters based on estimates of whether additional taxes will be due. If the final outcome of these tax matters result in a difference in the amounts initially recognised, such differences will impact the income tax and/or deferred tax provisions in the period in which such determination is made.

ii ***Deferred tax assets***

Deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilised. This involves judgement regarding future financial performance of a particular entity in which the deferred tax asset has been recognised.

e Share based payments

Equity-settled share based payments are measured at fair value at the grant date. The Group revises the estimated number of performance shares that participants are expected to receive based on non-market vesting conditions at each balance sheet date. The assumption of the valuation model used to determine fair value is set out in Note 13(b).

f Contingent Liabilities

Determination of the treatment of contingent liabilities is based on management's view of the expected outcome of the contingencies after consulting legal counsel for litigation cases and experts internal and external to the Group for matters in the ordinary course of business. Please refer to Note 39 to the financial statements for details.

6 REVENUE

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Sale of electricity	**1,127,569**	1,160,620	–	–
Sale of water, treatment and disposal of waste water	**2,649,101**	2,368,738	–	–
Interest income	**219,854**	186,750	**36,592**	48,648
Dividends:				
- unquoted investment in subsidiary company	–	–	**612,375**	492,918
- unquoted investment outside Malaysia	**33,438**	14,715	–	–
- quoted investments in Malaysia	**6,391**	2,252	**6,391**	2,252
Management fees	**5,036**	–	**25,000**	25,000
Royalty income	–	–	**2,305**	3,332
Operation and maintenance fees	**26,619**	25,050	–	–
	4,068,008	3,758,125	**682,663**	572,150

7 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 2007 RM'000	Group 2006 RM'000
YTL Power Services Sdn Bhd	Subsidiary of immediate holding company	Fees paid and payable under the Operation and Maintenance Agreement dated 20 November 2002	**85,151**	62,558
Suri Travel & Tours Sdn Bhd	Subsidiary of immediate holding company	Expenses paid and payable for travelling fares and motor vehicle maintenance	**5,648**	3,077
Included in Note 28: Investment in YTL Cement Bhd			**26,163**	212,458
Included in Note 31: Amount owing to YTL Power Services Sdn Bhd			**86,300**	70,912

8 PROFIT FROM OPERATIONS

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Profit from operations is stated after charging/(crediting):				
Depreciation of property, plant and equipment	**588,505**	532,189	**87**	8
Rental of land and building	**2,349**	2,406	**–**	–
Directors' remuneration	**14,081**	8,907	**7,696**	5,384
Auditors' remuneration				
- statutory audit fees paid to PricewaterhouseCoopers	**409**	241	**214**	97
- under provision in prior year	**12**	38	**12**	38
- statutory audit fees paid to other audit firms	**1,336**	1,147	**–**	–
Staff costs				
- wages, salaries and bonus	**263,936**	287,189	**4,780**	4,622
- defined contribution plan	**1,616**	1,311	**510**	463
- defined benefit plan	**43,045**	49,787	**–**	–
- share option expenses	**490**	–	**202**	–
Realised loss on foreign exchange	**292**	85	**24**	1
Unrealised gain on foreign exchange	**(36,020)**	(6,949)	**(36,015)**	(7,051)
Development expenditure written off	**634**	7,978	**634**	7,978
Rental of plant and machinery	**11,468**	11,186	**–**	–
Allowance for doubtful debts/(written back)	**155,547**	(1,371)	**–**	–
Provision for liabilities and charges	**–**	9,002	**–**	–
Property, plant and equipment written off	**181**	–	**–**	–

Notes to the Financial Statements

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
(Gain)/loss on disposal of property, plant and equipment	**(8,440)**	12,191	**–**	–
Gain on sale of investments	**(88,941)**	–	**(88,941)**	–
Dividends from quoted shares in Malaysia	**(155)**	(34)	**–**	–
Interest income	**(82,159)**	(19,731)	**–**	–

The aggregate remuneration of directors categorised into appropriate components for the financial year ended 30 June 2007 are as follows:

	Salaries RM'000	Fees RM'000	Bonus RM'000	Others* RM'000	Total RM'000
Group					
Executive Director	6,385	185	4,315	2,969	13,854
Non-Executive Directors	–	190	–	37	227
Company					
Executive Directors	3,795	185	1,990	1,499	7,469
Non-Executive Directors	–	190	–	37	227

The number of directors of the Group and of the Company whose total remuneration fall within the following bands for the financial year ended 30 June 2007 are as follows:

	Group No. of Directors		Company No. of Directors	
Range of remuneration	**Executive**	**Non-Executive**	**Executive**	**Non-Executive**
Below RM50,000	–	3	3	3
RM100,001 – RM150,000	–	1	–	1
RM150,001 – RM200,000	1	–	2	–
RM300,001 – RM350,000	1	–	–	–
RM950,001 – RM1,000,000	1	–	1	–
RM1,200,001 – RM1,250,000	1	–	–	–
RM1,450,001 – RM1,500,000	–	–	1	–
RM1,850,001 – RM1,900,000	1	–	–	–
RM1,900,001 – RM1,950,000	1	–	–	–
RM2,050,001 – RM2,100,000	–	–	1	–
RM2,150,001 – RM2,200,000	1	–	–	–
RM2,550,001 – RM2,600,000	–	–	1	–
RM2,700,001 – RM2,750,000	1	–	–	–
RM2,850,001 – RM2,900,000	1	–	–	–

* Included in the remuneration of directors of the Group is contributions to a defined contribution plan and share options expenses charged to the consolidated income statement amounting to RM1,304,550 (2006: RM919,350) and RM1,628,978 (2006: Nil) respectively.

9 FINANCE COST

	Group		Company	
	2007	**2006**	**2007**	**2006**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Interest on borrowings	**739,684**	661,103	**59,044**	52,503

10 TAXATION

Taxation charge for the financial year:

	Group		Company	
	2007	**2006**	**2007**	**2006**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current tax				
- Malaysian tax	**125,184**	154,595	**110,076**	117,687
- Foreign tax	**63,450**	73,139	**347**	500
Deferred tax (Note 15)	**(161,091)**	10,183	**20**	–
	27,543	237,917	**110,443**	118,187
Current tax				
Current financial year	**217,545**	228,984	**110,291**	118,389
(Over)/under accrual in prior financial years	**(28,911)**	(1,250)	**132**	(202)
Deferred tax				
Originating and reversal of temporary differences	**89,794**	75,859	**20**	–
Over accrual in period financial years	**(24,423)**	(65,676)	**–**	–
Other timing differences and change in tax rates	**(226,462)**	–	**–**	–
	27,543	237,917	**110,443**	118,187

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

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Numerical reconciliation between tax expense and the product of accounting profit multiplied by the Malaysian tax rate				
Profit from ordinary activities before tax	**1,296,757**	1,112,400	**687,806**	484,281
Tax calculated at the Malaysian tax rate 27%/(2006: 28%)	**350,124**	311,472	**185,708**	135,599
Different tax rates in other countries	**21,502**	13,378	**–**	(433)
Expenses not deductible for tax purposes	**12,343**	33,472	**3,846**	4,392
Income not subject to tax	**(76,630)**	(53,479)	**(79,243)**	(21,169)
(Over)/under accrual in previous years	**(53,334)**	(66,926)	**132**	(202)
Other timing differences and change in tax rates	**(226,462)**	–	**–**	–
Average effective tax expenses	**27,543**	237,917	**110,443**	118,187

11 EARNINGS PER ORDINARY SHARE

a Basic earnings per ordinary share

Basic earnings per share of the Group is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary share outstanding, adjusted by the number of ordinary shares bought back during the financial year.

		Group	
		2007	2006
		RM'000	RM'000
Profit attributable to ordinary equity holders of the Company	(RM'000)	**1,269,214**	874,483
Weighted average number of ordinary shares in issue	('000)	**4,996,468**	4,888,860
Basic earnings per share	(sen)	**25.40**	17.89

b Diluted earnings per ordinary share

As at 30 June 2007, the Company had 889,593,874 (2006: 1,006,003,400) Warrants, whose terms of conversion are set out in Note 13, 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 its fair value.

Diluted earnings per share of the Group is calculated by dividing the net profit attributable to the shareholders by the weighted average number of ordinary shares outstanding, adjusted by the weighted average number of ordinary shares bought back during the financial year, and issuable under the conversion of Warrants and the exercise of share options (ESOS).

	Group	
	2007	**2006**
	RM'000	**RM'000**
Profit attributable to equity holders of the Company	**1,269,214**	874,483
Profit used to determine diluted earnings per share		
Weighted average number of ordinary shares in issue ('000)	**4,996,468**	4,888,860
Adjustments for:		
- conversion of Warrants	**308,717**	340,057
- ESOS	**18,008**	15,561
Weighted average number of ordinary shares for diluted earnings per share ('000)	**5,323,193**	5,244,478
Diluted earnings per share (sen)	**23.84**	16.67

12 DIVIDENDS IN RESPECT OF ORDINARY SHARES

	2007		2006	
Group and Company	**Gross dividend per share Sen**	**Amount of dividend RM**	**Gross dividend per share Sen**	**Amount of dividend RM**
Dividends paid in respect of the financial year ended 30 June 2005:				
- Final dividend, net of tax of 28%	–	–	10.0	355,322
Dividends paid in respect of the financial year ended 30 June 2006:				
- Final dividend, net of tax of 27%	**10.0**	**363,933**	–	–
Dividends paid in respect of the financial year ended 30 June 2007:				
- First interim tax exempted dividend paid on 18 April 2007	**3.75**	**191,256**	–	–
- Second interim tax exempted dividend paid on 25 June 2007	**3.75**	**191,499**	–	–

A final gross dividend in respect of the financial year ended 30 June 2007 of 5 sen per share amounting to RM255,313,037 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 2008 when approved by shareholders.

