

Sime Darby: 43% drop in profit, but still in the black
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The country's biggest government-linked company Sime Darby Bhd announced a pre-tax profit of RM1.7 billion, down 43 percent, for the financial year ending June 30, 2010.

The company recorded a revenue of RM33 billion, up six percent, putting to rest speculation by the media that losses would be in excess of RM2.5 billion.

Despite the overall profit, its Energy and Utilities (E&U) division reported a devastating loss of RM1.752 billion for the 2010 financial year, after making total provisions of RM2.085 billion.

This includes an additional provision of RM777.3 million for the fourth quarter of this year, based on estimates for three oil and gas projects, Qatar Petroleum (QP), Maersk Oil Qatar (MOQ) and Marine, and other impairments to assets.

According to new group CEO Mohd Bakke Salleh, no new provisions were made for the contentious Bakun Hydroelectric Dam project in quarter four.

"For Bakun, based on latest estimates of the project, we do not envisage later provisions," Bakke (left) said.

However, he could not rule out making further provisions for the other projects.

"We have set aside a certain sum...but as we progress, we may have to take a fresh look.

"Based on the information at our disposal we are confident we don't have to provide more than we have put aside (but) this is a dynamic scenario," he said.

Unlike previous quarters, Sime Darby did not provide a detailed breakdown for the multi-billion provisions.

"It is not that we don't want to divulge but we were advised by our lawyers not to as some involve ongoing claims from clients and third parties," he told reporters.

He confirmed that the provisions also include a project in India, although he could not confirm the amount, reported by media to be around RM3 billion.

Bakke was appointed in June to replace acting CEO Azhar Abdul Halim, who stood in place of Zubir Murshid who was asked to leave following findings of massive losses.

Sime Darby's accounts came under public scrutiny after its May 13 announcement of losses of close to RM1 billion, found after a seven-month internal probe.

Results of its forensic audit are due to be announced at the end of September.

Restructuring divisions to six companies

Bakke, who is under a three-year contract, also announced that the conglomerate is undergoing an exercise to review its investments.

He, however, could not deny the possibility that Sime Darby would divest any of its core assets.

"We have just started the exercise. My hunch is that we will only know in the earlier part of next year," he said

He added that Sime Darby will go through a restructuring exercise by turning all six of its divisions - plantation, property, industrial, motors, energy and utilities, and healthcare - into individual anchor companies.

"We received endorsement from the board of directors today. The companies will be 100 percent owned by Sime Darby Berhad but it will focus on management and provide more board attention," he said.

All six companies will have its own board of directors consisting of members of the main board, senior management, independent directors and industry experts.

"(These companies) will also be the grooming base for future group presidents.

"We are working with the view of implementing it on Jan 1, but we will need to go back to the board first with details," he said.

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