13 SHARE CAPITAL

	Group and Company	
	No. of. Shares('000)	RM'000
Authorised:		
2006		
Ordinary shares of RM0.50 each		
As at 1 July 2005/30 June 2006	22,730,000	11,365,000
2007		
Ordinary shares of RM0.50 each		
As at 1 July 2006/30 June 2007	**22,730,000**	**11,365,000**
Issued and fully paid-up:		
As at 1 July 2005	4,996,796	2,498,398
Exercise of ESOS	73,873	36,936
Exercise of share Warrants	92,402	46,201
As at 30 June 2006	5,163,071	2,581,535
Ordinary shares of RM0.50 each		
As at 1 July 2006	**5,163,071**	**2,581,535**
Exercise of ESOS	**5,821**	**2,911**
Exercise of share Warrants	**116,410**	**58,205**
Conversion of bonds	**11,014**	**5,507**
As at 30 June 2007	**5,296,316**	**2,648,158**

The issued and fully paid up share capital of the Company was increased from RM2,581,535,295 to RM2,648,157,803 following the exercise of 5,821,000 ESOS at exercise prices ranging from RM1.32 to RM1.70 per share, the exercise of 116,409,526 Warrants of 50 sen each at exercise prices ranging from RM1.39 to RM1.45 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 number of ordinary shares issued during the year pursuant to the conversion of USD6,600,000 of the USD250,000,000 Zero Coupon Exchangeable Guaranteed Bonds into 11,014,491 new ordinary shares of 50 sen each at an exercise price of RM2.277 per ordinary share.

a Warrants

As indicated in Note 16(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') were redeemed on 11 January 2007.

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 2007, the exercise price was increased from RM1.43 to RM1.45 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.

Effective from 6 February 2007, the exercise price of Warrant was adjusted from RM1.45 to RM1.39 pursuant to the share dividend of one (1) treasury share for every twenty-five (25) existing ordinary shares of 50 sen each.

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.

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 2005	1,098,405
Exercise of Warrants	(92,402)
As at 30 June 2006	1,006,003
As at 1 July 2006	1,006,003
Exercise of Warrants	(116,409)
As at 30 June 2007	889,594

Of the total 5,296,315,606 (2006: 5,163,070,589) issued and fully paid ordinary shares at 30 June 2007, the Company holds 190,054,875 (2006: 238,621,656) shares as treasury shares. As at 30 June 2007, the number of ordinary shares in issue and fully paid after offsetting treasury shares is 5,106,260,731 (2006: 4,924,448,933).

b 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.

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.

vi The person to whom the option has been granted has no right to participate by virtue of the option in any share of any other company.

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

			Number of shares options				
Grant date	**Expiry date**	**Exercise Price RM/share**	**At start of financial year '000**	**Granted '000**	**Exercised '000**	**Lapsed '000**	**At end of financial year '000**
Year ended 30 June 2007							
*16.10.2002	29.11.2011	1.14	20	–	–	–	20
*13.12.2002	29.11.2011	1.32	19,795	–	(3,052)	(400)	16,343
*26.12.2002	29.11.2011	1.39	5,540	–	(470)	–	5,070
*12.12.2003	29.11.2011	1.53	3,000	–	(439)	(200)	2,361
*12.12.2003	29.11.2011	1.70	3,412	–	(1,860)	(34)	1,518
16.05.2005	29.11.2011	1.82	4,100	–	–	–	4,100
16.05.2005	29.11.2011	2.02	5,122	–	–	(272)	4,850
01.08.2005	29.11.2011	1.90	41,920	–	–	(37)	41,883
07.08.2006	29.11.2011	1.74	–	1,200	–	(300)	900
07.08.2006	29.11.2011	1.93	–	10,244	–	(4,758)	5,486
07.08.2006	29.11.2011	1.74	–	5,735	–	(628)	5,107
			82,909	17,179	(5,821)	(6,629)	87,638

Grant date	Expiry date	Exercise Price RM/share	Number of shares options At start of financial year '000	Granted '000	Exercised '000	Lapsed '000	At end of financial year '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)	(200)	19,795
*26.12.2002	29.11.2011	1.39	35,288	–	(29,192)	(556)	5,540
*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)	(2,592)	82,909

	2007 '000	2006 '000
Number of share options vested at balance sheet date	**25,312**	25,355

The Group has applied the provision of FRS 2 to all equity instruments granted after 31 December 2004 but not fully vested as at 1 July 2006, the effective date the Group adopted this FRS.

* FRS 2 not applicable for these transactions

The fair value of options granted in which FRS 2 applies, were determined using the Trinomial Valuation model. The significant inputs in the model are as follows:

	2007
Group	
Valuation assumptions:	
Weighted average share price at date of grant (per share)	**RM1.92 - 2.11**
Expected volatility	**3.50%**
Expected dividend yield	**5.50% - 5.80%**
Expected option life	**3 - 5 years**
Risk-free interest rate per annum (based on Malaysian securities bonds)	**2.91% - 4.10%**

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

Value of employee services received for issue of share options:

	Group 2007 RM'000	Company 2007 RM'000
Share options granted	**2,126**	**2,126**
Allocation to subsidiaries	–	**(1,169)**
Allocation to related company	**(7)**	**(7)**
Total expense recognised as share-based payment	**2,119**	**950**

14 RESERVES

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Share premium	**1,944,120**	2,211,392	**1,944,120**	2,211,392
Merger and other reserves	**(2,089,013)**	(2,116,310)	**2,126**	–
Treasury shares	**(402,763)**	(469,568)	**(402,763)**	(469,568)
Retained earnings	**4,026,641**	3,521,908	**1,738,703**	1,908,028
	3,478,985	3,147,422	**3,282,186**	3,649,852

a Merger and other reserves

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Non-distributable				
Capital redemption reserve	**20,000**	20,000	–	–
Merger reserve	**(2,138,533)**	(2,138,533)	–	–
Foreign exchange fluctuation reserve	**(49,835)**	(60,286)	–	–
Equity component of Exchangeable Bond [Note 16(h)]	**34,301**	35,231	–	–
Share of an associated company's statutory reserves transferred from retained earnings	**41,198**	25,438	–	–
Share option reserve	**2,126**	–	**2,126**	–
Capital reserve	**1,730**	1,840	–	–
	(2,089,013)	(2,116,310)	**2,126**	–

The movement in each category of reserves are as follows:

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Capital redemption reserve*				
At 1 July/30 June	**20,000**	20,000	–	–
Merger reserve				
At 1 July/30 June	**(2,138,533)**	(2,138,533)	–	–
Foreign exchange fluctuation reserve				
At 1 July	**(60,286)**	12,850	–	–
Foreign currency translation differences	**10,451**	(73,136)	–	–
At 30 June	**(49,835)**	(60,286)	–	–
Equity component of Exchangeable Bond				
At 1 July	**35,231**	35,231	–	–
Conversion of bonds during the financial year	**(930)**	–	–	–
At 30 June	**34,301**	35,231	–	–
Share of associated company's statutory reserves transferred from retained earnings				
At 1 July	**25,438**	10,247	–	–
Share of statutory reserves during the financial year	**17,793**	15,762	–	–
Foreign currency translation differences	**(2,033)**	(571)	–	–
At 30 June	**41,198**	25,438	–	–

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

	Group		Company	
	2007	**2006**	**2007**	**2006**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Share option reserve				
At 1 July	–	–	–	–
Share options granted during the financial year	**2,126**	–	**2,126**	–
At 30 June	**2,126**	–	**2,126**	
Capital reserve				
At 1 July	**1,840**	1,903	–	–
Foreign currency translation differences	**(110)**	(63)	–	–
At 30 June	**1,730**	1,840	–	–

b Treasury shares

The Shareholders of the Company, by a resolution passed in the 10th Annual General Meeting held on 7 December 2006, 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 149,543,500 (2006: 78,164,600) of its issued share capital from the open market. The average price paid for the shares repurchased was RM2.23 per share (2006: 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.

On 9 February 2007, a total of 198,110,281 treasury shares amounted to RM400,539,366 were distributed as share dividend to shareholders on the basis of one (1) treasury share for every twenty-five (25) ordinary shares held on 5 February 2007.

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 RM681,000,000 (2006: RM909,000,000) out of its retained earnings at 30 June 2007 without incurring additional tax liabilities. The extent of the retained earnings not covered at that date amounted to approximately RM1,058,000,000 (2006: RM998,000,000).

15 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		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Deferred tax liabilities	**2,214,317**	2,327,501	**20**	–
At 1 July	**2,327,501**	2,362,357	**–**	–
(Credited)/charged to income statement:	**(161,091)**	10,183	**20**	–
Exchange differences	**47,907**	(45,039)	**–**	–
At 30 June	**2,214,317**	2,327,501	**20**	–
Subject to income tax				
Deferred tax assets before offsetting:				
- Retirement benefits	**105,153**	119,707	**–**	–
- Advance Corporate Tax	**–**	106,349	**–**	–
- Others	**4,994**	8,411	**–**	–
	110,147	234,467	**–**	–
Offsetting	**(110,147)**	(234,467)	**–**	–
	–	–	**–**	–
Deferred tax liabilities before offsetting:				
- Property, plant and equipment	**2,304,301**	2,546,311	**20**	–
- Others	**20,163**	15,657	**–**	–
	2,324,464	2,561,968	**20**	–
Offsetting	**(110,147)**	(234,467)	**–**	–
	2,214,317	2,327,501	**20**	–

16 BONDS

	Note	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
Current					
Fixed Rate Bonds	16 (a)	**125,000**	125,000	–	–
7% Redeemable Non-Guaranteed Unsecured Bonds	16 (b)	–	749,509	–	749,509
		125,000	874,509	–	749,509
Non current					
Fixed Rate Bonds	16 (a)	**62,500**	187,500	–	–
5.875% Guaranteed Unsecured Bonds	16 (c)	**1,379,113**	1,340,448	–	–
Guaranteed Variable Coupon Bonds Due 2009	16 (d)	**691,710**	673,520	–	–
3.52% Retail Price Index Guaranteed Bonds	16 (e)	**392,372**	371,096	–	–
5.75% Guaranteed Unsecured Bonds	16 (f)	**2,388,445**	2,324,432	–	–
5.375% Guaranteed Unsecured Bonds	16 (g)	**1,368,118**	1,331,423	–	–
Zero Coupon Exchangeable Guaranteed Bonds Due 2010	16 (h)	**864,530**	912,877	–	–
1.75% Index Linked Guaranteed Bonds	16 (i)	**1,054,313**	–	–	–
1.369% and 1.374% Index Linked Guaranteed Bonds	16 (j)	**1,054,313**	–	–	–
		9,255,414	7,141,296	–	–
Total					
Fixed Rate Bonds	16 (a)	**187,500**	312,500	–	–
7% Redeemable Non-Guaranteed Unsecured Bonds	16 (b)	–	749,509	–	749,509
5.875% Guaranteed Unsecured Bonds	16 (c)	**1,379,113**	1,340,448	–	–
Guaranteed Variable Coupon Bonds Due 2009	16 (d)	**691,710**	673,520	–	–
3.52% Retail Price Index Guaranteed Bonds	16 (e)	**392,372**	371,096	–	–
5.75% Guaranteed Unsecured Bonds	16 (f)	**2,388,445**	2,324,432	–	–
5.375% Guaranteed Unsecured Bonds	16 (g)	**1,368,118**	1,331,423	–	–
Zero Coupon Exchangeable Guaranteed Bonds Due 2010	16 (h)	**864,530**	912,877	–	–
1.75% Index Linked Guaranteed Bonds	16 (i)	**1,054,313**	–	–	–
1.369% and 1.374% Index Linked Guaranteed Bonds	16 (j)	**1,054,313**	–	–	–
		9,380,414	8,015,805	–	749,509

All bonds of subsidiary companies are on a non-recourse basis to the Company save and except for RM864,530,490 (USD250,262,119) Guaranteed Exchangeable Bonds Due 2010.

The weighted average average effective interest rate of the Group and Company as at the balance sheet date is as follows:

	Group		Company	
	2007	**2006**	**2007**	**2006**
	%	**%**	**%**	**%**
Weighted average effective interest rate				
Fixed Rate Bonds	**10.00**	10.00	–	–
7% Redeemable Non-Guaranteed Unsecured Bonds	–	0.725	–	0.725
5.875% Guaranteed Unsecured Bonds	**5.875**	5.875	–	–
Guaranteed Variable Coupon Bonds Due 2009	**5.875**	5.875	–	–
3.52% Retail Price Index Guaranteed Bonds	**7.39**	5.95	–	–
5.75% Guaranteed Unsecured Bonds	**5.75**	5.75	–	–
5.375% Guaranteed Unsecured Bonds	**5.375**	5.375	–	–
Zero Coupon Exchangeable Guaranteed Bonds Due 2010	**3.375**	3.375	–	–
1.75% Index Linked Guaranteed Bonds	**5.62**	–	–	–
1.369% and 1.374% Index Linked Guaranteed Bonds	**5.24**	–	–	–

The fair value of the Bonds of the Group and Company as at the balance sheet date is as set out below:

	Group		Company	
	Fair value	**Fair value**	**Fair value**	**Fair value**
	2007	**2006**	**2007**	**2006**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Fixed Rate Bonds	**198,576**	334,636	–	–
7% Redeemable Non-Guaranteed Unsecured Bonds	–	863,774	–	863,774
5.875% Guaranteed Unsecured Bonds	**1,366,653**	1,360,525	–	–
Guaranteed Variable Coupon Bonds Due 2009	**691,710**	683,608	–	–
3.52% Retail Price Index Guaranteed Bonds	**445,624**	430,379	–	–
5.75% Guaranteed Unsecured Bonds	**2,419,775**	2,518,965	–	–
5.375% Guaranteed Unsecured Bonds	**1,304,676**	1,353,102	–	–
Zero Coupon Exchangeable Guaranteed Bonds Due 2010	**882,811**	906,900	–	–
1.75% Index Linked Guaranteed Bonds	**1,024,704**	–	–	–
1.369% and 1.374% Index Linked Guaranteed Bonds	**982,424**	–	–	–
	9,316,953	8,451,889	–	863,774

The period in which the bonds of the Group and Company attain maturity are as follows:

	Not later than 1 year RM'000	Later than 1 year but not later than 5 years RM'000	Later than 5 years RM'000	Total RM'000
At 30 June 2007				
Fixed Rate Bonds	**125,000**	**62,500**	–	**187,500**
5.875% Guaranteed Unsecured Bonds	–	**1,379,113**	–	**1,379,113**
Guaranteed Variable Coupon Bonds Due 2009	–	**691,710**	–	**691,710**
3.52% Retail Price Index Guaranteed Bonds	–	–	**392,372**	**392,372**
5.75% Guaranteed Unsecured Bonds	–	–	**2,388,445**	**2,388,445**
5.375% Guaranteed Unsecured Bonds	–	–	**1,368,118**	**1,368,118**
Zero Coupon Exchangeable Guaranteed Bonds Due 2010	–	**864,530**	–	**864,530**
1.75% Index Linked Guaranteed Bonds	–	–	**1,054,313**	**1,054,313**
1.369% and 1.374% Index Linked Guaranteed Bonds	–	–	**1,054,313**	**1,054,313**
	125,000	**2,997,853**	**6,257,561**	**9,380,414**
At 30 June 2006				
Fixed Rate Bonds	125,000	187,500	–	312,500
7% Redeemable Non-Guaranteed Unsecured Bonds	749,509	–	–	749,509
5.875% Guaranteed Unsecured Bonds	–	1,340,448	–	1,340,448
Guaranteed Variable Coupon Bonds Due 2009	–	673,520	–	673,520
3.52% Retail Price Index Guaranteed Bonds	–	–	371,096	371,096
5.75% Guaranteed Unsecured Bonds	–	–	2,324,432	2,324,432
5.375% Guaranteed Unsecured Bonds	–	–	1,331,423	1,331,423
Zero Coupon Exchangeable Guaranteed Bonds Due 2010	–	912,877	–	912,877
	874,509	3,114,345	4,026,951	8,015,805

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 13.

The principal features of the RNGU Bonds are as follows:

i 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 41(a).

ii 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.

The nominal value of the 7 year 7.0% RNGU Bonds 2000/2007 with 572,166,338 detachable Warrants amounted to RM750,000,000 were redeemed on 11 January 2007.

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 GBP199,377,273 remained outstanding as at 30 June 2007, net of amortised fees and discount. The net proceeds of the GU Bonds were used for refinancing existing financial indebtedness and for general corporate purposes.

The principal features of the GU Bonds are as follows:

i The GU Bonds bear interest at 5.875% per annum, payable annually on 30 March of each financial year.

ii 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.

iii 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.

iv 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.

v The bondholders may put the GU Bonds to the Issuer if:

- Wessex Water Services Limited loses its Appointment;

- the Issuer ceases to be a subsidiary of Wessex Water Services Limited; or

- 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:

  - any material rights, benefits or obligations of Wessex Water Services Limited under the Appointment or any material terms of the Appointment are modified; or

  - 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.

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 2007 (2006: 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:

i 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 2007 is 7.39% (2006: 5.95%).

ii 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.

iii 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.

iv 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.

v The bondholders may put the RPIG Bonds to the Issuer if:

- Wessex Water Services Limited loses its Appointment;

- the Issuer ceases to be a subsidiary of Wessex Water Services Limited; or

- 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:

  - any material rights, benefits or obligations of Wessex Water Services Limited under the Appointment or any material terms of the Appointment are modified; or

  - 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 2007, net of amortised fees and discount. The net proceeds of the RPIG Bonds were used to fund the capital investment programme of Wessex Water Services Limited.

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 GBP345,295,672 (2006: GBP345,117,039) remained outstanding as at 30 June 2007, 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:

i The bonds bear interest at 5.75% per annum, payable annually on 14 October of each financial year.

ii 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.

iii 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.

iv 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.

v The bondholders may put the GU Bonds to the Issuer if:

- Wessex Water Services Limited loses its Appointment;
- the Issuer ceases to be a subsidiary of Wessex Water Services Limited; or
- 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:
  - any material rights, benefits or obligations of Wessex Water Services Limited under the Appointment or any material terms of the Appointment are modified;
  - 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 GBP197,787,870 (2006: GBP197,681,261) remained outstanding as at 30 June 2007, 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:

i The bonds bear interest at 5.375% per annum, payable on 10 March of each financial year.

ii 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.

iii 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.

iv 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.

v The bondholders may put the GU Bonds to the Issuer if:

- Wessex Water Services Limited loses its Appointment;

- the Issuer ceases to be a subsidiary of Wessex Water Services Limited; or

- 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:

  - any material rights, benefits or obligations of Wessex Water Services Limited under the Appointment or any material terms of the Appointment are modified;

  - 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.

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 ('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:

i The Bonds carry no coupon, have a maturity yield of 3.375% and have a put option at 110.56% on 9 May 2008.

ii 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.

iii The Bonds will be unconditionally and irrevocably guaranteed by the Company.

iv 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.

v 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.

vi 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.

vii 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.

The nominal value of the 5-year Exchangeable Guaranteed Bonds amounted to USD250,000,000 and USD243,400,000 remained outstanding as at 30 June 2007, net of amortised fees and discount.

i 1.75% Index Linked Guaranteed Bonds

On 31 July 2006, Wessex Water Services Finance Plc ('Issuer') issued two (2) tranches of GBP75,000,000 nominal value of 1.75% Index Linked Guaranteed Bonds ('ILG Bonds') unconditionally and irrevocably guaranteed by Wessex Water Services Limited ('Guarantor'). The ILG Bonds were each constituted under a Trust Deed dated 31 July 2006 and are unsecured.

The principal features of the ILG Bonds are as follows:

i The ILG Bonds bear interest semi-annually on 31 January and 31 July at an interest rate of 1.75% initially, indexed up by the inflation rate every year. The effective interest rate as at 30 June 2007 is 5.62%.

ii Unless previously redeemed, repurchased, cancelled or otherwise satisfied by the Issuer, the ILG Bonds will be redeemed in full by the Issuer on 31 July 2046 for one tranche, and 31 July 2051 for the other tranche, at their indexed value together with all accrued interest on the surrender of the Bonds.

iii The Issuer may, at any time, purchase the ILG Bonds in any manner and at any price. If purchases are made by tender, tenders must be available to all bondholders alike. All ILG Bonds purchased by the Issuer will forthwith be cancelled.

iv The Issuer, by giving the appropriate notice and in accordance with the conditions laid out in the offering circular, may purchase the ILG Bonds if there is a change in tax legislation or if it wishes to do so at a price determined by an agreed formula.

v The bondholders may put the ILG Bonds to the Issuer if:

- Wessex Water Services Limited loses its Appointment;

- the Issuer ceases to be a subsidiary of Wessex Water Services Limited; or

- a Restructuring Event occurs which results in the ILG 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:

  - any material rights, benefits or obligations of Wessex Water Services Limited under the Appointment or any material terms of the Appointment are modified; or

  - 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 ILG Bonds issued of GBP150,000,000 remained outstanding as at 30 June 2007, net of amortised fees and discount. The net proceeds of the ILG Bonds were used to fund the capital investment programme of Wessex Water Services Limited.

j 1.369% and 1.374% Index Linked Guaranteed Bonds

On 31 January 2007, Wessex Water Services Finance Plc ('Issuer') issued GBP75,000,000 nominal value of 1.369% Index Linked Guaranteed Bonds and GBP75,000,000 nominal value of 1.374% Index Linked Guaranteed Bonds, both due 2057 ('ILG Bonds') unconditionally and irrevocably guaranteed by Wessex Water Services Limited ('Guarantor'). The ILG Bonds were each constituted under a Trust Deed dated 31 January 2007 and are unsecured.

The principal features of the ILG Bonds are as follows:

i The ILG Bonds bear interest semi-annually on 31 January and 31 July at an interest rate of 1.369% and 1.374% initially, indexed up by the inflation rate every year. The effective interest rate as at 30 June 2007 is 5.24%.

ii Unless previously redeemed, repurchased, cancelled or otherwise satisfied by the Issuer, the ILG Bonds will be redeemed in full by the Issuer on 31 July 2057 at their indexed value together with all accrued interest on the surrender of the Bonds.

iii The Issuer may, at any time, purchase the ILG Bonds in any manner and at any price. If purchases are made by tender, tenders must be available to all bondholders alike. All ILG Bonds purchased by the Issuer will forthwith be cancelled.

Notes to the Financial Statements

iv The Issuer, by giving the appropriate notice and in accordance with the conditions laid out in the offering circular, may purchase the ILG Bonds if there is a change in tax legislation or if it wishes to do so at a price determined by an agreed formula.

v The bondholders may put the ILG Bonds to the Issuer if:

- Wessex Water Services Limited loses its Appointment;
- the Issuer ceases to be a subsidiary of Wessex Water Services Limited; or
- a Restructuring Event occurs which results in the ILG 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:
  - any material rights, benefits or obligations of Wessex Water Services Limited under the Appointment or any material terms of the Appointment are modified; or
  - 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 ILG Bonds issued of GBP150,000,000 remained outstanding as at 30 June 2007, net of amortised fees and discount. The net proceeds of the ILG Bonds were used to fund the capital investment programme of Wessex Water Services Limited.

17 BORROWINGS

		Group		Company	
		2007	2006	2007	2006
	Note	RM'000	RM'000	RM'000	RM'000
Current					
Committed bank loans	17 (c)	**4,001**	3,998	**–**	–
Finance lease	17 (d)	**36,934**	21,598	**–**	–
Bank overdrafts	17 (e), 34	**16,601**	63,925	**–**	–
Medium Term Notes	17 (f)	**100,000**	100,000	**–**	–
Hire purchase liabilities	17 (g)	**477**	717	**73**	69
Commercial papers	17 (h)	**750,000**	–	**750,000**	–
		908,013	190,238	**750,073**	69

		Group		Company	
		2007	2006	2007	2006
	Note	RM'000	RM'000	RM'000	RM'000
Non-current					
Revolving credit	17 (a)	–	648,322	–	–
Term loans	17 (b)	**1,944,859**	1,946,893	**584,958**	622,753
Committed bank loans	17 (c)	**66,291**	39,013	–	–
Finance lease	17 (d)	**555,797**	566,345	–	–
Medium Term Notes	17 (f)	**1,199,463**	1,199,372	–	–
Hire purchase liabilities	17 (g)	**155**	632	**71**	145
		3,766,565	4,400,577	**585,029**	622,898
Total		**4,674,578**	4,590,815	**1,335,102**	622,967
Revolving credit	17 (a)	–	648,322	–	–
Term loans	17 (b)	**1,944,859**	1,946,893	**584,958**	622,753
Committed bank loans	17 (c)	**70,292**	43,011	–	–
Finance lease	17 (d)	**592,731**	587,943	–	–
Bank overdrafts	17 (e), 34	**16,601**	63,925	–	–
Medium Term Notes	17 (f)	**1,299,463**	1,299,372	–	–
Hire purchase liabilities	17 (g)	**632**	1,349	**144**	214
Commercial papers	17 (h)	**750,000**	–	**750,000**	–
		4,674,578	4,590,815	**1,335,102**	622,967

All borrowings of the subsidiary companies are on a non-recourse basis to the Company.

The weighted average effective interest rate of the Group and Company as at the balance sheet date is as follows:

	Group		Company	
	2007	2006	2007	2006
	%	%	%	%
Weighted average effective interest rate				
Revolving credit	**5.40**	4.74	–	–
Term loans	**5.30**	4.90	**5.75**	4.73
Committed bank loans	**4.00**	2.80	–	–
Finance lease	**4.90**	4.28	–	–
Bank overdrafts	**6.04**	5.50	–	–
Medium Term Notes	**3.79**	3.45	–	–
Commercial Papers	**3.57**	–	**3.57**	–

The periods in which the borrowings of the Group and Company attain maturity are as follows:

	Not later than 1 year RM'000	Later than 1 year but not later than 5 years RM'000	Later than 5 years RM'000	Total RM'000
At 30 June 2007				
Term loans	–	**1,253,149**	**691,710**	**1,944,859**
Committed bank loans	**4,001**	**66,291**	–	**70,292**
Finance lease	**36,934**	**147,765**	**408,032**	**592,731**
Bank overdrafts	**16,601**	–	–	**16,601**
Medium Term Notes	**100,000**	**300,000**	**899,463**	**1,299,463**
Hire purchase liabilities	**477**	**155**	–	**632**
Commercial papers	**750,000**	–	–	**750,000**
	908,013	**1,767,360**	**1,999,205**	**4,674,578**
At 30 June 2006				
Revolving credit	–	648,322	–	648,322
Term loans	–	650,620	1,296,273	1,946,893
Committed bank loans	3,998	15,992	23,021	43,011
Finance lease	21,598	125,957	440,388	587,943
Bank overdrafts	63,925	–	–	63,925
Medium Term Notes	100,000	–	1,199,372	1,299,372
Hire purchase liabilities	717	632	–	1,349
	190,238	1,441,523	2,959,054	4,590,815

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

a Revolving credit

Revolving credit due is secured by fixed deposits of YTL Utilities Finance Limited (Note 34). The facility bears an interest rate of LIBOR plus 0.10%. This revolving credit has been repaid during the current financial year.

b Term loans

i Term loans denominated in Great Britain Pounds

Term loans of RM1,359,901,860 (GBP196,600,000) (2006: RM1,324,140,320 (GBP196,600,000)) 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% for GBP 21,600,000 loan only, and LIBOR plus a different variable margin for each of the GBP75,000,000 and GBP 100,000,000 loans respectively. Wessex Water Services Limited entered into interest swap agreements in relation to the term loans as set out in Note 41(b).

ii Term loans denominated in US Dollar

During the financial year, the Company had repaid the balance of USD170,000,000 term loan which bears an interest rate of LIBOR plus 0.475% margin. The Company had drawn down a new unsecured term loan of USD170,000,000 during the year which bears an interest rate of LIBOR plus 0.2650% margin and is repayable in full on 29 January 2010.

c Committed bank loans

Committed bank loans totalling RM70,291,570 (EUR15,068,842) (2006: RM43,010,988 (EUR9,226,486)) is 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 2007 is an unsecured obligation of Wessex Water Services Limited. The principal amount of RM592,731,513 (GBP85,690,754) (2006: RM587,943,607 (GBP87,294,157)) 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.

	2007 RM'000	**2006 RM'000**
Minimum hire purchase payments		
- Not later than 1 year	**66,250**	51,151
- Later than 1 year but not later than 5 years	**249,629**	231,490
- Later than 5 years	**487,494**	539,957
Future finance charges on finance lease	**(210,642)**	(234,655)
Present value of finance lease	**592,731**	587,943

e Bank overdrafts

Bank overdrafts of RM16,601,042 (GBP2,400,000) (2006: RM63,923,783 (GBP9,491,000)) 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 3.80% per annum to 4.55% per annum (2006: 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 RM100,000,000 for a period of 1 year which bears an interest rate of 3.80% 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.

	2007 RM'000	2006 RM'000
Minimum hire purchase payments		
- not later than 1 year	**496**	768
- later than 1 year but not later than 5 years	**158**	655
	654	1,423
Future finance charges on hire purchase liabilities	**(22)**	(74)
Present value of hire purchase liabilities	**632**	1,349
Present value of hire purchase liabilities		
- not later than 1 year (current)	**477**	718
- later than 1 year but not later than 5 years (non-current)	**155**	631
Present value of hire purchase liabilities	**632**	1,349

h Commercial Papers ('CP')

The Commercial Papers of the Company were issued pursuant to a Commercial Paper and/or Medium Term Notes issuance programme of up to RM2.0 billion ('CP/MTN Programme') constituted by a Trust Deed and CP/MTN Programme Agreement, both dated 24 May 2007.

The first issuance under the CP/MTN Programme was made on 8 June 2007 with the issue of RM750,000,000 nominal value of Commercial Paper at a discount of 3.57% per annum with tenure of 1 month.

18 POST-EMPLOYMENT BENEFIT OBLIGATIONS

	Defined benefit plan		Defined contribution plan	
	United Kingdom RM'000	Indonesia RM'000	Malaysia RM'000	Total RM'000
Group				
2007				
Current	–	–	**338**	**338**
Non-current	**379,791**	**3,062**	–	**382,853**
	379,791	**3,062**	**338**	**383,191**
2006				
Current	–	–	371	371
Non-current	404,011	2,633	–	406,644
	404,011	2,633	371	407,015

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 2007 using revised assumptions.

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

	RM'000
At 1 July 2005	415,544
Pension cost	69,425
Contributions and benefits paid	(72,835)
Currency translation differences	(8,123)
At 30 June 2006	404,011
Pension cost	**53,120**
Contributions and benefits paid	**(88,061)**
Currency translation differences	**10,721**
At 30 June 2007	**379,791**

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

	2007 RM'000	2006 RM'000
Present value of funded obligations	**2,320,038**	2,251,476
Fair value of plan assets	**(2,003,192)**	(1,770,010)
Status of funded plan	**316,846**	481,466
Unrecognised actuarial loss/(gain)	**62,945**	(77,455)
Liability in the balance sheet	**379,791**	404,011

The pension cost recognised be analysed as follows:

	2007 RM'000	2006 RM'000
Current service cost	**47,471**	52,508
Interest cost	**119,021**	103,294
Expected return on plan assets	**(119,709)**	(92,700)
Past service cost	**6,337**	6,323
Total	**53,120**	69,425
Actual return on plan assets	**224,238**	114,188

	2007 RM'000	2006 RM'000
The charge to the income statement was included in the following line items:		
- cost of sales	**11,359**	21,288
- administrative expenses	**30,643**	26,949
- finance (income)/cost	**(688)**	10,594
Total charge to income	**41,314**	58,831
Capitalised spread across property, plant and equipment	**11,806**	10,594
	53,120	69,425

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

	2007 %	2006 %
Discount rate	**5.80**	5.20
Expected rate of increase in pension payment	**3.10**	2.80
Expected rate of salary increases	**4.10**	3.80
Price inflation	**3.10**	2.80

c Defined benefit plan – Indonesia

Summary of obligations relating to employee benefits due under prevailing law and regulations as well as under the Indonesia subsidiary's regulations are as presented below:

	2007 RM'000	2006 RM'000
Obligation relating to post-employment benefits	**1,926**	1,497
Obligation relating to other long term employee benefits	**1,136**	1,136
Total	**3,062**	2,633

Detailed information pertaining to post-employment benefits and other long term benefit obligations are outlined in the following pages. The obligations for post employment and other long term employee benefits were recognised with reference to actuarial report prepared by an independent actuary. The latest actuarial report was dated 29 June 2007.

The obligations relating to post-employment benefit recognised in the consolidated balance sheet are as follows:

	2007 RM'000	2006 RM'000
Present value of obligations	**5,469**	4,698
Fair value of plan assets	**(2,051)**	(1,937)
Status of funded plan	**3,418**	2,761
Unrecognised actuarial loss	**(922)**	(445)
Unrecognised past service cost	**(570)**	(819)
Liability in the balance sheet	**1,926**	1,497

The Company has a defined contribution retirement plan (the "Plan") which covers qualified permanent national employees. The Company's contribution is 5% of employee basic salary, while the employees' contributions range from 3% to 14%.

The Company's accumulated fund in the Plan was RM2,051,058 (2006: RM1,937,449). This amount has been accounted in the actuarial calculation as a deduction to the present value of obligations for post-employment benefits as presented above, considering that these amounts will be used to fund the payments of any post-employment benefits due.

The amounts relating to post-employment benefit obligation recognised in the consolidated income statement are as follows:

	2007 RM'000	2006 RM'000
Current service cost	**564**	773
Interest cost	**339**	200
Past service cost	**40**	40
Total	**943**	1,013

All of the charges above were included in the cost of revenues.

Movements in the liability recognised relating to post-employment benefit in the consolidated balance sheet are as follows:

	2007 RM'000	2006 RM'000
At beginning of the year	**1,497**	1,218
Pension cost	**943**	1,013
Contributions and benefits paid	**(483)**	(674)
Currency translation differences	**(31)**	(60)
At the end of the year	**1,926**	1,497

The principal actuarial assumptions for the obligation relating to post-employment benefits are as follows:

	2007 %	2006 %
Discount rate	**9.5**	12.0
Expected rate of return on plan assets	**8.0**	9.0
Expected rate of salary increase	**8.0**	10.0

Other long term employee benefit obligation

The obligations relating to other long term employee benefits (i.e. long leave service benefits) recognised in the consolidated balance sheet are as follows:

	2007 RM'000	2006 RM'000
Present value of obligations	**1,136**	1,136
Fair value of plan assets	**–**	–
Liability in the balance sheet	**1,136**	1,136

The amounts relating to other long term employee benefit obligation recognised in the consolidated income statement are as follows:

	2007 RM'000	2006 RM'000
Current service cost	**80**	464
Interest cost	**20**	73
Total	**100**	537

All of the charges above were included in the operating expenses.

Movements in the liability recognised relating to other long term benefits in the consolidated balance sheet are as follows:

	2007 RM'000	2006 RM'000
At beginning of the year	**1,136**	773
Pension cost	**100**	537
Contributions and benefits paid	**(71)**	(159)
Currency translation differences	**(29)**	(15)
At the end of the year	**1,136**	1,136

19 DEFERRED INCOME

	Group	
	2007 RM'000	2006 RM'000
At 1 July	**147,203**	149,213
Currency translation differences	**3,955**	(2,881)
Received during the financial year	**2,445**	6,638
Transfer to income statement	**(6,240)**	(5,767)
At 30 June	**147,363**	147,203

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

20 PAYABLES

	Group	
	2007 RM'000	2006 RM'000
At 1 July	**16,133**	22,264
Currency translation differences	**413**	(528)
Refunded during the financial year	**(4,238)**	(5,603)
At 30 June	**12,308**	16,133

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

21 PROPERTY, PLANT AND EQUIPMENT

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

Group	Land and buildings RM'000	Infrastructure assets RM'000	Plant and machinery RM'000
2007			
Cost			
At 1 July 2006	4,386,760	5,018,347	6,421,571
Currency translation differences	94,952	137,342	105,427
Additions	40,221	226,153	357,598
Disposals	(20,466)	–	(87,734)
Transfer on commissioning	102,304	157,045	216,183
Grants and contribution	–	(49,482)	–
At 30 June 2007	4,603,771	5,489,405	7,013,045
Accumulated depreciation			
At 1 July 2006	680,263	–	1,962,611
Charge for the financial year	110,327	47,607	394,764
Currency translation differences	8,825	258	25,892
Disposals	(8,360)	–	(77,711)
At 30 June 2007	791,055	47,865	2,305,556
Net book value			
30 June 2007	3,812,716	5,441,540	4,707,489

Mains and lines RM'000	Office equipment RM'000	Computers RM'000	Furniture and fittings RM'000	Motor vehicles and aircraft RM'000	Assets under construction RM'000	Total RM'000
22,699	354,875	10,253	782	62,349	686,723	16,964,359
–	9,401	(12)	–	512	18,336	365,958
–	25,674	158	12	5,773	442,009	1,097,598
–	(4,511)	(4)	–	(7,021)	–	(119,736)
–	4,615	132	–	–	(480,279)	–
–	–	–	–	–	–	(49,482)
22,699	390,054	10,527	794	61,613	666,789	18,258,697
13,052	155,503	9,467	678	19,361	–	2,840,935
1,135	26,302	346	35	7,989	–	588,505
–	4,017	(7)	–	96	–	39,081
–	(4,390)	(4)	–	(5,110)	–	(95,575)
14,187	181,432	9,802	713	22,336	–	3,372,946
8,512	208,622	725	81	39,277	666,789	14,885,751

Notes to the Financial Statements

Group	Land and buildings RM'000	Infrastructure assets RM'000	Plant and machinery RM'000
2006			
Cost			
At 1 July 2005	4,421,068	5,118,672	6,379,466
Currency translation differences	(67,846)	(99,357)	(71,257)
Additions	23,822	34,457	133,233
Disposals	(4,000)	–	(45,246)
Transfer on commissioning	13,716	9,585	25,375
Grants and contribution	–	(45,010)	–
At 30 June 2006	4,386,760	5,018,347	6,421,571
Accumulated depreciation			
At 1 July 2005	580,591	–	1,617,011
Charge for the financial year	104,693	–	387,184
Currency translation differences	(3,354)	–	(8,965)
Disposals	(1,667)	–	(32,619)
At 30 June 2006	680,263	–	1,962,611
Net book value			
30 June 2006	3,706,497	5,018,347	4,458,960

Mains and lines RM'000	Office equipment RM'000	Computers RM'000	Furniture and fittings RM'000	Motor vehicles and aircraft RM'000	Assets under construction RM'000	Total RM'000
22,699	331,500	9,879	780	56,406	318,135	16,658,605
–	(5,700)	(6)	–	(294)	155	(244,305)
–	19,793	387	2	14,461	426,391	652,546
–	–	(7)	–	(8,224)	–	(57,477)
–	9,282	–	–	–	(57,958)	–
–	–	–	–	–	–	(45,010)
22,699	354,875	10,253	782	62,349	686,723	16,964,359
11,917	127,034	9,006	633	16,638	–	2,362,830
1,135	30,200	470	45	8,462	–	532,189
–	(1,731)	(2)	–	(104)	–	(14,156)
–	–	(7)	–	(5,635)	–	(39,928)
13,052	155,503	9,467	678	19,361	–	2,840,935
9,647	199,372	786	104	42,988	686,723	14,123,424

Land and buildings of the Group are as follows:

	Short term leasehold land RM'000	Freehold Land RM'000	Buildings RM'000	Total RM'000
Cost				
At 1 July 2006	**7,549**	**68,068**	**4,311,143**	**4,386,760**
Currency translation differences	–	**1,841**	**93,111**	**94,952**
Additions	–	**2,421**	**37,800**	**40,221**
Disposals	–	**(1,922)**	**(18,544)**	**(20,466)**
Transfer on commissioning	–	–	**102,304**	**102,304**
At 30 June 2007	**7,549**	**70,408**	**4,525,814**	**4,603,771**
Accumulated depreciation				
At 1 July 2006	**3,775**	–	**676,488**	**680,263**
Charge for the financial year	**302**	–	**110,025**	**110,327**
Currency translation differences	–	–	**8,825**	**8,825**
Disposals	–	–	**(8,360)**	**(8,360)**
At 30 June 2007	**4,077**	–	**786,978**	**791,055**
Net book value				
30 June 2007	**3,472**	**70,408**	**3,738,836**	**3,812,716**
Cost				
At 1 July 2005	7,549	64,721	4,348,797	4,421,067
Currency translation differences	–	(1,178)	(66,668)	(67,846)
Additions	–	4,534	19,288	23,822
Disposals	–	(9)	(3,990)	(3,999)
Transfer on commissioning	–	–	13,716	13,716
At 30 June 2006	7,549	68,068	4,311,143	4,386,760
Accumulated depreciation				
At 1 July 2005	3,473	–	577,118	580,591
Charge for the financial year	302	–	104,391	104,693
Currency translation differences	–	–	(3,354)	(3,354)
Disposals	–	–	(1,667)	(1,667)
At 30 June 2006	3,775	–	676,488	680,263
Net book value				
30 June 2006	3,774	68,068	3,634,655	3,706,497

Company	Office equipment RM'000	Computers RM'000	Furniture and fittings RM'000	Motor Vehicles RM'000	Assets under construction RM'000	Total RM'000
2007						
Cost						
At 1 July 2006	**35**	**25**	**20**	**1,208**	**132**	**1,420**
Additions	**–**	**–**	**–**	**–**	**59**	**59**
Transfer	**–**	**191**	**–**	**–**	**(191)**	**–**
At 30 June 2007	**35**	**216**	**20**	**1,208**	**–**	**1,479**
Accumulated depreciation						
At 1 July 2006	**35**	**25**	**20**	**972**	**–**	**1,052**
Charge for the financial year	**–**	**38**	**–**	**49**	**–**	**87**
At 30 June 2007	**35**	**63**	**20**	**1,021**	**–**	**1,139**
Net book value						
30 June 2007	**–**	**153**	**–**	**187**	**–**	**340**
2006						
Cost						
At 1 July 2005	35	25	20	964	–	1,044
Additions	–	–	–	244	132	376
At 30 June 2006	35	25	20	1,208	132	1,420
Accumulated depreciation						
At 1 July 2005	35	25	20	964	–	1,044
Charge for the financial year	–	–	–	8	–	8
At 30 June 2006	35	25	20	972	–	1,052
Net book value						
30 June 2006	–	–	–	236	132	368

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	
	2007	**2006**
	RM'000	**RM'000**
Net book values of assets pledged as security for bonds [Note 16(a)]		
- Short term leasehold land	**3,473**	3,775
- Buildings	**497,973**	522,786
- Plant and machinery	**1,521,073**	1,554,720
- Mains and lines	**8,513**	9,647
- Office equipment	**487**	614
- Computers	**520**	677
- Furniture and fittings	**81**	104
- Motor vehicles and aircraft	**22,333**	23,804
	2,054,453	2,116,127

The net book value of assets of the Group held under finance leases amounted to RM534,263,233 (2006: RM563,736,240). During the financial year, no motor vehicle was acquired by means of hire purchase by the Company and its subsidiary company. The net book value of motor vehicles under hire purchases at the balance sheet date was RM1,598,231 (2006: RM2,329,736).

22 INTANGIBLE ASSETS

	Group	
	2007	**2006**
	RM'000	**RM'000**
Goodwill on consolidation:		
At 1 July/30 June	**441,333**	441,333

Goodwill is allocated for impairment test to the individual entity which is also the cash-generating units (CGUs) identified according to the respective companies.

Goodwill only arises in business combinations. The amount of goodwill initially recognised is dependent on the allocation of the purchase price to the fair value of the identifiable assets acquired and the liabilities assumed. The determination of the fair value of the assets and liabilities is based, to a considerable extent, on management judgement.

a Key assumption used in the value-in-use calculation

The following assumption has been applied in the value-in-use calculation.

	%
Pre-tax discount	6.00

The recoverable amount of the CGUs is determined based on value-in-use calculation. The value-in-use calculations apply a discounted cash flow model using cash flow projections based on financial budgets and forecasts approved by management covering the regulatory period ending March 2010.

The discount rates used are pre-tax and reflect specific risks relating to the CGU. The discount rates applied to the cash flow projections are derived from the cost of capital plus a reasonable risk premium at the date of the assessment of the respective CGU.

b Impact of possible change in key assumption

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect the Group's result. The Group's review includes the key assumptions related to sensitivity in the cash flow projections. Based on the sensitivity analysis performed, we have concluded that no reasonably possible changes in the base case assumptions would cause the carrying amount of the cash-generating units to exceed their recoverable amount.

If pre-tax discount rate of 7.52% was applied to the cash flow projections of the cash generating units, the recoverable amount of goodwill on the cash generating units will be equal to the carrying value, assuming the other variables remain unchanged.

No impairment loss was required for the financial year ended 30 June 2007 for the goodwill assessed as their recoverable values were in excess of their carrying values.

23 DEVELOPMENT EXPENDITURE

	Group and Company	
	2007 RM'000	2006 RM'000
At 1 July	**634**	858
Capitalised during the financial year	–	7,754
	634	8,612
Written off during the financial year	**(634)**	(7,978)
At 30 June	–	634

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.

Notes to the Financial Statements

24 SUBSIDIARY COMPANIES

	Company 2007 RM'000	Company 2006 RM'000
Unquoted shares, at cost:		
Ordinary shares	**5,774,860**	5,774,860
Preference shares	**477,463**	477,463
	6,252,323	6,252,323

The subsidiary companies are as follows:

Name of company	Country of incorporation	Group's effective interest 2007 %	Group's effective interest 2006 %	Principal activities
YTL Power Generation Sdn Bhd	Malaysia	**100**	100	Developing, constructing, completing, maintaining and operating power plants
YTL Power International Holdings Limited *	Cayman Islands	**100**	100	Investment holding
YTL Power Australia Limited *	Cayman Islands	**100**	100	Investment holding
YTL Power Finance (Cayman) Limited *	Cayman Islands	**100**	100	Investment holding
YTL-CPI Power Limited **	Hong Kong	**51**	51	Dormant
YTL Utilities Limited *	Cayman Islands	**100**	100	Investment holding
YTL Utilities Finance Limited *	Cayman Islands	**100**	100	Investment holding
YTL Utilities Finance 2 Limited *	Cayman Islands	**100**	100	Investment holding
YTL Utilities Finance 3 Limited *	Cayman Islands	**100**	100	Investment holding
YTL Utilities Holdings Limited *	Cayman Islands	**100**	100	Investment holding
Wessex Water International Limited *	Cayman Islands	**100**	–	Investment holding
YTL Utilities (UK) Limited *	England and Wales	**100**	100	Investment holding

Name of company	Country of incorporation	Group's effective interest 2007 %	Group's effective interest 2006 %	Principal activities
YTL Events Limited *	England and Wales	**100**	100	Providing public entertainment, events and public relations services
Wessex Water Limited *	England and Wales	**100**	100	Investment holding
Wessex Water Services Limited *#	England and Wales	**100**	100	Water supply and waste water services
SC Technology GmbH *#	Switzerland	**100**	100	Waste treatment processes
SC Technology Nederlands B.V. #	Netherlands	**100**	100	Waste treatment processes
SC Technology Deutschland GmbH *#	Germany	**100**	100	Waste treatment processes
S.A. SC Technology France *#	France	**100**	100	Waste treatment processes
SC Technology Denmark ApS *#	Denmark	**100**	100	Waste treatment processes
Wessex Water Services Finance Plc *#	England and Wales	**100**	100	Issue of bonds
Wessex Water Enterprises Limited *#	England and Wales	**100**	100	Water supply and waste water services
Wessex Water Commercial Limited *#	England and Wales	**100**	100	Dormant
Wessex Property Services Limited *#	England and Wales	**100**	100	Dormant
Wessex Water Trustee Company Limited *#	England and Wales	**100**	100	Dormant
Wessex Water Engineering Services Limited *#	England and Wales	**100**	100	Dormant
YTL Services Limited *#	England and Wales	**100**	100	Dormant
Wessex Spring Water Limited *#	England and Wales	**100**	100	Dormant
Wessex Logistics Limited *#	England and Wales	**100**	100	Dormant
YTL Engineering Limited *#	England and Wales	**100**	100	Dormant
Wessex Water Pension Scheme Trustee Limited *#	England and Wales	**100**	100	Dormant

Name of company	Country of incorporation	Group's effective interest 2007 %	Group's effective interest 2006 %	Principal activities
Wessex Engineering & Construction Services Limited *#	England and Wales	**100**	100	Engineering and Construction Services
Wessex Promotions Limited*#	England and Wales	**100**	100	Entertainment promotion
YTL Jawa Power Holdings Limited*	Cyprus	**100**	100	Investment holding
YTL Jawa Power Holdings B.V.* ^	Netherlands	**100**	100	Investment holding
YTL Jawa Power Finance Limited* ^	Cayman Island	**100**	100	Investment holding
YTL Jawa Power B.V.* ^	Netherlands	**100**	100	Investment holding
YTL Jawa O & M Holdings Limited*	Cyprus	**100**	100	Investment holding
YTL Jawa O & M Holdings B.V.* ~	Netherlands	**100**	100	Investment holding
YTL Jawa Power Services B.V. * ~	Netherlands	**100**	100	Investment holding
P.T. YTL Jawa Timur** ~	Indonesia	**100**	100	Construction management, consultancy services and power station operation services

* Audited by a firm other than member firm of PricewaterhouseCoopers International Limited

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

\# Subsidiary companies of Wessex Water Limited

~ Subsidiary companies of YTL Jawa O & M Holdings Limited

^ Subsidiary companies of YTL Jawa Power Holdings Limited

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 property, plant and equipment value as at 31 March 2007 as disclosed in the current cost balance sheet of Wessex Water Services Limited was RM73,493 million (£10,625 million) [2006: RM68,692 million (£10,199 million)].

25 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	
	2007 RM'000	2006 RM'000
Current assets	**8,951**	16,164
Current liabilities	**(8,951)**	(18,858)
Net assets/(liabilities)	–	(2,694)
Expenses	**61,230**	68,200

26 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.

27 ASSOCIATED COMPANIES

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Unquoted shares, at cost	**610,994**	649,992	**5**	5
Group's share of post-acquisition reserves	**252,146**	166,201	**–**	–
Group's share of net assets	**863,140**	816,193	**5**	5

a The Group's share of revenue and profit of associates are as follows:

	Group 2007 RM'000	Group 2006 RM'000
Revenue	**764,619**	731,838
Profit after taxation	**185,134**	166,205

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

	Group 2007 RM'000	Group 2006 RM'000
Non-current assets	**1,625,723**	1,799,953
Current assets	**500,180**	519,606
Current liabilities	**(110,936)**	(115,951)
Non-current liabilities	**(1,151,827)**	(1,387,415)
Net assets	**863,140**	816,193

c The associated companies are as follows:

Name of company	Country of incorporation	Group's effective interest 2007 %	Group's effective interest 2006 %	Principal activities
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
P.T. Jawa Power	Indonesia	**35.0**	35.0	To construct, commission and operate a coal-fired thermal power station

28 INVESTMENTS

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
At cost:				
Shares quoted in Malaysia	**97,562**	283,857	**90,867**	277,162
Shares in unquoted corporations - preference shares	**554,162**	550,050	–	–
Shares quoted outside Malaysia	**7**	7	–	–
Unquoted loan notes outside Malaysia	**16,553**	20,654	–	–
	668,284	854,568	**90,867**	277,162
At market value:				
Shares quoted in Malaysia	**181,172**	280,820	**169,145**	273,906
Shares quoted outside Malaysia	**34**	–	–	–
	181,206	280,820	**169,145**	273,906

Included here is an investment in 25,991,181 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.

During the financial year, the Company disposed 185,000,000 units of ICULS issued by its related company, YTL Cement Berhad. The disposal of ICULS resulted in a gain on disposal amounting to RM88 million.

29 INVENTORIES

Inventories comprise:

	Group	
	2007	2006
	RM'000	RM'000
At cost:		
Spare parts	**130,103**	118,440
Raw materials	**9,439**	10,020
Work in progress	**21,308**	24,851
	160,850	153,311

Notes to the Financial Statements

30 RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Trade receivables	**714,451**	697,518	–	–
Less: Allowance for doubtful debts	**(279,941)**	(121,126)	–	–
	434,510	576,392	–	–
Other receivables	**85,970**	177,162	**36,273**	39,006
Accrued income	**250,236**	206,065	–	–
Fixed deposit interest receivable	**31,913**	3,058	**931**	1,395
Deposits	**389**	384	**5**	5
Amount receivable from a related company	**52**	6	**9**	2
Prepayments	**106,130**	108,450	–	3,305
	909,200	1,071,517	**37,218**	43,713

Credit terms of trade receivables range averages at 30 days (2006: 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 2007, 26% (2006: 20%) of receivables was due from a customer in relation to the sale of electricity.

31 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.

32 SHORT TERM INVESTMENTS

	Group and Company	
	2007 RM'000	2006 RM'000
Unquoted debt securities of corporations in Malaysia		
At cost	**44,507**	43,137

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

33 FIXED DEPOSITS

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Deposits with licensed banks	**6,010,357**	4,705,745	**776,029**	981,478
Deposit with discount houses	–	26,663	–	4,612
	6,010,357	4,732,408	**776,029**	986,090

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

	Group		Company	
	2007	2006	2007	2006
	%	%	%	%
Deposits with licensed banks	**2.74 - 5.50**	1.98 - 5.30	**3.47 - 3.50**	3.28 – 3.60
Deposits with discount houses	–	3.35 - 3.51	–	3.35

Deposits of the Group and the Company have an average maturity of 30 days (2006: 30 days). Bank balances are deposits held at call with banks.

34 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	
		2007	2006	2007	2006
	Note	RM'000	RM'000	RM'000	RM'000
Fixed deposits	33	**6,010,357**	4,732,408	**776,029**	986,090
Cash and bank balances		**19,468**	7,740	**1,767**	1,174
Bank overdrafts	17	**(16,601)**	(63,925)	–	–
		6,013,224	4,676,223	**777,796**	987,264

The fixed deposits amounting to RM687,515,745 at 30 June 2006 had been pledged to a licensed bank in respect of a revolving credit facility drawn down by YTL Utilities Finance Limited (Note 17(a)).

35 PAYABLES AND ACCRUED EXPENSES

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Trade payables	**62,745**	50,552	–	–
Duties and taxes payable	**16,753**	14,874	–	–
Accrued expenses	**566,038**	476,997	**364**	2,925
Receipts in advance	**225,288**	199,964	–	–
Other payables	**28,130**	81,810	**2,453**	1,430
	898,954	824,197	**2,817**	4,355

Credit terms of trade payables granted to the Group range from 30 to 60 days (2006: 30 to 60 days).

36 PROVISION FOR LIABILITIES AND CHARGES

	Group	
	2007	2006
	RM'000	RM'000
At 1 July	**37,171**	31,018
- Currency translation differences	**949**	(488)
- Charge to income statement	–	9,002
- Payment	**(10,097)**	(2,361)
At 30 June	**28,023**	37,171

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

37 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.

38 COMMITMENT

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Contracted, but not provided for	**1,119,275**	715,740	–	–
Authorised, not contracted for	**497,485**	565,501	–	–

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

39 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 2007 amounted to RM8,427,512 (2006: RM7,981,771).

Also, there is a joint and several shareholders' contingent support with Siemens Financial Services to invest up to a further equity which amounted to RM40,279,470 (2006: RM42,850,500) in PT Jawa Power, an associate of the Group.

As at 30 June 2007, 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.

40 SEGMENTAL INFORMATION

The Group is organised into three main business segments:

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

a Primary reporting business segments

	Investment holding RM'000	Power generation RM'000	Sales of water and disposal of waste water RM'000	Group RM'000
Financial year ended 30 June 2007				
Revenue	**263,467**	**1,155,440**	**2,649,101**	**4,068,008**
Results				
Segment result (external)	**106,691**	**368,300**	**1,376,316**	**1,851,307**
Finance cost				**(739,684)**
Share of results of associated companies	**562**	**184,572**	**–**	**185,134**
Profit from ordinary activities before tax				**1,296,757**
Tax				**(27,543)**
Profit from ordinary activities after tax				**1,269,214**
At 30 June 2007				
Other information				
Segment assets	**4,714,068**	**3,467,801**	**15,821,021**	**24,002,890**
Segment liabilities	**8,601**	**615,986**	**3,196,168**	**3,820,755**
Unallocated liabilities				**14,054,992**
Total liabilities				**17,875,747**
Capital expenditure	**59**	**59,841**	**1,037,698**	**1,097,598**
Depreciation	**142**	**121,764**	**466,599**	**588,505**

	Investment holding RM'000	Power generation RM'000	Sales of water and disposal of waste water RM'000	Group RM'000
Financial year ended 30 June 2006				
Revenue	177,869	1,211,518	2,368,738	3,758,125
Results				
Segment result (external)	78,330	523,151	1,005,817	1,607,298
Finance cost				(661,103)
Share of results of associated companies	549	165,656	–	166,205
Profit from ordinary activities before tax				1,112,400
Tax				(237,917)
Profit from ordinary activities after tax				874,483
At 30 June 2006				
Other information				
Segment assets	5,359,523	3,638,291	13,246,451	22,244,265
Segment liabilities	9,785	699,880	3,199,023	3,908,688
Unallocated liabilities				12,606,620
Total liabilities				16,515,308
Capital expenditure	548	2,453	649,546	652,547
Depreciation	270	146,030	385,889	532,189

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	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Malaysia	**1,169,275**	1,197,846	**3,480,615**	4,126,576	**59,892**	2,026
United Kingdom	**2,649,101**	2,368,738	**15,821,021**	13,246,451	**1,037,698**	649,546
Other countries	**249,632**	191,541	**4,701,254**	4,871,238	**8**	975
	4,068,008	3,758,125	**24,002,890**	22,244,265	**1,097,598**	652,547

41 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.

There is no outstanding interest rate swap contracts as at 30 June 2007.

a In respect of the 7% RNGU Bonds Note 16(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. The RGNU were redeemed on 11 January 2007.

b In respect of certain term loans in Note 17(b), a subsidiary company entered into interest rate swap agreements with financial institutions for a total notional principal amount of GBP10,800,000. The contract was extinguished on 15 June 2007. Average floating interest rates ranged from 4.63% to 5.43% (2006: 4.48% to 4.76%) per annum receivable quarterly as compared to fixed interest rates of 5.95% (2006: 5.95%) per annum payable semi-annually as a result of the swap agreements.

	Group		
	Contract or notional principal amount RM'000	Favourable RM'000	Unfavourable RM'000
Interest rate swaps			
- At 30 June 2006	72,740	–	(2,563)

42 CHANGES IN ACCOUNTING POLICIES

The following describes the impact of the new accounting standards, amendments to the published standards and IC interpretations adopted by the Group for financial year beginning on 1 July 2006 as listed in Note 3 and 4 of the Basis of Preparation and Significant Accounting Policies on the Financial Statements.

a Irrelevant or immaterial effect on financial statements

The adoption of FRS 1, 102, 108, 110, 127, 128, 131, 132, 133, 140 and the 'assets ceiling' amendments to FRS 119 did not result in significant changes to the Group's accounting policies. In summary:

- FRS 1 is not relevant to the Group's operation.
- FRS 102, 108, 110, amendment to FRS 119, 127, 128, 131, 132, 133 and 140 and IC interpretations had no material impact on the Group's accounting policies.

b Reclassification of prior year comparatives

Set out below are changes in accounting policies that resulted in the reclassification of prior year comparatives but did not affect the recognition and measurement of Group's net assets:

- FRS 101 has affected the presentation of minority interests. Minority interests are now presented within total equity, separately from the parent shareholders equity in the consolidated balance sheet and as an allocation from net profit for the year in the consolidated income statement. The movement of minority interests is now presented in the consolidated statement of changes in equity.

- Under FRS 101, the Group's share of results of jointly controlled entities and associates are now presented net of tax in the consolidated income statement.

c Relevant effect from adoption of new accounting policies or changes in accounting policies

i FRS 2 'Share-based Payment'

The adoption of FRS 2 had resulted in a change in accounting policy for share-based payment. In the previous year, the provision of share options to employees did not result in a charge in the income statement. Upon adoption of FRS 2, the Group recognises the fair value of such share options as an expense in the income statement over the vesting period of the grant with a corresponding increase in equity.

The Group has applied the provision of FRS 2 to all equity instruments granted after 31 December 2004 but not yet vested as at 1 July 2006, the effective date the Group adopted this FRS.

The accounting policy has been applied retrospectively in respect of options granted to employees after 31 December 2004 and which had not vested as at 1 July 2006. The financial impact to the Group arising from the retrospective application is not material and hence, no restatement of retained earnings is performed.

The impact of the application of FRS 2 to the financial results of the Group and the Company in the current year was RM2.12 million and RM0.95 million respectively.

ii FRS 3 'Business Combination', FRS 136 'Impairment of Assets' and FRS 138 'Intangible Assets'

Goodwill and Negative Goodwill

The adoption of FRS 3, FRS 136 and FRS 138 had resulted in the extension of accounting policy for goodwill to cover the following:

- Recognition of contingent liabilities and intangible assets as part of allocation of the cost of acquisition in determining goodwill arising from acquisition;

- Recognition of the excess in fair value of the net identifiable assets acquired over the cost of acquisition immediately to the consolidated income statement;

- Allocation of goodwill to cash-generating units for the purpose of impairment testing. Each cash-generating unit represents the lowest level within the Group at which goodwill is monitored for internal management purposes and which are expected to benefit from the synergies of the combination; and

- Impairment of goodwill is charged to consolidated income statement as and when it arises and reversal is not allowed.

Business Combination

The adoption of FRS 3, FRS 136 and FRS 138 had also resulted in change in the accounting policy for business combinations with agreement dated on or after 1 January 2006.

Previously, where shares were issued as cost of a business combination, the measurement of the shares issued were that valued by independent advisers and agreed upon by the parties to the acquisition. Under FRS 3, the fair value of the shares at the date of exchange is used instead.

Previously, intangible assets acquired in a business combination are recognised if, and only if, the probability recognition criterion was met. Under FRS 3, the probability recognition criterion for intangible assets is always considered to be satisfied. In addition, the cost of business combinations is now also allocated to contingent liabilities of the entity acquired.

The above changes in accounting policy have been applied prospectively for business combinations with agreement dated on or after 1 July 2006. This change in accounting policy has no material financial impact on the Group's consolidated financial statements.

Reassessment of the Useful Lives of Intangible Assets

The Group has reassessed the useful lives of its recognised intangible assets in accordance with the transitional provisions of FRS 138. No adjustment resulted from this assessment as the recoverable value was in excess of the carrying value.

iii FRS 121 'The Effects of Changes in Foreign Exchange Rates'

Functional Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

Goodwill and Fair Value Adjustments

Previously, goodwill arising on the acquisition of foreign operations and fair value adjustments to the carrying amounts of assets and liabilities arising on such acquisition were deemed to be assets and liabilities of the parent company and were translated using the exchange rate at the date of acquisition.

The Group has applied this change in accounting policy prospectively to all acquisitions completed on or after 1 July 2006 in accordance with the transitional provision of FRS 121. Goodwill and fair value adjustments arising from acquisition of foreign entities are now treated as assets and liabilities of the acquiring entity and are translated at the closing rate. This change in accounting policy has no material impact on the Group's consolidated financial statements.

43 COMPARATIVES

Certain comparative figures as at 30 June 2006 have been reclassified to reflect a more approprite cost classification.

	As previously reported RM'000	Reclassification RM'000	As restated RM'000
Group Income Statement			
Cost of sales	(1,901,308)	(10,950)	(1,912,258)
Other operating expenses	(79,150)	10,950	(68,200)

44 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 25 October 2007.

Statement by Directors

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

We, Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay and Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE, two of the Directors of YTL Power International Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 59 to 140 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 2007 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 Financial Reporting Standards, MASB approved accounting standards in Malaysia for Entities Other than Private Entities and the provisions of the Companies Act, 1965.

Signed on behalf of the Board of Directors in accordance with their resolution dated 25 October 2007.

Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay
Director

Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE
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 59 to 140 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 25 October 2007, 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 59 to 140. 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 Financial Reporting Standards, MASB approved accounting standards in Malaysia for Entities Other than Private Entities 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 2007 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 24 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
25 October 2007

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 11th 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 Friday, 7 December 2007 at 2.30 p.m. and at any adjournment thereof.

My/Our proxy is to vote as indicated below:

NO.	RESOLUTIONS	FOR	AGAINST
1	Receipt of Reports and Audited Financial Statements		
2	Declaration of Final Dividend		
3	Re-election of Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng		
4	Re-election of Dato' Yeoh Seok Hong		
5	Re-election of Syed Abdullah Bin Syed Abd. Kadir		
6	Re-appointment of Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay		
7	Re-appointment of Dato' (Dr) Yahya Bin Ismail		
8	Re-appointment of Mej Jen (B) Dato' Haron Bin Mohd Taib		
9	Approval of the payment of Directors' fees		
10	Re-appointment of Messrs. PricewaterhouseCoopers as Company Auditors		
11	Authorisation for Directors to Allot and Issue Shares		
12	Proposed Renewal of Share Buy-Back Authority		
13	Proposed Renewal of Shareholders' Mandate and New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
14	Proposed Amendments to the Articles of Association		

Dated this day of 2007

Signature of shareholder

No. of shares held

Notes:

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.

2 This form of proxy and the Power of Attorney or other authority (if any) under which it is signed or notarily 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.

3 In the case of a corporation, this form of 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.

4 Unless voting instructions are indicated in the spaces provided above, the proxy may vote as he thinks fit.

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 2007. Only a depositor whose name appears on the General Meeting Record of Depositors as at 30 November 2007 shall be entitled to attend the said meeting or appoint proxy to attend and/or vote in his stead.

Affix Stamp Here

The Company Secretary

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

fold here

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